MANILA WATER COMPANY INC

MWS ADMINISTRATION BUILDING
489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person
981-8122
Company Telephone Number

ACGR WITH 2016 UPDATES

STOCK
FORM TYPE

0 4 Any

Secondary License Type, If Applicable

Total Amount of Borrowings
Total No. of Stockholders

Domestic
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier
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1. Report is Filed for the Year 2016
2. Exact Name of Registrant as Specified in its Charter MANILA WATER COMPANY, INC.

3. **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**
   Address of Principal Office

4. SEC Identification Number **A 1996-11593**

5. **1105**
   Postal Code

6. BIR Tax Identification Number **005-038-428**

7. **(02)926-7999 local 8130 / or (02)981-8133**
   Issuer’s Telephone number, including area code

8. Former name or former address, if changed from the last report
A. BOARD MATTERS

1) Board of Directors

<table>
<thead>
<tr>
<th>Number of Directors per Articles of Incorporation</th>
<th>Eleven (11)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Actual number of Directors for the year</th>
<th>Eleven (11)</th>
</tr>
</thead>
</table>

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Data as of December 31, 2015

<table>
<thead>
<tr>
<th>Director's Name</th>
<th>Type¹</th>
<th>If nominee, identify the principal</th>
<th>Nominator in the last election²</th>
<th>Date first elected</th>
<th>Date last elected</th>
<th>Elected when</th>
<th>No. of years served as Director³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>NED</td>
<td>AC*</td>
<td>AC</td>
<td>May 15, 1997</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>18</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>NED</td>
<td>AC</td>
<td>AC</td>
<td>May 15, 1997</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>18</td>
</tr>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>ED</td>
<td>AC</td>
<td>AC</td>
<td>November 26, 2009</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>6</td>
</tr>
</tbody>
</table>

¹ Executive (ED), Non-Executive (NED) or Independent Director (ID)
² If ID, state the relationship with the nominator
³ If ID, state the number of years served as ID.
<table>
<thead>
<tr>
<th>Name</th>
<th>Type</th>
<th>Position</th>
<th>Company</th>
<th>Start Date</th>
<th>End Date</th>
<th>ASM</th>
<th>CIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Antonino T. Aquino</td>
<td>NED</td>
<td>AC</td>
<td>AC</td>
<td>April 24, 1998</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>17</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>NED</td>
<td>AC</td>
<td>AC</td>
<td>May 6, 2002</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>13</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>NED</td>
<td>Philwater **</td>
<td>Philwater **</td>
<td>April 12, 2010</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>5</td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>ID</td>
<td>N/A</td>
<td>Janice G. Lim (not related)</td>
<td>February 3, 2005</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>10</td>
</tr>
<tr>
<td>Jose L. Cuisia Jr.</td>
<td>ID</td>
<td>N/A</td>
<td>Janice G. Lim (not related)</td>
<td>April 12, 2010</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>5</td>
</tr>
<tr>
<td>Sherisa P. Nuesa</td>
<td>ID</td>
<td>N/A</td>
<td>Thom Ryan Q. Ortega (not related)</td>
<td>April 15, 2013</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>2</td>
</tr>
<tr>
<td>Jaime C. Laya</td>
<td>ID</td>
<td>N/A</td>
<td>Thom Ryan Q. Ortega (not related)</td>
<td>April 4, 2014</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>1</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>NED</td>
<td>N/A</td>
<td>Janice G. Lim (not related)</td>
<td>April 4, 2014</td>
<td>April 7, 2015</td>
<td>ASM</td>
<td>1</td>
</tr>
</tbody>
</table>

*Ayala Corporation

**Philwater Holdings Company, Inc.
Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The corporate governance policy of Manila Water Company, Inc. (hereafter, the “Company”, the “Corporation”, or “Manila Water”) is primarily contained in its Manual of Corporate Governance (“Manual”) which the Board of Directors adopted and approved on April 11, 2011. As contained in the Manual, the Company’s corporate governance framework is based on the following principles:

- Accountability - The Manual establishes the Company’s accountability to all its shareholders and guides the Board in setting strategies and monitoring the Company’s management.
- Fairness - The Company obligates itself to safeguard shareholder rights and ensure the fair treatment of all shareholders, including minority shareholders.
- Transparency - The Company ensures that timely and accurate disclosures are made on all material matters, including the financial situation, performance, ownership, and governance, in a manner easily accessible to the public and all interested parties.
- Sustainability - The Company believes that its business goals are intertwined with the well-being of the communities that it serves, and that of the natural environment that supports its resources. It recognizes the value of working with all its stakeholders in order to achieve its social, environmental and business objectives.\(^4\)

The last update to the Manual was approved by the Board in its regular meeting held on June 25, 2014 to comply with SEC Memorandum Circular No. 9 Series of 2014 dated May 6, 2014. In addition to the changes required by the said Circular, some changes were also made to the Manual for the purpose of improving its format. The endorsement of the Audit and Governance Committee on the proposed changes to the Manual was obtained last June 6, 2014.

How often does the Board review and approve the vision and mission?

To ensure good governance of the Company, the Board is mandated under the Manual to establish a vision and mission and strategic objectives and key policies and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating the Management’s performance, especially that of the President and CEO. The Board is enjoined to periodically review the vision, mission, corporate strategic objectives and key policies of the Company in order to sustain the Company’s market competitiveness and enhance shareholder value.

Pursuant to the Rate Rebasing provision of the Concession Agreement of the Company with the Metropolitan Waterworks and Sewerage System (MWSS), and in accordance with good corporate business practice, the Company revisits its business plan every five (5) years. Further, in its Charter which the Board

\(^4\) Manual of Corporate Governance, page 2.
approved and adopted on April 4, 2014 (“Charter of the Board”), it is provided in Section 3.12 thereof that the Board shall regularly review, at least annually, the vision and mission of the Corporation and shall revise the same, as may be necessary, in accordance with the strategic directions of the Company.

In its regular meeting held on August 11, 2015, which meeting was attended by all the members of the Board, the Board has approved the new mission-vision statement and strategy of the Company, to wit:

Mission

“Our mission is to create an exceptional customer experience in the provision of sustainable solutions vital to health and life.”

Vision

“Our vision is to become a leader in the provision of water, used water and environmental services which will empower people, protect the environment, and enhance sustainable development.”

(d) Directorship in Other Companies

(i) Directorship in the Company’s Group

Identify, as and if applicable, the members of the company’s Board of Directors who hold the office of director in other companies within its Group:

Below are the directorships in the Company’s Group of the members of the Board:

<table>
<thead>
<tr>
<th>Director’s Name</th>
<th>Corporate Name of the Group Company</th>
<th>Type of Directorship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>Ayala Corporation</td>
<td>Executive</td>
</tr>
</tbody>
</table>

5 The Group is composed of the parent, subsidiaries, associates and joint ventures of the Company.
6 Executive, Non-Executive, Independent. Indicate if director is also the Chairman.
<table>
<thead>
<tr>
<th>Name</th>
<th>Company Details</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mermac, Inc.</td>
<td>Non-Executive (Co-Vice Chairman)</td>
<td></td>
</tr>
<tr>
<td>Ayala Group Club, Inc.</td>
<td>Non-Executive (Co-Chairman)</td>
<td></td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>Ayala Corporation</td>
<td>Executive (Chairman)</td>
</tr>
<tr>
<td></td>
<td>Ayala Foundation and Ayala Group Club, Inc.</td>
<td>Non-Executive (Co-Chairman)</td>
</tr>
<tr>
<td></td>
<td>Ayala Land, Inc.</td>
<td>Non-Executive (Vice Chairman)</td>
</tr>
<tr>
<td></td>
<td>Mermac, Inc.</td>
<td>Non-Executive (Co-Vice Chairman)</td>
</tr>
<tr>
<td></td>
<td>Laguna AAAWate Corporation</td>
<td>Non-Executive (Vice-Chairman)</td>
</tr>
<tr>
<td></td>
<td>Manila Water International Solutions, Inc.</td>
<td>Executive (Chairman)</td>
</tr>
<tr>
<td>Name</td>
<td>Company</td>
<td>Position</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-------------------------------------------------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>Ayala Land, Inc. and Anvaya Cove Beach and Nature Club, Inc.</td>
<td>Non-Executive</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>AC Energy Holdings, Inc. and AC Infrastructure Holdings Corporation</td>
<td>Executive</td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>Bank of the Philippine Islands</td>
<td>Non-Executive</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>Ayala Foundation, Inc.</td>
<td>Non-Executive</td>
</tr>
<tr>
<td>Jaime C. Laya</td>
<td>Ayala Land, Inc., Ayala Foundation, Inc.</td>
<td>Non-Executive</td>
</tr>
<tr>
<td>Sherisa P. Nuesa</td>
<td>Actimed Group composed of Actimed, Inc., Erikagen, Inc., Novelis Solutions, Inc. and Pharma Gen Ventures Corp.</td>
<td>Non-Executive</td>
</tr>
</tbody>
</table>
(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company’s Board of Directors who are also directors of publicly-listed companies outside of its Group:

Below are the directorships of the Company’s members of the Board in publicly-listed companies outside of its Group:

<table>
<thead>
<tr>
<th>Director’s Name</th>
<th>Name of Listed Company</th>
<th>Type of Directorship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sherisa P. Nuesa</td>
<td>Far Eastern University</td>
<td>Non-Executive</td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>Pepsi Cola Products (Phils.), Inc.</td>
<td>Non-Executive (Chairman)</td>
</tr>
<tr>
<td></td>
<td>Basic Energy Corporation, Cosco Capital, Inc., PLDT, Sun Life Financial Phils., Inc.</td>
<td>Non-Executive</td>
</tr>
<tr>
<td></td>
<td>Manila Electric Company, Inc.</td>
<td>Executive</td>
</tr>
<tr>
<td>Jose L. Cuisia, Jr.</td>
<td>SM Prime Holdings</td>
<td>Non-Executive (Vice-Chairman)</td>
</tr>
<tr>
<td></td>
<td>Phinma Corporation</td>
<td>Non-Executive</td>
</tr>
<tr>
<td></td>
<td>Century Properties Group Inc.</td>
<td>Non-Executive (Independent)</td>
</tr>
<tr>
<td>Jaime C. Laya</td>
<td>Philippine Trust Company (Philtrust Bank)</td>
<td>Executive (Chairman)</td>
</tr>
<tr>
<td></td>
<td>GMA Network, Inc., GMA Holdings, Inc.</td>
<td>Non-Executive</td>
</tr>
</tbody>
</table>

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

<table>
<thead>
<tr>
<th>Director’s Name</th>
<th>Name of the Significant Shareholder</th>
<th>Description of the relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>Ayala Corporation</td>
<td>President and Chief Operating Officer of Ayala Corporation</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>Ayala Corporation</td>
<td>Chairman and CEO of Ayala Corporation</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>Ayala Corporation</td>
<td>Non-Executive Director of Ayala Corporation</td>
</tr>
</tbody>
</table>
(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

Yes. The Company ensures that adequate time and attention is given to the fulfillment of the directors of their duties. The independent directors can hold no more than five board seats in publicly-listed companies and executive directors can hold no more than two board seats in listed companies outside the Corporation’s group. In the implementation of this policy, the Charter of the Board considers several directorships in related companies or companies in the same industry as one.\(^7\)

In particular, the Company subscribes to the following guidelines which are contained in the Manual, in the Charter of the Board, and in the relevant laws, rules and regulations:

<table>
<thead>
<tr>
<th>Guidelines</th>
<th>Maximum Number of Directorships in other companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>The President, who is also the CEO, must be a director. Hence, the guidelines for a director apply to the CEO.</td>
<td>A director may hold any number of directorships outside of the Company provided that these other positions do not detract from the director’s capacity to diligently perform his duties as director of the Company.(^8)</td>
</tr>
<tr>
<td>A director shall exercise due discretion in accepting and holding directorships outside of the Company.</td>
<td>An executive Director shall not hold more than two (2) directorships in publicly listed companies outside of the Group.(^11)</td>
</tr>
<tr>
<td>No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Company. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged --</td>
<td></td>
</tr>
<tr>
<td>h.1) If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any corporation (other than one in which the Company owns at least 30% of the capital stock) engaged in a business which the Board, by at least three-fourths (3/4) vote, determines to be competitive or</td>
<td></td>
</tr>
</tbody>
</table>

\(^7\) Charter of the Board, Section 5.1
\(^8\) Manual of Corporate Governance, Article I, Section 1.6, page 9
\(^10\) Manual of Corporate Governance, Article I, Section 1.6, page 9.
\(^11\) Charter of the Board of Directors, Section 5.1 (c.2)
h.2) If he is an officer, manager or controlling person, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any other corporation or entity engaged in any line of business of the Company, or when in the judgment of the Board, by at least three-fourths (3/4) vote, deems that the laws against combinations in restraint of trade shall be violated by such person’s membership in the Board of Directors; or

h.3) If the Board, in the exercise of its judgment in good faith, determines by at least three-fourths (3/4) vote that he is the nominee of any person set forth in (h.1) or (h.2).

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relations.  

<table>
<thead>
<tr>
<th>Independent Director</th>
<th>SEC Memorandum Circular No. 9 S. 2011</th>
</tr>
</thead>
</table>
| A director shall exercise due discretion in accepting and holding directorships outside of the Company.  
No person shall qualify or be eligible for nomination or election to the Board if he is engaged in any business which competes with or antagonistic to that of the Company.  

There shall be no limit in the number of covered companies that a person may be elected as Independent Director, except in business conglomerates where an Independent Director can be elected to only (5) companies of the Conglomerate.  

*Independent directors can hold no more than five (5) board seats in publicly-listed companies.* In the implementation of this policy, the Board considers several directorships in related companies or companies in the same industry as one.

---

12 Manual of Corporate Governance, Article I, Section 1.6, page 9
14 SEC Memorandum Circular No. 9 Series of 2011
15 Charter of the Board, Section 5.1 (c.3)
16 Charter of the Board, Section 5.1
| Executive Director | A director shall exercise due discretion in accepting and holding directorships outside of the Company.  
No person shall qualify or be eligible for nomination or election to the Board if he is engaged in any business which competes with or antagonistic to that of the Company. | A director may hold any number of directorships outside of the Company provided that these other positions do not detract from the director’s capacity to diligently perform his duties as director of the Company.  
However, an executive Director shall not hold more than two (2) directorships in publicly listed companies outside of the Group. In the implementation of this policy, the Board considers several directorships in related companies or companies in the same industry as one. |
| Non-Executive Director | A director shall exercise due discretion in accepting and holding directorships outside of the Company. | A director may hold any number of directorships outside of the Company provided that these other positions do not detract from the director’s capacity to diligently perform his duties as director of the Company. |

(c) Shareholding in the Company

Complete the following table on the members of the company’s Board of Directors who directly and indirectly own shares in the company:

---

17 Manual of Corporate Governance, Article I, Section 1.6, page 9  
18 Manual of Corporate Governance, Article 1, Section 1.3, page 6  
19 Manual of Corporate Governance, Article I, Section 1.6, page 9.  
20 Charter of the Board, Section 5.1 (c.2).  
21 Charter of the Board, Section 5.1  
22 Manual of Corporate Governance, Article I, Section 1.6, page 9  
23 Ibid.  
24 Ibid.
The following table lists the shareholding of the Board of Directors in the Company as of December 31, 2015:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Number of Direct shares</th>
<th>Number of Indirect shares / Through (name of record owner)</th>
<th>Class of Share</th>
<th>% of Total Common Stock or Preferred Stock&lt;sup&gt;25&lt;/sup&gt;</th>
<th>% of Total Outstanding Capital Stock&lt;sup&gt;26&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>1</td>
<td>0</td>
<td>Common</td>
<td>0.000000005%</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>200,001</td>
<td>0</td>
<td>Common</td>
<td>0.00973740%</td>
<td>0.00330365%</td>
</tr>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>1</td>
<td>4,126,077</td>
<td>Common</td>
<td>0.20088543%</td>
<td>0.06815518%</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>1</td>
<td>0</td>
<td>Common</td>
<td>0.00000005%</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>7,200,001</td>
<td>5,549,542</td>
<td>Common</td>
<td>0.62073412%</td>
<td>0.21059889%</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>1</td>
<td>0</td>
<td>Preferred</td>
<td>0.00000003%</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Sherisa P. Nuesa (Independent)</td>
<td>1,900,000</td>
<td>3,409,607</td>
<td>Common</td>
<td>0.25850764%</td>
<td>0.08770489%</td>
</tr>
<tr>
<td>Jose L. Cuisia Jr. (Independent)</td>
<td>1</td>
<td>0</td>
<td>Common</td>
<td>0.00000005%</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Oscar S. Reyes (Independent)</td>
<td>200,001</td>
<td>130,000</td>
<td>Common</td>
<td>0.01606668%</td>
<td>0.00545101%</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>1</td>
<td>0</td>
<td>Preferred</td>
<td>0.00000003%</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Jaime C. Laya (Independent)</td>
<td>100</td>
<td>4,900</td>
<td>Common</td>
<td>0.00024343%</td>
<td>0.00008259%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>9,500,109</strong></td>
<td><strong>13,220,126</strong></td>
<td></td>
<td><strong>0.37529631%</strong></td>
<td></td>
</tr>
</tbody>
</table>

The following table lists the shareholding of the Board of Directors in the Company as of December 31, 2014:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Number of Direct shares</th>
<th>Number of Indirect shares / Through (name of record owner)</th>
<th>Class of Share</th>
<th>% of Total Common Stock or Preferred Stock&lt;sup&gt;27&lt;/sup&gt;</th>
<th>% of Total Outstanding Capital Stock&lt;sup&gt;28&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>1</td>
<td>0</td>
<td>Common</td>
<td>0.000000005%</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>200,001</td>
<td>0</td>
<td>Common</td>
<td>0.00976797%</td>
<td>0.00330716%</td>
</tr>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>1</td>
<td>3,626,077</td>
<td>Common</td>
<td>0.17709617%</td>
<td>0.05995976%</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>1</td>
<td>0</td>
<td>Common</td>
<td>0.00000005%</td>
<td>0.00000002%</td>
</tr>
</tbody>
</table>

<sup>25</sup> Based on the number of Common Shares (2,053,945,884) or Preferred Shares (4,000,000,000) of the Company as of December 31, 2015, as the case may be
<sup>26</sup> Based on the total number of outstanding capital stock of the Company as of December 31, 2015
<sup>27</sup> Based on the number of Common Shares (2,047,519,110) or Preferred Shares (4,000,000,000) of the Company as of December 31, 2014, as the case may be
<sup>28</sup> Based on the total number of outstanding capital stock of the Company (6,053,915,884) as of December 31, 2014
Antonino T. Aquino | 7,200,001 | 5,549,542 | Common | 0.62268244% | 0.21082268%
John Eric T. Francia | 1 | 0 | Preferred | 0.00000005% | 0.00000002%
Sherisa P. Nuesa (Independent) | 5,309,607 | 0 | Common | 0.25931904% | 0.08779810%
Jose L. Cuisia Jr. (Independent) | 1 | 0 | Common | 0.00000005% | 0.00000002%
Oscar S. Reyes (Independent) | 200,001 | 130,000 | Common | 0.01611711% | 0.00545680%
Victoria P. Garchitorena | 1 | 0 | Preferred | 0.00000005% | 0.00000002%
Jaime C. Laya (Independent) | 100 | 4,900 | Common | 0.00024420% | 0.00008268%

TOTAL | 12,709,716 | 9,510,520 | 0.36742728%

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [ ] No [ ]

Identify the Chair and CEO:

| Chairman of the Board | Fernando Zobel de Ayala |
| CEO/President | Gerardo C. Ablaza, Jr. |

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

<table>
<thead>
<tr>
<th>Chairman</th>
<th>Chief Executive Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role</td>
<td>The primary functions of the Chairman are as follows:</td>
</tr>
<tr>
<td></td>
<td>a. Facilitate the operations and deliberations of the Board; and</td>
</tr>
</tbody>
</table>
| | The CEO/President shall have the administration and direction of the day to day business affairs of the Company.  

30 Amended By Laws, Article IV, Section 4.
<table>
<thead>
<tr>
<th>Accountabilities</th>
<th>b. Ensure the performance of the Board’s functions and responsibilities(^{29})</th>
<th>He also exercises such powers and performs such duties specified in the By Laws and in the Manual of Corporate Governance.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>It should be emphasized, however, that the Chairman holds no special power or voting rights as against the other directors. The Board of Directors acts as a body and deliberates as a whole on matters presented to the Board.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Directors who willfully and knowingly vote for or consent to patently unlawful acts of the Company or who are guilty of gross negligence or bad faith in directing the affairs of the Company or acquire any personal or pecuniary interest in conflict with their duty as directors shall be liable jointly and severally for all damages resulting therefrom suffered by the Company, its stockholders and other persons.(^{31})</td>
<td>The President/CEO is ultimately accountable for the Company’s organizational and procedural controls.(^{33})</td>
</tr>
<tr>
<td></td>
<td>Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the Company, he must account to the latter for all such profits by refunding the same unless ratified by the stockholders.(^{32})</td>
<td></td>
</tr>
<tr>
<td></td>
<td>When a director or officer attempts to acquire or acquires, in violation of his duty any interest adverse to the Company in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the Company and must account for the profits which otherwise would have accrued to the Company.(^{34})</td>
<td></td>
</tr>
</tbody>
</table>

\(^{29}\) Charter of the Board, Section 3.2.1
\(^{31}\) Corporation Code, Section 31; Manual of Corporate Governance, Article I, Section 1.11, page 16.
\(^{32}\) Corporation Code, Section 34; Manual of Corporate Governance, Article III, page 31.
\(^{33}\) Manual of Corporate Governance, Article II, Section 2, page 26.
\(^{34}\) Corporation Code, Section 31; Manual of Corporate Governance, Article III, page 31.
Deliverables

Responsibilities of the Chairman:

a. **Board Management**

a.1 The Chairman shall provide leadership of the Board and shall initiate the Board’s performance of its responsibility to review and monitor the aims, strategy, policy and directions of the Corporation and the achievement of its objectives.

a.2 The Chairman shall keep open the communication among the members of the Board to keep it up to-date on major developments about the Corporation, through timely discussion of potential developments and to provide the Board with sufficient knowledge to permit it to make informed decisions.

a.3 The Chairman shall chair the Board meetings and all annual general meetings. The Chairman may vote at a Board meeting on any matter requiring resolutions or approval by the Board.

a.4 In consultation with the Chief Executive Officer, or Committees of the Board and the Corporate Secretary or other person(s) performing similar functions, the Chairman shall prepare or cause the preparation of the agenda for each Board meeting. Each Board meeting agenda shall include appropriate strategic issues and any other matters requiring approval of, or consideration by, the Board.

a.5 The Chairman shall provide input to the Nomination Committee on its recommendation to the Board for approval of (i) candidates for nomination or appointment to the Board; (ii) members and chairs of Board Committees; and (iii) the President/CEO.

In general, the President/CEO shall:

a. Have general supervision of the business, affairs, and property of the Company, and over its employees and officers;

b. See that all orders of the Board are carried into effect;

c. Submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of the Company for the preceding year, and the state of its affairs;

d. Report to the Board from time to time all matters within its knowledge which the interest of the Company may require to be brought to their notice.\(^{40}\)

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\(^{35}\) Charter of the Board, Section 3.2.5 (a)

\(^{40}\) Manual of Corporate Governance, Article II, Section 2, page 26
appointment of Executive Officers.

The Chairman shall provide input to the Nomination Committee and Remuneration Committee of the Board in respect of the appointment, removal, evaluation, compensation and succession, as applicable, of the Executive Officers.

a.6 In consultation with the Nomination Committee and the Office of the Corporate Secretary, the Chairman shall lead the director development program. As necessary, the Chairman shall discuss any plan for or status of the director development program and shall recommend changes to the program as may be appropriate.

a.7 On a continuing basis and with assistance of the Corporate Secretary, the Chairman shall assess whether the Board and its committees have appropriate administrative support, access to senior management and access to outside advisors for the purposes of the Board fulfilling its functions.

b. Advisory Functions to or in relation to the President and/or Chief Executive Officer

At least on a quarterly interval, the Chairman shall meet with the President and/or the Chief Executive Officer, to provide feedback and advice on behalf of the Board. On a continuing basis, the Chairman shall communicate with the Chief Executive Officer, on behalf of the Board regarding questions, concerns or comments of the Board, shareholders or other stakeholders.

Succession

36 Charter of the Board, Section 3.2.5 (b)
37 Charter of the Board, Section 3.2.6
The Chairman shall participate and provide input, as required, to the Nomination Committee on succession plans with respect to the position of the Chairman.

**Strategic Planning**

The Chairman shall periodically review, at least annually, the strategic plans of the management.

**Communication with Shareholders**

As necessary, in conjunction with the Board and the Chief Executive Officer, the Chairman shall review the Corporation’s shareholder communications plan.

### 3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?

The Board, with the assistance of the Remuneration Committee and the Company’s Corporate Human Resources Group, has adopted a professional development program for employees, officers and senior management. Through Competency Management, the Company has put in place a process to determine the skills necessary for particular positions in the Company and identifies key talents for purposes of succession. The Company’s Corporate Human Resources Group has developed a Talent Master Plan to determine the right organizational structuring, recruitment strategies, performance evaluation methodologies, total rewards management, and career development all geared to attract, retain, and engage the company’s employees, officers and senior management and to cultivate them to become the Company’s future business leaders.

The development of leadership talent is crucial to the success of Manila Water in the future. Hence, it is one of the top strategic priorities of the Company. For the succession of the top key management positions, the Company has formed an Acceleration Pool composed of selected high potential key talents within the organization, who embodies the values and commitment to excellence of a Manila Water leader.

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38 Charter of the Board, Section 3.2.6  
39 Charter of the Board, Section 3.2.7
As part of the Acceleration pool, a talent is subjected to the following:

a. Undergoing an assessment that gauges a talent’s business driver readiness and leadership competencies
b. Creating an Individual Development Plan that addresses strengths to leverage, developmental areas and stretched assignments
c. Coaching and mentoring session with the Management Committee.

The Management Committee is composed of the top key executives of the Company from the President/CEO to those occupying positions equivalent to Vice Presidents.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

Yes. The Manual requires that the directors, aside from the usual general and statutory requirements, possess relevant qualifications such as:

a. possession of a college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or sufficient experience and competence in managing a business to substitute for such formal education;

b. membership in good standing in business, professional organizations or related industry; and

c. such other qualifications and stature that would enable them to participate effectively in the deliberations of the board.

These guidelines are strictly followed to assure the Company of the competence of the members of the Board in the industry where the Company belong.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes, the Company ensures that at least one non-executive director has an experience in the sector or industry the Company belongs to. At present, one of the current non-executive directors of the Company, Mr. Antonino T. Aquino, had been the President of the Company from January 1999 up to March 2009.

Moreover, the Company abides by the requirements of its By Laws and the Corporation Code that the President of the Company be also a director. Hence, Mr. Gerardo C. Ablaza, Jr., the President and CEO of the Company, is also currently a member of the Board of Directors. Hence, at present, the Company has two (2) directors who have experience in the sector or industry of the Company.

The Company understands the significant and indispensable contribution of a director who belongs to the same industry. During Board meetings, the

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41 Manual of Corporate Governance, Article I, Section 1.2, pages 3-4.
experiences of said directors in the industry contribute to the informed discussion on the previous and/or similar issues confronting the Company.

**Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:**

Under the Company’s current set up, the only executive director of the Company is the President/CEO. Hence, the role, accountabilities and deliverables of the executive director is generally that of the President and CEO.

On the other hand, the directors, whether executive or non-executive, act as body and deliberate as a whole on matters presented to the board.

<table>
<thead>
<tr>
<th>Role</th>
<th>Executive</th>
<th>Non-Executive</th>
<th>Independent Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive</td>
<td>The CEO/President, in general, shall have the administration and direction of the day to day business affairs of the Company. He also exercises such powers and perform such duties specified in the By Laws and in the Manual of Corporate Governance.</td>
<td>The corporate powers of the Company shall be exercised, all business conducted and all property of such corporations controlled and held by the board.</td>
<td>Independent directors shall hold no interests or relationships with the Company that may hinder their independence from the Company or its management which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.</td>
</tr>
<tr>
<td>Non-Executive</td>
<td></td>
<td></td>
<td>The Nomination Committee shall be composed of at least three (3) members, majority of whom shall be independent directors. The Chairman of the Nomination Committee must be an independent director.</td>
</tr>
<tr>
<td>Independent Director</td>
<td></td>
<td></td>
<td>The Remuneration Committee shall be composed of at least three (3) members, majority of whom shall be independent directors. The Chairman of the Nomination Committee must be an independent director.</td>
</tr>
</tbody>
</table>

---

42 Amended By Laws, Article IV, Section 4.
43 Corporation Code, Section 23.
44 Manual of Corporate Governance, Article I, Section 1.5, page 8.
45 Charter of the Nomination Committee, Section 1.1.
46 Charter of the Remuneration Committee, Section 1.1.
The Audit & Governance Committee shall be chaired by an independent director.  

The corporate powers of the Company shall be exercised, all business conducted and all property of such corporations controlled and held by the board.

The board oversees the management of the Company and provides directions towards the formulation of a sound corporate strategy. In the exercise of their duties, the members of the Board must exercise their best and unbiased judgment in the utmost interests of the Company. The Board is the guardian of fairness, transparency, and accountability in all of the major financial and business dealings of the Company protecting the interests of investors and stakeholders.

<table>
<thead>
<tr>
<th>Accountabilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The President/CEO is ultimately accountable for the Company’s organizational and procedural controls.</td>
<td></td>
</tr>
<tr>
<td>Directors who willfully and knowingly vote for or consent to patently unlawful acts of the Company or who are guilty of gross negligence or bad faith in directing the affairs of the Company or acquire any personal or pecuniary interest in conflict with their duty as directors shall be liable jointly and severally for all damages resulting therefrom suffered by the Company, its stockholders and other persons.</td>
<td></td>
</tr>
<tr>
<td>Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the Company, he must account to the latter for all such profits by refunding the same unless ratified by the stockholders.</td>
<td></td>
</tr>
<tr>
<td>When a director or officer attempts to acquire or acquires, in violation of his duty any interest adverse to the Company in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the Company and must account for the profits which otherwise would have accrued to the Company.</td>
<td></td>
</tr>
</tbody>
</table>

47 Manual of Corporate Governance, Article I, Section 2.2, page 19, and Section 2.5, page 23.
48 Corporation Code, Section 23.
49 Manual of Corporate Governance, Article I, Section 1, page 3.
51 Manual of Corporate Governance, Article I, Section 1.11, page 16; Corporation Code Section 31.
52 Manual of Corporate Governance, Article III, page 31; Corporation Code, Section 34.
53 Manual of Corporate Governance, Article I, Section 1.11, page 16; Section 31, Corporation Code.
<table>
<thead>
<tr>
<th>Deliverables</th>
<th>In general, the President/CEO shall:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>Have general supervision of the business, affairs, and property of the Company, and over its employees and officers;</td>
</tr>
<tr>
<td>b.</td>
<td>See that all orders of the Board are carried into effect;</td>
</tr>
<tr>
<td>c.</td>
<td>Submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of the Company for the preceding year, and the state of its affairs;</td>
</tr>
<tr>
<td>d.</td>
<td>Report to the Board from time to time all matters within its knowledge which the interest of the Company may require to be brought to their notice.(^{54})</td>
</tr>
</tbody>
</table>

The Company's directors shall act in good faith, with due care and in the best interests of the Company and all its shareholders, including minority shareholders, based on all relevant information. Each director is expected to attend board meetings and applicable committee meetings. Directors are expected to ensure that other commitments do not interfere in the discharge of their duties.\(^{55}\)

|          | The Board shall exercise such express powers in the By Laws and in the Manual and those that may be authorized under existing laws, rules and regulations. In this connection, the Board shall fulfil certain key functions\(^{56}\), including: |
|          | a. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures. |
|          | b. Monitoring the effectiveness of the Corporation’s governance practices and making changes as needed. |
|          | c. Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning. |

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\(^{54}\) Manual of Corporate Governance, Article II, Section 2, page 26  
\(^{55}\) Manual of Corporate Governance, Article I, Section 1.10, page 15.  
\(^{56}\) Charter of the Board, Article 3, Section 3.1 (3.1.1)
d. Aligning key executive and board remuneration with the longer term interests of the Corporation and its shareholders.

e. Ensuring a formal and transparent board nomination and election process.

f. Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.

g. Ensuring the integrity of the Corporation’s accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

h. Overseeing the process of disclosure and communications.

Without prejudice to the requirements of existing laws, rules and regulation, and the provisions of the By Laws and the Manual, the Board may delegate the implementation of the foregoing functions to the Board Committees, Executive Officers and key senior managers of the Corporation.

The Board shall regularly review, at least annually, the vision and mission of the Corporation and shall revise the same, as may be necessary, in accordance with the strategic directions of the Corporation.\footnote{Charter of the Board, Article 3, Section 3.1 (3.1.2)}

\section*{Provide the company's definition of "independence" and describe the company's compliance to the definition.}

Under the Charter of the Board, \textit{independence}\footnote{Charter of the Board, Article 1, Definitions} is defined as, with respect to any person, the absence of any restrictions or limitations or freedom from any interests or relationships that would interfere with the exercise of impartial and objective judgment in carrying out the responsibilities of that person.

Under the Manual\footnote{Manual of Corporate Governance, Article I, Section 1.5, page 8}, a director is considered independent if he holds no interests or relationships with the Company that may hinder his independence from the Company or its management which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The Company also subscribes to the requirements of independence under existing laws, rules and regulations, in particular, the SEC Memorandum Circular No. 16 Series of 2002. Hence, the Company ensures that its independent directors have all the qualifications and none of the disqualifications specified in the said SEC Memorandum Circular.
In addition, the Manual provides for the following policy regarding independent directors:

a. Officers, executives and employees of the Company may be elected as directors but cannot and shall not be characterized as independent directors.

b. If a director elected or appointed as an independent director becomes an officer, employee or consultant of the Company, the Company shall forthwith cease to consider him as an independent director.

c. If the beneficial ownership of an independent director in the Company or its related corporations shall exceed 2% of the subscribed capital stock of such corporation, the Company shall forthwith cease to consider him as an independent director. However, should the independent director take the appropriate action to remedy or correct the disqualification within 60 days from the occurrence of the ground, he may still be considered an independent director.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

Yes. Under the Charter of the Board, an independent director can serve as such for five (5) consecutive years. After completion of the five-year period, an independent director shall be ineligible for election as such unless the independent director has undergone a “cooling off” period of two (2) years. Subject to the provisions of existing laws, rules and regulations, an independent director shall not serve for more than five (5) consecutive years and for a total of nine (9) years.

In this regard, the Company also complies with the requirements of SEC Memorandum Circular No. 9 S. 2011 which imposes a five year limitation and such other limitations to serve as an independent director. Specifically, the SEC Memorandum Circular provides that an independent director can serve as such for five (5) consecutive years. After completion of the five-year service period, an independent director shall be ineligible for election as such in the same company unless the independent director has undergone a “cooling off” period of two (2) years.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

There is no change in the composition of the incumbent Board of Directors since their election at the Annual Stockholders Meeting held on April 7, 2015.

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60 Article I, Section 1.5, page 8.
61 Manual of Corporation Governance, Article I, Section 1.5, page 8.
62 Charter of the Board, Section 2.1.3.
The same set of directors was elected at the Annual Stockholders Meeting held on April 11, 2016.

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

The Company applies uniform process for the appointment of all directors, whether executive, non-executive or independent directors.

Process for Selection, Appointment, Re-appointment of Directors

Section 2.3 of the Charter of the Board provides the process for the selection, appointment, and re-appointment of directors:

“2.3.1 Every stockholder has a right to submit a nomination for election to the Board.

All nominations to the Board, whether for first time nominees or repeat nominees, or for independent directors, shall be submitted to the Nomination Committee at least thirty (30) working days before the date of the annual stockholders meeting.

i. Process of Endorsing Nominations

a. Upon expiration of the period within which nominations for election to the Board are required to be submitted, the Nomination Committee shall hold a meeting for the specific purpose of determining whether the nominees to the Board have all the qualifications and none of the qualifications.

b. The Nomination Committee shall evaluate each and every nomination and for this purpose, may even make an inquiry with their professional networks and outside references.

c. The nominees to the Board shall have all the qualifications and none of the disqualifications to become directors. The qualifications and disqualifications are those specified in the By Laws, the Manual of Corporate Governance and the Corporation Code and under relevant laws, rules and regulations.

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63 Charter of the Board
64 By Laws, Article III, Section 2.
d. After evaluation of the qualifications/disqualifications of the nominees, the Nomination Committee shall issue a resolution whether endorsing or not the nominees for election to the Board of Directors.

e. If a nominee is not endorsed for election by reason of a disqualification, the resolution of the Nomination Committee should clearly specify the grounds relied upon for disqualification.”

Criteria for Selection/Appointment/Re-appointment of Directors:

The criteria for the selection/appointment and re-appointment of directors are as follows:

a. Any stockholder having at least one (1) share registered in his name may be nominated and elected Director. 65
b. All nominees for election to the Board shall have all the qualifications and none of the disqualifications specified in the By Laws, in the Manual, and under existing laws, rules and regulations. 66
c. The President and Chief Executive Officer must always be a Director. 67
d. At least one non-executive Director shall have a prior working experience in the industry to which the Corporation belongs. 68
e. The number of Directors who are citizens of the Philippines shall be proportionate to the percentage of the total outstanding capital stock of the Corporation owned by Philippine nationals as defined by law. 69
f. An independent director shall have the additional qualifications prescribed by the applicable laws, rules and regulations, in particular, SRC Rule 38 and SEC Memorandum Circular No. 9 S. 2011 or any amendment thereto. 70

Process for Permanent or Temporary Disqualification of Directors 71

Section 2.4 of the Charter of the Board provides the process for the permanent and temporary disqualification of directors:

“2.4.1 The disqualification of Directors shall either be permanent or temporary. The grounds for disqualification of directors to be nominated for election to the Board shall be the same grounds for permanent disqualification of Directors, other than the grounds for temporary disqualification that has not become permanent.

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65 Charter of the Board, Section 2.2.1
66 Charter of the Board, Section 2.2.2
67 Charter of the Board, Section 2.2.3
68 Charter of the Board, Section 2.2.4
69 Charter of the Board, Section, 2.2.5
70 Charter of the Board, Section 2.2.6
71 Charter of the Board, Section 2.4
If the ground for disqualification of a nominated director becomes known prior to the scheduled annual stockholders’ meeting, the nominated director will not be endorsed for election at the stockholders’ meeting except when such disqualification is temporary and the same is cured or remedied prior to the scheduled stockholders’ meeting.

2.4.2 A director shall have sixty (60) days upon the occurrence of any ground for temporary disqualification to remedy or correct the same otherwise, the disqualification shall become permanent.

If the ground for permanent disqualification of the director occurs during his term of office, the director should file his resignation motu proprio.

If the director does not resign despite the existence of a ground for permanent disqualification, the Board may, by a majority vote of all its members in a meeting called for the purpose, remove the director or recommend to the stockholders the removal of the concerned director. If the Board recommends the removal of the director to the stockholders, the procedures specified in Section 28 of the Corporation Code shall be strictly followed and complied with.

2.4.3 Subject to Section 2.7, a director may be declared temporarily disqualified by a resolution of a majority of the Board. A director so disqualified shall have sixty (60) days to remedy or correct the ground upon which such resolution was based otherwise, the disqualification shall become permanent.

A director with temporary disqualification may still be endorsed by the Nomination Committee for election at the annual stockholders’ meeting subject to the 60 day curing period, if the ground for temporary disqualification is capable of being cured.

However, if the disqualification becomes permanent after endorsement by the Nomination Committee and before the annual stockholders’ meeting, the nominee shall be given the discretion to refuse his nomination. If the nominee is thereafter elected, or the disqualification becomes permanent during his term of office, the provisions of 2.4.2 above shall apply.”

---

72 Section 28 of the Corporation Code provides that:

Sec. 28. Removal of directors or trustees. - Any director or trustee of a corporation may be removed from office by a vote of the stockholders holding or representing at least two thirds (2/3) of the outstanding capital stock, or if the corporation be a non-stock corporation, by a vote of at least two-thirds (2/3) of the members entitled to vote: Provided, That such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders or members of the corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders or members of a corporation for the purpose of removal of directors or trustees, or any of them, must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock, or, if it be a non-stock corporation, on the written demand of a majority of the members entitled to vote. Should the secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the meeting may be addressed directly to the stockholders or members by any stockholder or member of the corporation signing the demand. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice prescribed in this Code. Removal may be with or without cause: Provided, That removal without cause may not be used to deprive minority stockholders or members of the right of representation to which they may be entitled under Section 24 of this Code.
Criteria for Permanent Disqualification:

Under the Manual of Corporate Governance, the following persons are disqualified from being a director of the Company:

a) Any person who has been finally convicted by a competent judicial or administrative body of the following: (i) any crime involving the purchase or sale of securities as defined in the Securities Regulation Code, e.g. proprietary or non-proprietary membership certificate, commodity futures contract, or interest in a common trust fund, pre-need plan, pension plan or life plan; (ii) any crime arising out of the person’s conduct as an underwriter, broker, dealer, investment corporation, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or, (iii) any crime arising out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

b) Any person who, by reason of any misconduct, after hearing or trial, is permanently or temporarily enjoined by order, judgment or decree of the Philippine Securities and Exchange Commission (“SEC”) or any court or other administrative body of competent jurisdiction from: (i) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (ii) acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company or an affiliated person of any of them; (iii) engaging in or continuing any conduct or practice in connection with any such activity or willfully violating laws governing securities, and banking activities. Such disqualification shall also apply when such person is currently subject to an effective order of the SEC or any court or other administrative body refusing, revoking or suspending any registration, license or permit issued under the Corporation Code, Securities Regulation Code (“SRC”), or any other law administered by the SEC or Bangko Sentral ng Pilipinas (“BSP”), or under any rule or regulation promulgated by the SEC or BSP, or otherwise restrained to engage in any activity involving securities and banking. Such person is also disqualified when he is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from association with a member or participant of the organization;

c) Any person finally convicted judicially or administratively of an offense involving moral turpitude or fraudulent acts or transgressions such as, but not limited to, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation or perjury;

d) Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code of the Philippines, or any other law administered by the SEC, or any rule, regulation or order of the SEC or the BSP;

e) Any person judicially declared to be insolvent;

f) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct listed in the foregoing paragraphs;
g) Any person convicted by final and executory judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment; and,

h) No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Company. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged --

h.1) If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any corporation (other than one in which the Company owns at least 30% of the capital stock) engaged in a business which the Board, by at least three-fourths (3/4) vote, determines to be competitive or antagonistic to that of the Company, or

h.2) If he is an officer, manager or controlling person, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any other corporation or entity engaged in any line of business of the Company, or when in the judgment of the Board, by at least three-fourths (3/4) vote, deems that the laws against combinations in restraint of trade shall be violated by such person’s membership in the Board of Directors; or

h.3) If the Board, in the exercise of its judgment in good faith, determines by at least three-fourths (3/4) vote that he is the nominee of any person set forth in (h.1) or (h.2).

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relations.

**Criteria for Temporary Disqualification:**

The Manual of Corporate Governance provides the following as grounds for temporary disqualification of incumbent directors:

a) Refusal to fully disclose the extent of his business interest as well as refusal to comply with all other disclosure requirements under the SRC and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.

b) Absence or non-participation in more than Fifty Percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency unless such absence was due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election.

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71 Section 27, Corporation Code
c) Dismissal/termination from directorship in another listed Company for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity.

d) Being under preventive suspension by the Company for any reason.

e) Conviction that has not yet become final referred to in the grounds for disqualification of directors.

**Process and Criteria for Removal of Directors:**

Section 2.5 of the Charter of the Board provides the process and criteria/grounds for the removal of directors:

“2.5.1 Directors may be removed in the manner provided by law.

2.5.2 Directors may be removed by the Board by reason of permanent disqualification or for committing three (3) violations of the Manual or for any violation of the Code or relevant policies of the Corporation. The removal of the director shall be decided by the Board in a meeting called for the purpose, at which meeting a quorum duly existed.

2.5.3 The stockholders may also exercise the right to remove a director with or without cause, for which purpose, Section 28 of the Corporation Code shall apply.”

**Criteria for Removal**

The stockholders may exercise the right to remove a director in accordance with the process and causes specified in Section 28 of the Corporation Code is complied with.

Section 28 of the Corporation Code provides that:

Sec. 28. Removal of directors or trustees. - Any director or trustee of a corporation may be removed from office by a vote of the stockholders holding or representing at least two thirds (2/3) of the outstanding capital stock, or if the corporation be a non-stock corporation, by a vote of at least two-thirds (2/3) of the members entitled to vote: Provided, That such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to

74 Article X, page 43.
stockholders or members of the corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders or members of a corporation for the purpose of removal of directors or trustees, or any of them, must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock, or, if it be a non-stock corporation, on the written demand of a majority of the members entitled to vote. Should the secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the meeting may be addressed directly to the stockholders or members by any stockholder or member of the corporation signing the demand. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice prescribed in this Code. Removal may be with or without cause: Provided, That removal without cause may not be used to deprive minority stockholders or members of the right of representation to which they may be entitled under Section 24 of this Code.

Under the Manual, the Board of Directors may also remove a director for committing three violations of the Manual after due notice and hearing.

**Process and Criteria for Reinstatement of Directors**

Section 2.6 of the Charter of the Board provides for the process and criteria/ground for the reinstatement of directors:

“2.6.1 If the removal of the Director was due to permanent disqualification, the Director will not be endorsed for re-election to the Board.

2.6.2 If the removal of the Director was due to temporary disqualification as resolved by the Board and the temporary disqualification has not become permanent, the Board may reinstate the director by a resolution of a majority of the Board.

2.6.3 If the removal of the Director was without cause but pursuant to a resolution adopted by the stockholders in a meeting for the purpose pursuant to Section 28 of the Corporation Code, the director may still be nominated for future election and his election may still be endorsed by the Nomination Committee if he has all the qualifications and none of the disqualifications.”

**Process and Criteria for the Suspension of Directors**

Section 2.7 of the Charter of the Board provides for the process and criterial for the suspension of directors:

“2.7.1 A Director may be suspended by the Board if he becomes temporarily disqualified pursuant to and in accordance with the provisions of the Manual of Corporate Governance.”

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75 Manual of Corporate Governance, Article I, Section 1.4, page 7.
76 Ibid.
2.7.2 A Director may be suspended by the Board for committing two (2) violations of the provisions of the Manual\(^7\) or for committing any violation of the Code or relevant policies of the Corporation.”

Voting Results for the Election of Directors at the 2016 Annual Stockholders’ Meeting (Held on April 11, 2016):

<table>
<thead>
<tr>
<th>Nominees</th>
<th>For**</th>
<th>%</th>
<th>Against*</th>
<th>%</th>
<th>Abstain*</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>5,444,244,814</td>
<td>89.93%</td>
<td>77,024,541</td>
<td>1.27%</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>5,446,754,764</td>
<td>89.97%</td>
<td>68,270,441</td>
<td>1.13%</td>
<td>6,270,000</td>
<td>0.10%</td>
</tr>
<tr>
<td>Gerardo C. Ablaza, Jr.</td>
<td>5,506,192,805</td>
<td>90.95%</td>
<td>15,076,400</td>
<td>0.25%</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>5,492,341,505</td>
<td>90.72%</td>
<td>28,927,700</td>
<td>0.48%</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>5,487,348,905</td>
<td>90.64%</td>
<td>33,920,300</td>
<td>0.56%</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>5,492,341,505</td>
<td>90.72%</td>
<td>28,927,700</td>
<td>0.48%</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>5,436,076,864</td>
<td>89.79%</td>
<td>85,192,341</td>
<td>1.41%</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Jaime C. Lay (Independent)</td>
<td>5,474,294,755</td>
<td>90.43%</td>
<td>40,704,450</td>
<td>0.67%</td>
<td>6,270,000</td>
<td>0.10%</td>
</tr>
<tr>
<td>Jose L. Cuisia, Jr. (Independent)</td>
<td>5,501,487,605</td>
<td>90.87%</td>
<td>19,781,600</td>
<td>0.33%</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Oscar S. Reyes (Independent)</td>
<td>5,457,971,664</td>
<td>90.16%</td>
<td>63,297,541</td>
<td>1.05%</td>
<td>0</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

\(^7\) Manual, Article X, page 43.
<table>
<thead>
<tr>
<th>Nominees</th>
<th>Number of Votes and Percentage of Outstanding and Voting Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fernando Zobel de Ayala</strong></td>
<td><strong>5,429,901,366</strong> 89.69% 85,958,265 1.42% 5,000 0.00%</td>
</tr>
<tr>
<td><strong>Jaime Augusto Zobel de Ayala</strong></td>
<td><strong>5,419,829,815</strong> 89.53% 79,688,265 1.32% 16,346,451 0.27%</td>
</tr>
<tr>
<td><strong>Gerardo C. Ablaza, Jr.</strong></td>
<td><strong>5,486,758,173</strong> 90.63% 29,097,191 0.48% 5,000 0.00%</td>
</tr>
<tr>
<td><strong>Antonino T. Aquino</strong></td>
<td><strong>5,472,928,313</strong> 90.40% 32,855,800 0.54% 10,076,451 0.17%</td>
</tr>
<tr>
<td><strong>Delfin L. Lazaro</strong></td>
<td><strong>5,472,928,413</strong> 90.40% 32,855,800 0.54% 10,076,451 0.17%</td>
</tr>
<tr>
<td><strong>John Eric T. Francia</strong></td>
<td><strong>5,472,928,013</strong> 90.40% 32,855,800 0.54% 10,076,451 0.17%</td>
</tr>
<tr>
<td><strong>Victoria P. Garchitorena</strong></td>
<td><strong>5,419,957,315</strong> 89.53% 85,830,365 1.42% 10,076,451 0.17%</td>
</tr>
</tbody>
</table>

*Based on the proxy votes

** Votes “Against” have no effect on the outcome of the elections. Under the Corporation Code of the Philippines, the election of directors is by plurality of votes.

Abstentions also have no effect on the outcome of the elections. Under the Corporation Code of the Philippines, shareholders have the right to cumulative voting to ensure minority shareholders’ representation in the Board of Directors. A shareholder is entitled to one vote per share times the number of directors to be elected. He may cumulate his votes all in favor of one candidate, or distribute them equally or in any proportion among the candidates.
<table>
<thead>
<tr>
<th>Name</th>
<th>Shares</th>
<th>% of Votes</th>
<th>Votes Cast</th>
<th>Shares Held</th>
<th>% of Shares</th>
<th>% of Votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jaime C. Laya (Independent)</td>
<td>5,505,962,211</td>
<td>90.95%</td>
<td>9,896,900</td>
<td>0.16%</td>
<td>5,000</td>
<td>0.00%</td>
</tr>
<tr>
<td>Jose L. Cuisia, Jr. (Independent)</td>
<td>5,503,097,831</td>
<td>90.90%</td>
<td>1,451,300</td>
<td>0.02%</td>
<td>11,315,000</td>
<td>0.19%</td>
</tr>
<tr>
<td>Oscar S. Reyes (Independent)</td>
<td>5,444,964,005</td>
<td>89.94%</td>
<td>60,823,765</td>
<td>1.00%</td>
<td>10,076,451</td>
<td>0.17%</td>
</tr>
<tr>
<td>Sherisa P. Nuesa (Independent)</td>
<td>5,503,102,503</td>
<td>90.90%</td>
<td>7,721,300</td>
<td>0.13%</td>
<td>5,036,451</td>
<td>0.08%</td>
</tr>
</tbody>
</table>

*Based on the proxy votes
** Votes “Against” have no effect on the outcome of the elections. Under the Corporation Code of the Philippines, the election of directors is by plurality of votes. Abstentions also have no effect on the outcome of the elections. Under the Corporation Code of the Philippines, shareholders have the right to cumulative voting to ensure minority shareholders’ representation in the Board of Directors. A shareholder is entitled to one vote per share times the number of directors to be elected. He may cumulate his votes all in favor of one candidate, or distribute them equally or in any proportion among the candidates.

6) Orientation and Education Program

(a) Disclose details of the company’s orientation program for new directors, if any.

Every board meeting, directors are provided with Management Update on the operational and financial status of the Company. This is to ensure that the directors are continuously apprised of the performance of the Company.

The board meetings are also the avenue for the directors to inquire about the status of the Company’s financials and operations.

Upon assumption of office, a director appointed for the first time shall undergo a corporate orientation program to be conducted by the Office of the Corporate Secretary. The Corporate Secretary shall prepare the curriculum for the corporate orientation program. The curriculum of the corporate orientation program shall contain as a minimum, a topic on the operations of the Corporation and the applicable legal framework thereto, and relevant contracts of the Corporation, if any, as well as the existing policies, rules and regulations of the Corporation, such as but not limited to: the Code, the Manual, the Charters of the Board and the Board Committees, corporate governance framework, enterprise risk management, and corporate
communications. The curriculum of the orientation program shall be revised as often as necessary to include other subjects and matters relating to the Corporation.\textsuperscript{78}

In addition to the corporate orientation program for new directors, the Office of the Corporate Secretary shall inform the Board of any updates on the matters covered by the orientation program. The updates can be given during the regular meetings of the Board.\textsuperscript{79}

The foregoing notwithstanding, Directors are encouraged to attend external trainings, courses or continuing professional education programs on corporate governance, or that are relevant to the performance of their functions as directors of the Corporation or the latter’s industry. Director/s shall inform the Office of the Corporate Secretary of the trainings or courses attended for record and disclosure purposes.\textsuperscript{80}

(b) \textbf{State any in-house training and external courses attended by Directors and Senior Management}\textsuperscript{81} for the past three (3) years:

During board meetings, the management or the relevant unit/department of the Company presents to the Board and the Senior Management the latest update on corporate governance best practices, policies, regulations and standards.

In addition, the following in-house training and external courses are available to the directors and Senior Management:

- Ayala-LEAP (Ayala Leadership Acceleration Program)
- EAGLE (Emerging Ayala Group Leaders Program)
- The Leadership Circle (integrated within Ayala-LEAP and EAGLE)
- LEAP Alumni Learning Series (presentations by visiting professors and practitioners in the fields of customer centricity, strategy, leadership, etc.)
- Executive Coaching
- Ayala Group Sustainability Summit
- Harvard Advanced Management Development Program
- Temasek Foundation Water Leadership Program

(c) \textbf{Continuing education programs for directors: programs and seminars and roundtables attended during the year}.

During meetings of the Board, the management or the relevant unit/department of the Company presents to the Board and the Senior Management the latest update on corporate governance best practices, policies, regulations and standards.

\textsuperscript{78} Charter of the Board, Section 2.27
\textsuperscript{79} Ibid.
\textsuperscript{80} Ibid.
\textsuperscript{81} Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.
During meetings of the Board, the management or the relevant unit/department of the Company presents to the Board and the Senior Management the latest update on corporate governance best practices, policies, regulations and standards.

In addition, the following in-house training and external courses are available to the directors and Senior Management:

Ayala-LEAP (Ayala Leadership Acceleration Program)
EAGLE (Emerging Ayala Group Leaders Program)
The Leadership Circle (integrated within Ayala-LEAP and EAGLE)
LEAP Alumni Learning Series (presentations by visiting professors and practitioners in the fields of customer centricity, strategy, leadership, etc.)
Executive Coaching
Ayala Group Sustainability Summit

The table below lists the trainings and seminars attended by the directors for the year 2015:

<table>
<thead>
<tr>
<th>Director</th>
<th>Program</th>
<th>Name of Training Institution</th>
<th>Date of Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>Corporate Governance Summit: Learnings from the Public Sector on Corporate Governance</td>
<td>Institute of Corporate Directors</td>
<td>February 18, 2015</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>Corporate Governance Summit: Learnings from the Public Sector on Corporate Governance</td>
<td>Institute of Corporate Directors</td>
<td>February 18, 2015</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>Corporate Governance Summit: Learnings from the Public Sector on Corporate Governance</td>
<td>Institute of Corporate Directors</td>
<td>February 18, 2015</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>Corporate Governance Summit: Learnings from the Public Sector on Corporate Governance</td>
<td>Institute of Corporate Directors</td>
<td>February 18, 2015</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>Corporate Governance Summit: Learnings from the Public Sector on Corporate Governance</td>
<td>Institute of Corporate Directors</td>
<td>February 18, 2015</td>
</tr>
<tr>
<td>Gerardo C. Ablaza, Jr.</td>
<td>Corporate Governance Summit: Learnings from the Public Sector on Corporate Governance</td>
<td>Institute of Corporate Directors</td>
<td>February 18, 2015</td>
</tr>
<tr>
<td>Sherisa P. Nuesa</td>
<td>Corporate Governance Summit: Learnings from the Public Sector on Corporate Governance</td>
<td>Institute of Corporate Directors</td>
<td>February 18, 2015</td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>Corporate Governance Summit: Learnings from the Public Sector on Corporate Governance</td>
<td>Institute of Corporate Directors</td>
<td>February 18, 2015</td>
</tr>
</tbody>
</table>
The table below lists the trainings and seminars so far attended by the directors for the year 2016:

<table>
<thead>
<tr>
<th>Director</th>
<th>Program</th>
<th>Name of Training Institution</th>
<th>Date of Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>Annual Corporate Governance Training Program</td>
<td>Institute of Corporate Directors</td>
<td>March 8, 2016</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>Annual Corporate Governance Training Program</td>
<td>Institute of Corporate Directors</td>
<td>March 8, 2016</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>Annual Corporate Governance Training Program</td>
<td>Institute of Corporate Directors</td>
<td>March 8, 2016</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>Annual Corporate Governance Training Program</td>
<td>Institute of Corporate Directors</td>
<td>March 8, 2016</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>Annual Corporate Governance Training Program</td>
<td>Institute of Corporate Directors</td>
<td>March 8, 2016</td>
</tr>
<tr>
<td>Gerardo C. Ablaza, Jr.</td>
<td>Annual Corporate Governance Training Program</td>
<td>Institute of Corporate Directors</td>
<td>March 8, 2016</td>
</tr>
<tr>
<td>Sherisa P. Nuesa (ID)</td>
<td>Annual Corporate Governance Training Program</td>
<td>Institute of Corporate Directors</td>
<td>March 8, 2016</td>
</tr>
<tr>
<td>Oscar S. Reyes (ID)</td>
<td>Annual Corporate Governance Training Program</td>
<td>Institute of Corporate Directors</td>
<td>March 8, 2016</td>
</tr>
<tr>
<td>Jaime C. Laya (ID)</td>
<td>Annual Corporate Governance Training Program</td>
<td>Institute of Corporate Directors</td>
<td>March 8, 2016</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>Annual Corporate Governance Training Program</td>
<td>Institute of Corporate Directors</td>
<td>March 8, 2016</td>
</tr>
<tr>
<td>Jose L. Cuisia, Jr. (ID)</td>
<td>Exempted pursuant to Memorandum Circular No. 2 Series of 2015 of the Securities and Exchange Commission</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
### B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company’s policies on the following business conduct or ethics affecting directors, senior management and employees:

<table>
<thead>
<tr>
<th>Directors</th>
<th>Conflict of Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No director shall be involved in deciding his own remuneration during his incumbent term.(^{82}) (Manual of Corporate Governance)</td>
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<td></td>
<td>A director of the Company shall conduct fair business with the Company and ensure that personal interest does not bias Board decisions. A director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests.(^{83}) (Manual of Corporate Governance)</td>
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<td>The personal interest of directors should never prevail over the interest of the Company. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Company.(^{84}) (Manual of Corporate Governance)</td>
</tr>
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<td></td>
<td>If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the decision making process. A director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.(^{85}) (Manual of Corporate Governance)</td>
</tr>
<tr>
<td></td>
<td>A conflict of interest arises when a Director, or an Officer or employee appears to have a direct or indirect personal or financial interest in any transaction, which may deter or influence him from acting in the best interest of the Corporation. It is not required that there be an actual conflict, it is only required that there could be perceived or seen to be a conflict by an impartial observer.(^{86}) (Revised Code of Business Conduct and Ethics)</td>
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<td>A Director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests.(^{87}) (Revised Code of Business Conduct and Ethics)</td>
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</table>

\(^{82}\) Manual of Corporate Governance, Article I, Section 1.12 (b), page 17.
\(^{83}\) Manual of Corporate Governance, Article I, Section 1.10, page 15.
\(^{84}\) Manual of Corporate Governance, Article III, page 30.
\(^{85}\) Manual of Corporate Governance, Article III (b), pages 30-31.
\(^{86}\) Revised Code of Business Conduct and Ethics, Section 5.1
\(^{87}\) Revised Code of Business Conduct and Ethics, Section 5.4
A Director shall not use his position in the Corporation for personal gain or advantage or to promote any action that may run counter to the Corporation’s ethical standards.\(^{88}\) (Revised Code of Business Conduct and Ethics)

A Director shall not use the Corporation’s facilities, materials, intellectual properties, vehicles, equipment and supplies for his or another party’s personal purpose.\(^{89}\) (Revised Code of Business Conduct and Ethics)

| Senior Management | The personal interest of officers should never prevail over the interest of the Company. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Company.\(^{90}\) (Manual of Corporate Governance)  
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No officer or employee may have financial interest in a privately owned enterprise, which directly or indirectly deals or transacts business with the Corporation.\(^{92}\) (Revised Code of Business Conduct and Ethics)  
No officer or employee may use his position in the Corporation for personal gain or advantage or to promote any action that may run counter to the Corporation’s ethical standards.\(^{93}\) (Revised Code of Business Conduct and Ethics)  
No Officer or employee shall use the Corporation’s facilities, materials, intellectual properties, vehicles, equipment and supplies for his or another party’s personal purpose.\(^{94}\) (Revised Code of Business Conduct and Ethics) |
| Employees | A conflict of interest arises when a Director, or an Officer or employee appears to have a direct or indirect personal or financial |

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\(^{88}\) Revised Code of Business Conduct and Ethics, Section 5.5  
\(^{89}\) Revised Code of Business Conduct and Ethics, Section 5.6  
\(^{90}\) Manual of Corporate Governance, Article III, page 30.  
\(^{91}\) Revised Code of Business Conduct and Ethics, Section 5.1  
\(^{92}\) Revised Code of Business Conduct and Ethics, Section 5.4  
\(^{93}\) Revised Code of Business Conduct and Ethics, Section 5.5  
\(^{94}\) Revised Code of Business Conduct and Ethics, Section 5.6
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<td>A director of the Company shall conduct fair business with the Company and ensure that personal interest does not bias Board decisions. A director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests.\textsuperscript{99} (Manual of Corporate Governance)</td>
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<td>The core principle of the Corporation is to conduct business honestly and fairly with its investors, suppliers, contractors, service providers, customers and employees and other third parties.\textsuperscript{101} (Revised Code of Business Conduct and Ethics)</td>
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<td>Directors, Officers and employees shall act honestly, ethically and comply with all applicable laws, rules and regulations and protect the name and reputation of the Corporation.\textsuperscript{102} (Revised Code of Business Conduct and Ethics)</td>
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\textsuperscript{96} Revised Code of Business Conduct and Ethics, Section 5.4
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\textsuperscript{98} Revised Code of Business Conduct and Ethics, Section 5.6
\textsuperscript{99} Manual of Corporate Governance, Article I, Section 1.10 (a), page 15
\textsuperscript{100} Manual of Corporate Governance, Article III, page 30.
\textsuperscript{101} Revised Code of Business Conduct and Ethics, Section 4.1
\textsuperscript{102} Revised Code of Business Conduct and Ethics, Section 4.2
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<th>Senior Management</th>
<th>Directors, Officers and employees shall not engage in any unfair dealing practices, such as taking advantage of anyone through abuse of confidential information, manipulation, concealment, or misrepresentation or other similar acts. ¹⁰³ (Revised Code of Business Conduct and Ethics)</th>
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¹⁰³ Revised Code of Business Conduct and Ethics, Section 4.3 ¹⁰⁴ Manual of Corporate Governance, Article III, page 30. ¹⁰⁵ Revised Code of Business Conduct and Ethics, Section 4.1 ¹⁰⁶ Revised Code of Business Conduct and Ethics, Section 4.2 ¹⁰⁷ Revised Code of Business Conduct and Ethics, Section 4.3 ¹⁰⁸ Revised Code of Business Conduct and Ethics, Section 4.1 ¹⁰⁹ Revised Code of Business Conduct and Ethics, Section 4.2 ¹¹⁰ Revised Code of Business Conduct and Ethics, Section 4.3
| Directors | A director of the Company shall conduct fair business with the Company and ensure that personal interest does not bias Board decisions. A director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests.\(^{111}\) (Manual of Corporate Governance)  

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Directors, Officers and employees shall strictly follow the principles of highest ethical business standards and comply with all relevant laws and regulations. Towards this end, Directors, Officers and employees shall not accept corporate entertainment/gifts with an approximate value of more than Three Thousand Pesos (Php3,000.00) or anything that can or can be viewed to influence the manner on which a director, officer or employee may discharge his duties.\(^{113}\) (Revised Code of Business Conduct and Ethics)  

The Corporation strictly prohibits giving facilitating payments to any private or government officials or employees, their agents or intermediaries in order to expedite or secure performance of any governmental action, or to gain any perceived or actual favor or advantage from any private or government entities. The Corporation must ensure that it and its directors, officers and employees fully comply with the laws governing bribes, unlawful payments and other corrupt practices.\(^{114}\) (Revised Code of Business Conduct and Ethics) |
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\(^{111}\) Manual of Corporate Governance, Article I, Section 1.10 (a), page 15.  
\(^{112}\) Manual of Corporate Governance, Article III, page 30.  
\(^{113}\) Revised Code of Business Conduct and Ethics, Section 6.1  
\(^{114}\) Revised Code of Business Conduct and Ethics, Section 10.1  
\(^{115}\) Revised Code of Business Conduct and Ethics, Section 6.1
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| Compliance with Laws and Regulations | All actions of the Board are subject to the principles of legal permissibility. They must therefore not infringe on the appropriate provisions of the Philippine law and the Company’s constitutive documents.\textsuperscript{119} (Manual of Corporate Governance) |
| Directors | The Board shall keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws and in accordance with existing laws, rules and regulations and ensure that the Company complies with all relevant laws, regulations and, as far as possible, best business practices.\textsuperscript{120} (Manual of Corporate Governance). |
|  | Directors, Officers and employees shall act honestly, ethically and comply with all applicable laws, rules and regulations and protect the name and reputation of the Corporation.\textsuperscript{121} (Revised Code of Business Conduct and Ethics) |

\textsuperscript{116} Revised Code of Business Conduct and Ethics, Section 10.1  
\textsuperscript{117} Revised Code of Business Conduct and Ethics, Section 6.1  
\textsuperscript{118} Revised Code of Business Conduct and Ethics, Section 10.1  
\textsuperscript{119} Manual of Corporate Governance, Article I, Section 1.8 (d), page 10.  
\textsuperscript{120} Manual of Corporate Governance, Article I, Section 1.9 (g), page 12.  
\textsuperscript{121} Revised Code of Business Conduct and Ethics, Section 4.2
### Senior Management

The core principle of the Corporation is to conduct business honestly and fairly with its investors, suppliers, contractors, service providers, customers and employees and other third parties.\(^{122}\) (Revised Code of Business Conduct and Ethics)

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The core principle of the Corporation is to conduct business honestly and fairly with its investors, suppliers, contractors, service providers, customers and employees and other third parties.\(^{124}\) (Revised Code of Business Conduct and Ethics)

Directors, Officers and employees shall act honestly, ethically and comply with all applicable laws, rules and regulations and protect the name and reputation of the Corporation.\(^{125}\) (Revised Code of Business Conduct and Ethics)

### Respect for Trade Secrets/Use of Non-public Information

<table>
<thead>
<tr>
<th>Directors</th>
</tr>
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<tbody>
<tr>
<td>Before deciding on any matter brought before the Board of Directors, every director should carefully evaluate the issues, ask questions and seek clarifications as appropriate.(^{126}) (Manual of Corporate Governance)</td>
</tr>
<tr>
<td>A director shall keep secure and confidential all non-public information acquired or learned by reason of his position as a director. He should not reveal any confidential information to unauthorized persons without the authority of the Board.(^{127}) (Manual of Corporate Governance)</td>
</tr>
<tr>
<td>Directors, Officers and employees shall not engage in any unfair dealing practices, such as taking advantage of anyone through abuse of confidential information, manipulation, concealment, or misrepresentation or other similar acts.(^{128}) (Revised Code of Business Conduct and Ethics)</td>
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\(^{122}\) Revised Code of Business Conduct and Ethics, Section 4.1

\(^{123}\) Revised Code of Business Conduct and Ethics, Section 4.2

\(^{124}\) Revised Code of Business Conduct and Ethics, Section 4.1

\(^{125}\) Revised Code of Business Conduct and Ethics, Section 4.2

\(^{126}\) Manual of Corporate Governance, Article I, Section 1.10 (c), page 15.

\(^{127}\) Manual of Corporate Governance, Article 1, Section 1.10, (f), page 16.

\(^{128}\) Revised Code of Conduct and Ethics, Section 4.3.
Directors, Officers and employees shall not knowingly misrepresent or cause others to misrepresent information relating to the Corporation to government and regulatory agencies, independent auditors, the media or any other person. ¹²⁹ (Revised Code of Business Conduct and Ethics)

No Director, Officer or employee shall disclose any confidential information obtained from the Corporation for personal gain or for the advantage of any other person. This prohibition shall include investment in securities and association with a competitor, customer or supplier of the Corporation. ¹³⁰ (Revised Code of Business Conduct and Ethics)

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Directors, Officers and employees shall not engage in any unfair dealing practices, such as taking advantage of anyone through abuse of confidential information, manipulation, concealment, or misrepresentation or other similar acts. ¹³¹ (Revised Code of Business Conduct and Ethics)

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¹²⁹ Revised Code of Conduct and Ethics, Section 8.1.
¹³⁰ Revised Code of Conduct and Ethics, Section 8.2.
¹³¹ Revised Code of Conduct and Ethics, Section 4.3.
¹³² Revised Code of Conduct and Ethics, Section 8.1.
¹³³ Revised Code of Conduct and Ethics, Section 8.2.
¹³⁴ Revised Code of Conduct and Ethics, Section 4.3.
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| The personal interest of directors should never prevail over the interest of the Company. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Company.  
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| No Director, Officer or employee may use his position in the Corporation for personal gain or advantage or to promote any action that may run counter to the Corporation’s ethical standards.  
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   (Revised Code of Business Conduct and Ethics) |
| Employees should keep all Company equipment in good working condition and should eliminate unnecessary consumption and wasteful practices. They should avoid losing or damaging these equipment by using them with care.  
   (Employee Code of Conduct) |

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136 Revised Code of Conduct and Ethics, Section 8.2.
137 Manual of Corporate Governance, Article I, Section 1.10 (a), page 15.
139 Revised Code of Business Conduct and Ethics, Section 5.5.
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<td>All employees are furnished with office equipment, furniture, facilities and tools of work to ensure comfort and convenience as they perform their duties and tasks. Consequently, employees are expected to exercise due care in the handling and use of these properties.\textsuperscript{149} (Employee Code of Conduct and Discipline)</td>
</tr>
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<td>Company equipment should not be taken out of the work area, much less out of the Company premises without proper authority.\textsuperscript{150} (Employee Code of Conduct and Discipline)</td>
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\textsuperscript{143} Employee Code of Conduct and Discipline, Clause K, page 5.
\textsuperscript{144} Ibid.
\textsuperscript{145} Ibid.
\textsuperscript{146} Revised Code of Business Conduct and Ethics, Section 5.5.
\textsuperscript{147} Revised Code of Business Conduct and Ethics, Section 5.6.
\textsuperscript{148} Employee Code of Conduct and Discipline, Clause K, page 5.
\textsuperscript{149} Ibid.
\textsuperscript{150} Ibid.
### Employment & Labor Laws & Policies

| Directors | All actions of the Board are subject to the principles of legal permissibility. They must therefore not infringe on the appropriate provisions of the Philippine law and the Company’s constitutive documents.\(^{151}\) (Manual of Corporate Governance)  

The Board shall keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws and in accordance with existing laws, rules and regulations and ensure that the Company complies with all relevant laws, regulations and, as far as possible, best business practices.\(^{152}\) (Manual of Corporate Governance).  

Directors, Officers and employees shall act honestly, ethically and comply with all applicable laws, rules and regulations and protect the name and reputation of the Corporation.\(^{153}\) (Revised Code of Business Conduct and Ethics)  

The Corporation values the dignity of every individual, promotes the enhancement of the development of its human resources, guarantees full respect for human rights, and uphold the dignity of its stakeholders, customers, workers, employees, applicants for employment, students or those undergoing training, instruction or education.\(^{154}\) (Revised Code of Business Conduct and Ethics)  

Hence, the Corporation shall ensure that its directors, officers and employees subscribe strictly to this policy. All forms of sexual harassment shall be dealt with appropriately and in accordance with the applicable and all relevant laws, rules and regulations on the subject matter.\(^{155}\) (Revised Code of Business Conduct and Ethics) |
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| Senior Management | The core principle of the Corporation is to conduct business honestly and fairly with its investors, suppliers, contractors, service providers, customers and employees and other third parties.\(^{156}\) (Revised Code of Business Conduct and Ethics)  

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\(^{151}\) Manual of Corporate Governance, Article I, Section 1.8 (d), page 10.  
\(^{152}\) Manual of Corporate Governance, Article I, Section 1.9 (g), page 12.  
\(^{153}\) Revised Code of Business Conduct and Ethics, Section 4.2  
\(^{154}\) Revised Code of Business Conduct and Ethics, Section 11.1.  
\(^{155}\) Ibid.  
\(^{156}\) Revised Code of Business Conduct and Ethics, Section 4.1  
\(^{157}\) Revised Code of Business Conduct and Ethics, Section 4.2
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<tr>
<td>The Manual of Corporate Governance provides for the gradation of penalties to be imposed upon the directors, officers and staff, after due notice and hearing, for violation of the provisions of the Manual, to wit:</td>
</tr>
<tr>
<td>• In case of first violation, the subject person shall be reprimanded.</td>
</tr>
<tr>
<td>• In case of second violation, suspension from office shall be imposed by the Board.</td>
</tr>
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\textsuperscript{158} Revised Code of Business Conduct and Ethics, Section 11.1.  
\textsuperscript{159} Ibid.  
\textsuperscript{160} Revised Code of Business Conduct and Ethics, Section 4.1  
\textsuperscript{161} Revised Code of Business Conduct and Ethics, Section 4.2  
\textsuperscript{162} Revised Code of Business Conduct and Ethics, Section 11.1.  
\textsuperscript{163} Ibid.
### Senior Management

- For third violation, removal from office by the Board.

Under the Charter of the Board, it is provided that:

*Directors may be removed in the manner provided by law.*

*Directors may be removed by the Board by reason of permanent disqualification or for committing three (3) violations of the Manual or for any violation of the Code or relevant policies of the Corporation. The removal of the director shall be decided by the Board in a meeting called for the purpose, at which meeting a quorum duly existed.*

*The stockholders may also exercise the right to remove a director with or without cause, for which purpose, Section 28 of the Corporation Code shall apply.*

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### Employees

Disciplinary actions upon employees are provided under the Employee Code of Conduct and Discipline and by the applicable provisions of the labor laws and regulations.

Positive staff discipline as a fundamental management responsibility is a line function to be exercised by all Managers within the organization. This being so, Managers shall be held responsible for enforcing the necessary controls to prevent the commission of any violation by their subordinates. Other than taking charge of initiating corrective action in the behaviour of their subordinates,

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164 Charter of the Board, Section 2.5.1
165 Charter of the Board, Section 2.5.2
166 Charter of the Board, Section 2.5.3
whenever necessary, they shall also be held accountable for the results or repercussions of their subordinate’s offense to the Company especially for integrity-related cases.\textsuperscript{167} (Employee Code of Conduct and Discipline)

Due process shall be observed in the management of all administrative cases, in accordance with the Law. This will ensure that the erring employee is afforded an opportunity to be heard and that his/her case is managed with objectivity, fairness and consistency. Detailed procedures are itemized in the succeeding section.\textsuperscript{168} (Employee Code of Conduct and Discipline)

<table>
<thead>
<tr>
<th>Whistle Blower</th>
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</thead>
<tbody>
<tr>
<td><strong>Directors</strong></td>
</tr>
</tbody>
</table>

A director is required to comply with all disclosure requirements of the SRC and its Implementing Rules and Regulations and voluntarily disclose any conflict of interest, whether actual or potential upon its occurrence. The disclosure should be made fully and immediately.\textsuperscript{169} (Manual of Corporate Governance)

The Board shall commit at all times to adequately and timely disclose all material information that could potentially affect Manila Water’s share price and such other information that are required to be disclosed pursuant to the SRC and its Implementing Rules and Regulations as well as other relevant laws.\textsuperscript{170} (Manual of Corporate Governance)

Directors, Officers and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to the Board, in case of directors, and to the immediate supervisor or to the Office of the Compliance Officer in case of officers and employees. The Corporation shall promptly identify and investigate any suspected fraudulent or dishonest acts. Without prejudice to applicable administrative sanctions, the Corporation may pursue civil and/or criminal actions against directors, officers and employees as may be warranted.\textsuperscript{171}

Below is the pertinent portion of the guidelines on the Reporting of Fraudulent or Dishonest Acts:\textsuperscript{172}

“3. **Obligation to Report**

3.1 **All Directors, Officers and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to**

\textsuperscript{167} Employee Code of Conduct and Discipline, Implementing Guidelines, page 6.

\textsuperscript{168} Ibid.

\textsuperscript{169} Manual of Corporate Governance, Article III (e), page 31.

\textsuperscript{170} Manual of Corporate Governance, Article VII, page 38.

\textsuperscript{171} Revised Code of Business Conduct and Ethics, Section 4.5.

\textsuperscript{172} Revised Code of Business Conduct and Ethics, Annex A.
the Board of Directors, in case of a Director and to the Line Manager/Immediate Superior and/or the Compliance Officer, in case of Officers and employees. Such acts may include, but are not limited to, the following:

a. any criminal act or gross violation of any corporate governance policy;
b. failure to comply with a legal duty through negligence or gross misconduct;
c. any loss or damage to the Corporation due to fraud, corruption, or similar cause;
d. conflicts of interest; and
e. deliberate cover-up of any of the above acts.

3.2 The report should be in writing, properly signed and pertain to a matter relevant to the business of Manila Water. It must contain sufficient details and include supporting documents as may be available, to enable the Board or the Compliance Officer to properly investigate the incident reported and take the necessary action. Further, the report must be made in good faith (i.e., the employee or officer reporting has a reasonable suspicion that a fraudulent or dishonest act has occurred, is occurring or is likely to occur).

3.3 Where the report is made for an ulterior and undesirable purpose (e.g., for blackmail), it will not be considered as having been done in good faith. Anonymous reports (through letters, email or text messages or any other means) shall not be given due course.

3.4 Upon receipt of a report that complies with the requirements of Section 3.2 with respect to those involving Officers and employees, the Compliance Officer shall investigate the matter and make a report on the results of the investigation. The Compliance Officer may refer the matter to the Internal Audit Department for further investigation as may be warranted, in coordination with the appropriate units of the Corporation (e.g. Legal and Corporate Governance, Corporate Human Resources, the concerned department).

3.5 The person making the report shall be informed of the results of the evaluation/investigation and if warranted, it shall also be reported to the Audit Committee.

4. Protection to Reporter

4.1 The Corporation shall protect the reporter from any form of retaliation or discrimination by the concerned person, his co-employees or superiors. The identity of the person making the report and the contents of the report shall be kept confidential to the extent legally permissible.

5. Prohibited Acts
| 5.1 | The following acts are subject to disciplinary action, as provided under the Code, without prejudice to any civil or criminal proceedings that the Corporation or regulators may file for violation of existing laws:
   |   | a. retaliating or discriminating against Directors, Officers and employees who raise genuine concerns;
   |   | b. reporting a false allegation with malice or bad faith;
   |   | c. failure to report fraudulent or dishonest acts, despite knowledge of the same; and
   |   | d. deliberate cover-up of any fraudulent or dishonest acts.”

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| Senior Management | Directors, Officers and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to the Board, in case of directors, and to the immediate supervisor or to the Office of the Compliance Officer in case of officers and employees. The Corporation shall promptly identify and investigate any suspected fraudulent or dishonest acts. Without prejudice to applicable administrative sanctions, the Corporation may pursue civil and/or criminal actions against directors, officers and employees as may be warranted.¹¹³

Below is the pertinent portion of the guidelines on the Reporting of Fraudulent or Dishonest Acts:¹¹⁴

"3. Obligation to Report

3.6 All Directors, Officers and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to the Board of Directors, in case of a Director and to the Line Manager/Immediate Superior and/or the Compliance Officer, in case of Officers and employees. Such acts may include, but are not limited to, the following:
   | a. any criminal act or gross violation of any corporate governance policy;
   | b. failure to comply with a legal duty through negligence or gross misconduct;
   | c. any loss or damage to the Corporation due to fraud, corruption, or similar cause;
   | d. conflicts of interest; and
   | e. deliberate cover-up of any of the above acts.

3.7 The report should be in writing, properly signed and pertain to a matter relevant to the business of Manila Water. It must contain sufficient details and include supporting documents as may be available, to enable the Board or the Compliance Officer to properly investigate the incident reported and take the necessary action. Further, the report must be made in good faith (i.e., the employee or officer reporting has a reasonable suspicion that a fraudulent or dishonest act has occurred, is occurring or is likely to occur).

¹¹³ Revised Code of Business Conduct and Ethics, Section 4.5.
¹¹⁴ Revised Code of Business Conduct and Ethics, Annex A.
3.8 Where the report is made for an ulterior and undesirable purpose (e.g., for blackmail), it will not be considered as having been done in good faith. Anonymous reports (through letters, email or text messages or any other means) shall not be given due course.

3.9 Upon receipt of a report that complies with the requirements of Section 3.2 with respect to those involving Officers and employees, the Compliance Officer shall investigate the matter and make a report on the results of the investigation. The Compliance Officer may refer the matter to the Internal Audit Department for further investigation as may be warranted, in coordination with the appropriate units of the Corporation (e.g. Legal and Corporate Governance, Corporate Human Resources, the concerned department).

3.10 The person making the report shall be informed of the results of the evaluation/investigation and if warranted, it shall also be reported to the Audit Committee.

4. Protection to Reporter

4.1 The Corporation shall protect the reporter from any form of retaliation or discrimination by the concerned person, his co-employees or superiors. The identity of the person making the report and the contents of the report shall be kept confidential to the extent legally permissible.

5. Prohibited Acts

5.1 The following acts are subject to disciplinary action, as provided under the Code, without prejudice to any civil or criminal proceedings that the Corporation or regulators may file for violation of existing laws:
   a. retaliating or discriminating against Directors, Officers and employees who raise genuine concerns;
   b. reporting a false allegation with malice or bad faith;
   c. failure to report fraudulent or dishonest acts, despite knowledge of the same; and
   d. deliberate cover-up of any fraudulent or dishonest acts.”

Employees

Directors, Officers and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to the Board, in case of directors, and to the immediate supervisor or to the Office of the Compliance Officer in case of officers and employees. The Corporation shall promptly identify and investigate any suspected fraudulent or dishonest acts. Without prejudice to applicable administrative sanctions, the Corporation may pursue civil and/or criminal actions against directors, officers and employees as may be warranted.\textsuperscript{175}

\textsuperscript{175} Revised Code of Business Conduct and Ethics, Section 4.5.
Below is the pertinent portion of the guidelines on the Reporting of Fraudulent or Dishonest Acts:176

“3. Obligation to Report

3.11 All Directors, Officers and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to the Board of Directors, in case of a Director and to the Line Manager/Immediate Superior and/or the Compliance Officer, in case of Officers and employees. Such acts may include, but are not limited to, the following:
   a. any criminal act or gross violation of any corporate governance policy;
   b. failure to comply with a legal duty through negligence or gross misconduct;
   c. any loss or damage to the Corporation due to fraud, corruption, or similar cause;
   d. conflicts of interest; and
   e. deliberate cover-up of any of the above acts.

3.12 The report should be in writing, properly signed and pertain to a matter relevant to the business of Manila Water. It must contain sufficient details and include supporting documents as may be available, to enable the Board or the Compliance Officer to properly investigate the incident reported and take the necessary action. Further, the report must be made in good faith (i.e., the employee or officer reporting has a reasonable suspicion that a fraudulent or dishonest act has occurred, is occurring or is likely to occur).

3.13 Where the report is made for an ulterior and undesirable purpose (e.g., for blackmail), it will not be considered as having been done in good faith. Anonymous reports (through letters, email or text messages or any other means) shall not be given due course.

3.14 Upon receipt of a report that complies with the requirements of Section 3.2 with respect to those involving Officers and employees, the Compliance Officer shall investigate the matter and make a report on the results of the investigation. The Compliance Officer may refer the matter to the Internal Audit Department for further investigation as may be warranted, in coordination with the appropriate units of the Corporation (e.g. Legal and Corporate Governance, Corporate Human Resources, the concerned department).

3.15 The person making the report shall be informed of the results of the evaluation/investigation and if warranted, it shall also be reported to the Audit Committee.

4. Protection to Reporter

4.1 The Corporation shall protect the reporter from any form of retaliation or discrimination by the concerned person, his co-employees or superiors. The identity of the person making the report and the contents of the report shall be kept confidential to the extent legally permissible.

5. Prohibited Acts

5.1 The following acts are subject to disciplinary action, as provided under the Code, without prejudice to any civil or criminal proceedings that the Corporation or regulators may file for violation of existing laws:

a. retaliating or discriminating against Directors, Officers and employees who raise genuine concerns;

b. reporting a false allegation with malice or bad faith;

c. failure to report fraudulent or dishonest acts, despite knowledge of the same; and

d. deliberate cover-up of any fraudulent or dishonest acts.”

Conflict Resolution

Directors

The Board shall ensure the presence and adequacy of internal control mechanisms for good governance by, among others, reviewing conflict-of-interest situations and providing appropriate remedial measures for the same.177 (Manual of Corporate Governance)

The Board shall establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts of differences between the Company and its stockholders and the Company and third parties, including regulatory authorities, without prejudice to the Company’s ability to avail of its legal rights to address or resolve conflicts or differences with such parties in the proper venue as it deems appropriated or warranted.178 (Manual of Corporate Governance).

The Board shall monitor and manage potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.179

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177 Manual of Corporate Governance, Article 1.6 (e), page 10.
178 Manual of Corporate Governance, Article 1.9 (p), page 14.
179 Charter of the Board, Section 3.1.1 (f).
Senior Management

Due Process shall be observed in the management of all administrative cases, in accordance with the law. This will ensure that the erring employee is afforded an opportunity to be heard and that his/her case is managed with objectivity, fairness and consistency. 180

(Employee Code of Conduct and Discipline)

Employees

Positive staff discipline as a fundamental management responsibility is a line function to be exercised by all Managers within the organization. This being so, Managers shall be held responsible for enforcing the necessary controls to prevent the commission of any violation by their subordinates. Other than taking charge of initiating corrective action in the behaviour of their subordinates, wherever necessary, they shall also be held accountable for the results or repercussions of their subordinate’s offense to the Company especially for integrity-related cases. 181

(Employee Code of Conduct and Discipline)

Due process shall be observed in the management of all administrative cases, in accordance with the Law. This will ensure the erring employee is afforded an opportunity to be heard and that his/her case is managed with objectivity, fairness, and consistency. 182

(Employee Code of Conduct and Discipline)

Disciplinary and corrective action should always be treated with utmost confidentiality. This will ensure that the erring employee is afforded an opportunity to be heard and that his/her case is managed with objectivity, fairness and consistency. Detailed procedures are itemized in the succeeding section. 183

(Employee Code of Conduct and Discipline)

Grievance arising from such disciplinary/corrective actions involving staff employees will be addressed through the grievance procedures/machinery stated in the Collective Bargaining Agreement. Grievance arising from disciplinary/corrective actions involving officers of the Company will be referred to the next higher manager up to the level of the Corporate Human Resources Group Director. 184

(Employee Code of Conduct and Discipline)

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes. The Revised Code of Business Conduct and Ethics was approved by the Board in its special meeting held on April 4, 2014. A copy of the Revised Code was furnished to each member of the Board.

An electronic copy of the Revised Code of Business Conduct and Ethics has been sent by electronic mail to the officers and employees of the Company and can also be downloaded from the Company’s website.

181 Employee Code of Conduct and Discipline, Implementing Guidelines, page 5.
182 Ibid.
183 Ibid.
The Revised Code of Business Conduct and Ethics consolidates and enhances the Company’s existing policies on honesty and fair dealing, conflict of interest, corporate entertainment and gifts, insider trading, prompt and adequate disclosure of material information, creditor rights, anti-corruption, and anti-sexual harassment. The Code also includes provisions on the powers and duties of the Office of the Compliance Officer in relation to the implementation and monitoring of the Revised Code.

3) **Discuss how the company implements and monitors compliance with the code of ethics or conduct.**

The Revised Code of Business Conduct and Ethics of the Company provides for the process for the implementation thereof. In particular, Articles 12 and 13 of the Revised Code provide:

“12. Office of the Compliance Officer

12.1 Except as otherwise provided in this Code, the Office of the Compliance Officer shall be primarily responsible for the implementation of this Code.

12.2 There shall be a Corporate Governance Panel (the “Panel”) composed of three (3) members which shall be under the direct supervision and control of the Compliance Officer. The Head of the Legal Department shall be the ex-officio chairman of the Panel, while the Heads of the Internal Audit Department and the Employee Engagement Department shall be the ex-officio members.

12.3 The Panel shall be responsible for receiving and investigating complaints for violations of the Code.

In performing any function within their authority pursuant to this Code, the chairman and the members of the panel may appoint their respective representatives.

12.4 The Panel shall, in the conduct of investigation, comply with the following procedures:

a. A complaint may be filed with the Panel in writing.

b. The Respondent shall be notified of the Complaint against him and shall be given a period of five (5) days within which to respond to the notice. The notice shall attach the Complaint, if any, or shall specify in detail the subject of the Complaint.

c. The Panel may, based on the response of the Respondent, conduct further hearings or dismiss the Complaint motu proprio. However, no finding of violation of the Code shall be issued motu proprio.
d. After conducting hearings, the Panel shall issue a resolution either finding the Respondent to have violated the Code or dismissing the Complaint. In which case, all resolutions of the Panel shall be endorsed to the Office of the Compliance Officer for his final decision.

e. The Compliance Officer may either affirm or reverse the resolution of the Panel. The Respondent shall be furnished with a copy of the decision of the Compliance Officer.

A decision exonerating the Respondent shall be deemed final and executory. A finding of violation shall be referred to the Labor Relations Department for appropriate action. A decision issued after a finding of violation of the Code shall form part of the 201 File of the Officer or the employee.

13. Implementation and Monitoring of the Code

13.1 The Code shall be distributed to all directors, officers and employees, who shall signify, in any manner capable of being recorded, that they have received, read and understood the Code. The Office of the Compliance Officer shall keep a record of this acknowledgement.

13.2 A Director, officer or employee who becomes aware of any violation of the Code shall immediately notify the Board, in case of a Director, or the immediate supervisor or the Office of the Compliance Officer, in case of officers and employees. The Board and the Office of the Compliance Officer shall take all the necessary action to investigate any and all reported violations.

13.3 An officer or employee who commits a violation of this Code shall be subject to disciplinary action, without prejudice to any civil or criminal proceedings that the Corporation or any government regulators or agencies may institute for violation of existing laws, rules or regulations.

Directors who violate the applicable provisions of this Code shall be subject to disciplinary actions by the Board, in accordance with existing laws, rules, and regulations, the By Laws of the Corporation, and other company policies. This is without prejudice to any liability, whether criminal, civil or otherwise, of the directors under the provisions of existing laws, rules and regulations.

13.4 The Board or the Office of the Compliance Officer, as the case may be, shall be responsible for implementing and monitoring compliance with the Code. The Office of the Compliance Officer shall also have the authority to decide any issues that may arise in connection with the implementation of this Code.
There shall be no exceptions from or waivers of any provision of this Code, except as expressly approved by the Office of the Compliance Officer in writing, and only under exceptional circumstances. The Office of the Compliance Officer shall maintain a record of all such requests for exceptions and waivers, the basis for the grant thereof.

13.5 The provisions of this Code shall be without prejudice to the provisions of existing and relevant laws, rules and regulations.”

4) Related Party Transactions

(a) Policies and Procedures

Describe the company’s policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

The Company shall avoid related party transactions (“RPTs”). In instances where related party transactions cannot be avoided, the Company shall disclose all relevant information on the same, including information on the affiliated parties and the affiliation of directors and principal officers.185

In addition, the Company ensures that those related party transactions are arms-length-transaction. The Contracts for provision of goods and services are bidden out to accredited contractors, service providers and vendors, whether related parties or not. The terms and conditions of the Contracts are agreed upon after good faith negotiations.

<table>
<thead>
<tr>
<th>Related Party Transactions</th>
<th>Policies and Procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Parent Company</td>
<td>Arms-length</td>
</tr>
<tr>
<td></td>
<td>Appropriate disclosure</td>
</tr>
<tr>
<td></td>
<td>Material Related Party Transactions (“RPTs”)* with the Company are subject to review and approval of a Committee composed entirely of independent directors of the Audit and Governance Committee</td>
</tr>
<tr>
<td></td>
<td>Non-material RPTs are subject to review and approval of the Compliance Officer</td>
</tr>
</tbody>
</table>

185 Manual of Corporate Governance, Article IV, page 32.
| (2) Joint Ventures | Arms-length  
In furtherance of common projects  
Appropriate disclosure  
Material RPTs with the Company are subject to the review and approval of a Committee composed entirely of the independent directors of the Audit and Governance Committee  
Non-material RPTs are subject to review and approval of the Compliance Officer |
| (3) Subsidiaries | Arms-length  
In furtherance of the Company’s business and operations  
Appropriate disclosure  
Material RPTs with the Company are subject to the review and approval of a Committee composed entirely of the independent directors of the Audit and Governance Committee  
Non-material RPTs are subject to review and approval of the Compliance Officer |
| (4) Entities Under Common Control | Arms-length  
Appropriate disclosure  
Material RPTs with the Company are subject to the review and approval of a Committee composed entirely of the independent directors of the Audit and Governance Committee  
Non-material RPTs are subject to review and approval of the Compliance Officer |
| (5) Substantial Stockholders | Arms-length  
Appropriate disclosure |
<table>
<thead>
<tr>
<th>(6) Officers including spouse/children/siblings/parents</th>
<th>To be avoided pursuant to the Conflict of Interest policy pursuant to the Code of Business Conduct and Ethics and the Manual of Corporate Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>(7) Directors including spouse/children/siblings/parents</th>
<th>To be avoided pursuant to the Conflict of Interest policy under the Revised Code of Business Conduct and Ethics and the Manual of Corporate Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Material RPTs with the Company are subject to the review and approval of a Committee (composed entirely of the independent directors of the Audit and Governance Committee)</td>
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<tr>
<td></td>
<td>Non-material RPTs are subject to review and approval of the Compliance Officer</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(8) Interlocking director relationship of Board of Directors</th>
<th>To be avoided pursuant to the Conflict of Interest policy under the Code of Business Conduct and Ethics and the Manual of Corporate Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Material RPTs with the Company are subject to the review and approval of a Committee (composed entirely of the independent directors of the Audit and Governance Committee)</td>
</tr>
<tr>
<td></td>
<td>Non-material RPTs are subject to review and approval of the Compliance Officer</td>
</tr>
</tbody>
</table>

* Under the Policy on RPT, **Material RPT** means any RPT with a stated value of at least Ten Million Pesos (Php10,000,000.00)

On April 4, 2014, the Board, in its special meeting, approved the Policy on Related Party Transactions (RPT). The Policy on RPT has the following objectives:

a. To provide guidance on what constitutes RPTs;
b. To avoid conflict of interest and comply with regulatory and good governance practices;
c. To ensure that the appropriate process for approval of the transaction has been undertaken; and
d. To ensure compliance with the Disclosure Policy of the Corporation and disclosure requirements of Financial Statement Reporting

On February 20, 2015, the Board approved the revision to the Policy on RPTs. In particular the revision requires that material RPTs shall be approved by a Committee composed only of all the independent directors of the Audit and Governance Committee, provided that there are at least three (3) independent directors in the Audit and Governance Committee.

Below is the relevant provisions of the Policy on RPT:

“5. Disclosure Requirements:

5.1 The Corporation must comply with all disclosure requirements of RPT mandated under applicable law, rules and regulations.

5.2 The Related Parties must comply with all the disclosure requirements of RPTs required under applicable law, rules and regulations of the SEC, PSE and the BIR, and other relevant government agencies.

5.3 Each director, executive officer and members of the Key Management is responsible for providing written notice to the Office of the Compliance Officer of any potential RPT involving him or her or his or her Immediate Family Member, including any additional information about the transaction that may reasonably be requested by the Corporation.

The Office of the Compliance Officer, by himself, or in consultation with the Management Committee and with the Chief Legal Counsel or external counsel, as appropriate, will determine whether the notified transaction does, in fact, constitute a RPT requiring compliance with this Policy.

Disclosure of a RPT shall include information about the price of the transaction, outstanding balances, if any, major terms and conditions and guarantees, if any. The Office of the Compliance Officer may require additional and other relevant information sufficient to enable the Office of the Compliance Officer to determine any Conflict of Interest and the potential effect of the relationship.

5.4 In addition, each director, executive officer and member of the Key Management may be required to complete a questionnaire that inquiries about their RPTs and those of their Immediate Family Members.

6. Guidelines prior to entering into a RPT:
6.1 All RPTs shall have terms and conditions that are fair and equitable to the Corporation.

6.2 The approval, award, processing and payment of RPTs shall follow the same procedures as the other transactions and contracts of the Corporation. No unusual privilege or special treatment shall be afforded a Related Party.

6.3 In case of doubt on the nature of a transaction subject of investigation or review pursuant to this Policy, the Office of the Compliance Officer, in consultation with the RPT Committee, shall determine whether the transaction or relationship constitutes a RPT, and whether the same shall be pursued taking into consideration the cost and benefit to the Corporation.

6.4 Prior to the award of any Material RPT, the Corporation shall submit the same for the review of the RPT Committee to confirm that it has undergone the same process as an ordinary transaction and to determine that the Material RPT under review is in the best interest of the Corporation.

Non-Material RPTs shall be subject to the review and/or approval of the Compliance Officer.

7. Internal Reporting of RPTs

7.1 The following transactions, if with a Related Party, are considered RPTs:

i. Purchases or sales of goods
ii. Purchases or sale of property and other assets
iii. Purchases and sales of services
iv. Leases
v. Transfer of Research and Development
vi. Transfers under License Agreements
vii. Transfers under Finance Arrangement like Loans and Equity contribution in cash or in kind
viii. Loans and other forms of financial assistance
ix. Provisions of Guarantees and collateral
x. Settlement of Liabilities on behalf of the Corporation or by Corporation on behalf of another party
xi. Commitments to do something if a particular event occurs or does not occur in the future
xii. Such other similar or analogous transactions to the foregoing

7.2 The Compliance Officer, with the assistance of the Chief Legal Counsel, shall prepare a monthly report on RPTs based on the disclosures and/or reports of RPTs submitted to the Compliance Officer.
The Report shall be submitted to the Accounting Department to be furnished the External Auditor for proper disclosure in the Financial Statements of the Corporation, if necessary under applicable financial reporting rules and policies.

8. **Prohibited RPTs**

8.1 Notwithstanding any provision of this Policy to the contrary, the following RPTs shall not be allowed:

a. Loans and/or financial assistance to a Director;

b. Loans and/or financial assistance to the Key Management, except when allowed pursuant to an established company benefit or plan

9. **Sanctions**

9.1 Non-compliance with any provision of this Policy, in particular, the reporting, and disclosure requirements, the guidelines prior to entering into RPT and the prohibited RPTs, shall result in the invalidation of the Contract involved in the RPT.

9.2 Any officer or employee of the Corporation who has knowledge of any violation of this Policy shall report the same to the Office of the Compliance Officer.

The Chief Legal Counsel, in coordination with the Office of the Compliance Officer, shall report to the RPT Committee all violations of this Policy.

9.3 The RPT Committee shall have the authority to recommend to the Board of Directors the invalidation of the Contract.

9.4 This Policy shall be without prejudice to the provisions of the Code, the Manual of Corporate Governance and all related and relevant policies of the Corporation which shall be observed and shall apply to the fullest extent possible. In particular, RPTs shall not be allowed if it would present a conflict of interest for any Related Party as defined in the Code.

10. **Review of the [RPT] Policy**

This Policy shall be reviewed from time to time in order to reflect the requirements of applicable law, rules and regulations.”
(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

<table>
<thead>
<tr>
<th>Details of Conflict of Interest (Actual or Probable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of Director/s</td>
</tr>
<tr>
<td>Name of Officer/s</td>
</tr>
<tr>
<td>Name of Significant Shareholders</td>
</tr>
</tbody>
</table>

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

<table>
<thead>
<tr>
<th>Directors/Officers/Significant Shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
</tr>
<tr>
<td>Group</td>
</tr>
</tbody>
</table>

¹⁸⁶ Manual of Corporate Governance, Article IV, page 32.
5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family, commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

<table>
<thead>
<tr>
<th>Names of Related Significant Shareholders</th>
<th>Type of Relationship</th>
<th>Brief Description of the Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

<table>
<thead>
<tr>
<th>Names of Related Significant Shareholders</th>
<th>Type of Relationship</th>
<th>Brief Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

<table>
<thead>
<tr>
<th>Name of Shareholders</th>
<th>% of Capital Stock affected (Parties)</th>
<th>Brief Description of the Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Corporation</td>
<td>At least 10%</td>
<td>Ayala Corp is required to own (directly or indirectly) at least 10% of the total outstanding capital stock of Manila Water pursuant to Section 6.11 of the Concession Agreement of Manila Water with the Metropolitan Waterworks and Sewerage System dated February 21, 1997, unless the requirement is waived in writing by the MWSS Regulatory Office</td>
</tr>
</tbody>
</table>

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

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187 Family relationship up to the fourth civil degree either by consanguinity or affinity.
The Company has not been in conflict with any of its stockholders in the last three years.

With regard to third parties and regulatory authorities, the Company has availed of arbitration or court proceedings, in accordance with the provisions of the relevant contracts, or in accordance with the applicable laws, rules and regulations, if there is no contract. Nevertheless, the Company, stockholders, third parties and regulatory authorities are entitled to avail of the remedies provided under existing laws, rules and regulations.

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors’ meetings scheduled before or at the beginning of the year?

Meetings of Board of Directors are scheduled before the beginning of the year.

*In its regular meeting held on November 26, 2015, which meeting was attended by 10 out of 11 members of the Board, the Board approved the holding of Board meetings for the year 2016 on the dates and at times specified below, subject to the authority given by the Board to the Chairman to make changes to the schedules after consultation with the members of the Board:*
### Nature of Meeting

<table>
<thead>
<tr>
<th>Nature of Meeting</th>
<th>Date of Meeting</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Meeting</td>
<td>February 26, 2016, Friday</td>
<td>9:00 a.m.</td>
</tr>
<tr>
<td>Organizational Board Meeting</td>
<td>April 11, 2016, Monday</td>
<td>Immediately after the 2016 ASM</td>
</tr>
<tr>
<td>Meeting of Non-Executive Directors</td>
<td>April 11, 2016, Monday</td>
<td>Immediately after the Organizational Meeting of the Board</td>
</tr>
<tr>
<td>Regular Meeting</td>
<td>June 9, 2016, Thursday</td>
<td>9:00 a.m.</td>
</tr>
<tr>
<td>Regular Meeting</td>
<td>August 11, 2016, Thursday</td>
<td>9:00 a.m.</td>
</tr>
<tr>
<td>Regular Meeting</td>
<td>October 4, 2016, Tuesday</td>
<td>9:00 a.m.</td>
</tr>
<tr>
<td>Regular Meeting</td>
<td>November 24, 2016, Thursday</td>
<td>9:00 a.m.</td>
</tr>
</tbody>
</table>

In the same meeting, the Board authorized the holding of the 2016 Annual Stockholders Meeting on April 11, 2016 at 9:00 a.m. at Fairmont Makati, Makati City, with record date of February 19, 2016.

2) **Attendance of Directors**

Board Meeting Attendance of Board of Directors in 2015:

<table>
<thead>
<tr>
<th>Board</th>
<th>Name</th>
<th>Date of Election</th>
<th>No. of Meetings Held during the year*</th>
<th>No. of Meetings Attended</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Fernando Zobel de Ayala</td>
<td>April 7, 2015</td>
<td>7</td>
<td>7/7</td>
<td>100%</td>
</tr>
<tr>
<td>Member</td>
<td>Jaime Augusto Zobel de Ayala</td>
<td>April 7, 2015</td>
<td>7</td>
<td>7/7</td>
<td>100%</td>
</tr>
<tr>
<td>Member</td>
<td>Gerardo C. Ablaza Jr.</td>
<td>April 7, 2015</td>
<td>6**</td>
<td>6/6</td>
<td>100%</td>
</tr>
<tr>
<td>Member</td>
<td>Delfin L. Lazaro</td>
<td>April 7, 2015</td>
<td>7</td>
<td>6/7</td>
<td>86%</td>
</tr>
<tr>
<td>Member</td>
<td>Antonino T. Aquino</td>
<td>April 7, 2015</td>
<td>7</td>
<td>7/7</td>
<td>100%</td>
</tr>
<tr>
<td>Member</td>
<td>John Eric T. Francia</td>
<td>April 7, 2015</td>
<td>7</td>
<td>7/7</td>
<td>100%</td>
</tr>
<tr>
<td>Independent</td>
<td>Sherisa P. Nuesa</td>
<td>April 7, 2015</td>
<td>7</td>
<td>7/7</td>
<td>100%</td>
</tr>
<tr>
<td>Independent</td>
<td>Jose L. Cuisia Jr.</td>
<td>April 7, 2015</td>
<td>7</td>
<td>7/7</td>
<td>100%</td>
</tr>
<tr>
<td>Independent</td>
<td>Oscar S. Reyes</td>
<td>April 7, 2015</td>
<td>7</td>
<td>7/7</td>
<td>100%</td>
</tr>
<tr>
<td>Independent</td>
<td>Jaime C. Laya</td>
<td>April 7, 2015</td>
<td>7</td>
<td>7/7</td>
<td>100%</td>
</tr>
<tr>
<td>Member</td>
<td>Victoria P. Garchitorena</td>
<td>April 7, 2015</td>
<td>7</td>
<td>7/7</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Including the Meeting of the Non-Executive Directors

**As an Executive Director, Mr. Gerardo C. Ablaza, Jr. was not a party to the meeting of the Non-Executive Directors.
3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

Yes. On **April 11, 2016**, immediately after the organizational meeting of the Board of Directors, the non-executive directors held a separate meeting, without Mr. Gerardo C. Ablaza, Jr., the President and CEO and the sole executive director of the Company.

**On April 7, 2015**, and on **April 4, 2014**, immediately after the organizational meeting of the Board of Directors, the non-executive directors held a separate meeting.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

Yes. In its special meeting held on April 4, 2014, the Charter of the Board was approved and adopted by the Board of Directors, wherein the minimum quorum requirement for Board decisions is set at 2/3 of the Board members. In particular, Section 4.2.1 provides:

“4.2.1 At least 2/3 of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business, and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except as may have been provided in contracts binding on the Corporation, and except for the election of officers which shall require the vote of a majority of all the members of the Board. In the absence of a quorum, a majority of the directors present may adjourn any meeting from time to time until a quorum is had.”

5) Access to Information

(a) How many days in advance are board papers\(^{188}\) for board of directors meetings provided to the board?

The Company provides the board papers to the members of the board at least five (5) days before the scheduled meeting.

Section 4.1.5 of the Charter of the Board specifically requires that “[T]he materials for the meetings shall be given to each Director at least five (5) days prior to the intended meeting to give the Directors sufficient time to prepare for the meeting and to raise any concern on the materials.”

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes. The Manual of Corporate Governance states that members of the board should be given independent access to the management and the corporate

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\(^{188}\) Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.
secretary. Accordingly, members of the board may make further inquiries as regards the operations and affairs of Company to enable them to properly perform their duties and responsibilities.

This is consistent with the principle that the Board oversees the management of the Company and provides directions towards the formulation of a sound corporate strategy. In this connection, the management is also obligated to provide the Board with complete, adequate and timely information on the operations and affairs of the Company. In practice, the members of the Board of the Company do actually and directly refer their queries and concerns to the Management and the Corporate Secretary.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.?

The Corporate Secretary shall ensure that the Board and management follow internal and external rules and regulations, and facilitate clear communications between the Board and management. The Office of the Corporate Secretary, in coordination with the Compliance Officer, shall be the forerunner of the Corporation in championing corporate governance practices and policies.

Upon assumption of office, a director appointed for the first time shall undergo a corporate orientation program to be conducted by the Office of the Corporate Secretary. The Corporate Secretary shall prepare the curriculum for the corporate orientation program. The curriculum of the corporate orientation program shall contain as a minimum, a topic on the operations of the Corporation and the applicable legal framework thereto, and relevant contracts of the Corporation, if any, as well as the existing policies, rules and regulations of the Corporation, such as but not limited to: the Code, the Manual, the Charters of the Board and the Board Committees, corporate governance framework, enterprise risk management, and corporate communications. The curriculum of the orientation program shall be revised as often as necessary to include other subjects and matters relating to the Corporation. In addition to the corporate orientation program for new directors, the Office of the Corporate Secretary shall inform the Board of any updates on the matters covered by the orientation program. The updates can be given during the regular meetings of the Board.

The Charter of the Corporate Secretary which was approved by the Board of Directors in its special meeting held on April 4, 2014 provide that the Corporate Secretary has the following specific functions:

a. Adviser to the directors on their functions, responsibilities and obligations.

b. Responsible for the safekeeping and preservation of the integrity of the minutes of meetings of the stockholders, the Board, the Executive Committee, and all other committees, as well as all other official records of the Corporation.

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189 Article II, Section 1, page 25.
190 Ibid.
191 Manual of Corporate Governance, Article I, Section 1, page 3.
192 Manual of Corporate Governance, Article I, Section 1, page 24.
193 Charter of the Board, Section 2.27
194 Ibid.
He shall furnish copies thereof to the Chairman, the President and other members of the Board as appropriate.

c. Work fairly and objectively with the Board, management and stockholders.
   Custodian of the seal of the Corporation and with authority to affix it to any instrument requiring the same.

d. Custodian of the stock certificate book and such other books and papers as the Board may direct.

e. Attend to the giving and serving of notices of Board and shareholder meetings.

f. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.

g. Be fully informed and be part of the scheduling process of other activities of the Board.

h. Attend all Board meetings, except when justifiable causes prevent him from doing so. For this purpose, the Board shall have discretion of determining what causes are justifiable.

i. Ensure that all Board procedures, rules and regulations are strictly followed by the members.

j. Prepare an annual schedule of board meetings and the agenda of meetings, and put the Board on notice of such agenda at every meeting.

k. Oversee the adequate flow of information to the Board prior to meetings.

l. Ensure fulfillment of disclosure requirements to the SEC and the PSE.

m. If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in the Manual.

The Corporate Secretary shall have such other responsibilities as the Board of Directors may impose upon him.

Under the Charter of the Corporate Secretary and the Manual, the Corporate Secretary shall be a resident and citizen of the Philippines. He must possess organizational and interpersonal skills, the legal skills of a chief legal officer and the following additional qualifications:

a. Loyalty to the mission, vision and objectives of the Corporation;

b. Possession of and/or working knowledge of the operations of the Corporation;

c. Knowledge of the laws, rules and regulations necessary in the performance of his duties and responsibilities;

d. Possession of appropriate administrative and interpersonal skills; and

e. Trained in legal, accountancy or corporate secretarial practices.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes. The Corporate Secretary of the Company, Atty. Solomon M. Hermosura, is a lawyer by profession, a member of the Integrated Bar of the Philippines in good standing, and a bar examinations topnotcher. Moreover, he has the necessary experience and skills in legal and corporate secretarial practices. He also has knowledge of accounting principles and can readily apply it in the performance of his duties as Corporate Secretary.

In sum, the Corporate Secretary of the Company has all the qualifications required under the Charter of the Corporate Secretary and the Manual, to wit:
a. Loyalty to the mission, vision and objectives of the Corporation;
b. Possession of and/or working knowledge of the operations of the Corporation;
c. Knowledge of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
d. Possession of appropriate administrative and interpersonal skills; and

e. Trained in legal, accountancy or corporate secretarial practices.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

<table>
<thead>
<tr>
<th>Committee</th>
<th>Details of the procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive</td>
<td>The members of the Executive Committee are provided in advance by the Office of the Corporate Secretary with the agenda of the meeting and information on the matters to be discussed during the meetings.</td>
</tr>
<tr>
<td></td>
<td>The members of the Committee are free to communicate with the Office of the Corporate Secretary for additional information regarding the meeting.</td>
</tr>
<tr>
<td></td>
<td>As a general rule, Committee meetings shall be announced at least two (2) weeks in advance. Notice of meetings may be given by any customary means of communication such as electronic mail, in writing, by telephone, by telefax and other similar means. The notice shall specify the time and place of the meeting and include a detailed agenda. The materials of the meetings shall be given to each member of the Committee at least five (5) days prior to the intended meeting, except as otherwise provided herein.</td>
</tr>
<tr>
<td></td>
<td>The Committee shall have free and full access to all relevant information, data, records, properties and personnel of the Corporation.</td>
</tr>
<tr>
<td></td>
<td>The Corporate Secretary, the management and all personnel of the Corporation shall provide assistance and support to the Committee.</td>
</tr>
</tbody>
</table>

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195 Charter of the Executive Committee, Section 3.1 (b).
196 Charter of the Executive Committee, Section 4.1.
197 Charter of the Executive Committee, Section 4.2.
| Committee                                      | The Committee may also invite such members of management and other resource persons to its meetings and may secure independent expert and/or professional advice as it may deem desirable or appropriate.\(^{198}\)  
|                                               | All resources necessary for the Committee to perform its duties and functions shall be provided by the Corporation, at its expense.\(^{199}\)  
| Audit and Governance Committee                | The members of the Audit and Governance Committee are provided by the Office of the Corporate Secretary or Internal Audit Department of the Company in advance with the agenda of the meeting and information on the matters to be discussed during the meetings.  
|                                               | The members of the Committee are free to communicate with the Office of the Corporate Secretary for additional information regarding the meeting.  
|                                               | The Internal Audit (IA) of the Company shall support the Committee in the rendition of its functions, specifically\(^{200}\):  
|                                               | i. IA shall provide all the secretariat support to the Committee.  
|                                               | ii. The Chief Audit Executive (CAE) shall attend all the Committee meetings and ensure that a legal officer records the minutes of the meetings.  
|                                               | iii. IA shall keep all minutes of the meetings and make these available for inspection by any member of the Committee or the Board of Directors, as and when requested.  
|                                               | iv. IA shall review all papers for submission to the Committee, including any proposals from management before these are submitted to the Committee for approval. If there are unresolved differences in opinion on any proposal between the proponent and IA, these shall be highlighted to the Committee for consideration and decision.  
| Nomination Committee                          | The members of the Nomination Committee are provided by the Office of the Corporate Secretary in advance with the agenda and information on the matters to be discussed during the meetings.  
|                                               | The members of the Committee are free to communicate with the Office of the Corporate Secretary for additional information regarding the meeting.  

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\(^{198}\) Ibid.  
\(^{199}\) Ibid.  
\(^{200}\) Charter of the Audit and Governance Committee (K)
information regarding the meeting.

As a general rule, Committee meetings shall be announced at least two (2) weeks in advance. Notice of meetings may be given by any customary means of communication such as electronic mail, in writing, by telephone, by telefax and other similar means. The notice shall specify the time and place of the meeting and include a detailed agenda. The materials for the meetings shall be given to each member of the Committee at least five (5) days prior to the intended meeting, except as otherwise provided herein.\(^{201}\)

The Committee shall have free and full access to all relevant information, data, records, properties and personnel of the Corporation.\(^{202}\)

The Corporate Secretary, the management and all personnel of the Corporation shall provide assistance and support to the Committee.\(^{203}\)

The Committee may also invite such members of management and other resource persons to its meetings and may secure independent expert and/or professional advice as it may deem desirable or appropriate.\(^{204}\)

All resources necessary for the Committee to perform its duties and functions shall be provided by the Corporation, at its expense.\(^{205}\)

<table>
<thead>
<tr>
<th>Remuneration Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>The members of the Remuneration Committee are provided by the Office of the Corporate Secretary or the Corporate Human Resources Group of the Company in advance with the agenda and information on the matters to be discussed during the meetings.</td>
</tr>
<tr>
<td>The members of the Committee are free to communicate with the Office of the Corporate Secretary for additional information regarding the meeting.</td>
</tr>
<tr>
<td>As a general rule, Committee meetings shall be announced at least two (2) weeks in advance. Notice of meetings may be given by any customary means of communication such as electronic mail, in writing, by telephone, by telefax and other similar means. The notice shall specify the time and place of the meeting and include a detailed agenda. The</td>
</tr>
</tbody>
</table>

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\(^{201}\) Charter of the Nomination Committee, Section 3.1 (b)  
\(^{202}\) Charter of the Nomination Committee, Section 4.1  
\(^{203}\) Charter of the Nomination Committee, Section 4.2  
\(^{204}\) Ibid.  
\(^{205}\) Ibid.
<table>
<thead>
<tr>
<th>Materials for the meetings shall be given to each member of the Committee at least five (5) days prior to the intended meeting, except as otherwise provided herein.\textsuperscript{206}</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Committee shall have free and full access to all relevant information, data, records, properties and personnel of the Corporation.\textsuperscript{207}</td>
</tr>
<tr>
<td>The Corporate Secretary, the Group Director for Corporate Human Resources Group, management and personnel of the Corporation shall provide assistance and support to the Committee.\textsuperscript{208}</td>
</tr>
<tr>
<td>The Committee may also invite such members of management and other persons to its meetings and may secure independent expert and/or professional advice as it may deem desirable or appropriate.\textsuperscript{209}</td>
</tr>
<tr>
<td>All resources necessary for the Committee to perform its duties and functions shall be provided by the Corporation, at its expense.\textsuperscript{210}</td>
</tr>
</tbody>
</table>

**Related Party Transactions Committee**

Same process and procedure as that applied to the Audit and Governance Committee since the RPT Committee is a sub-committee of and composed of all the independent directors of the Audit and Governance Committee.

**Risk Committee**

Same process as the other Board Committees. In addition, the Enterprise Risk and Insurance Management (ERIM) Department shall support the Committee in the performance of its functions, specifically:

- The ERIM Department shall provide all the secretariat support to the Committee.
- The Chief Risk Officer shall attend all the Committee meetings and ensure that the minutes of the meetings are properly recorded by a representative from the Office of the Corporate Secretary.
- The ERIM Department shall keep all minutes and records of the meetings, recorded and prepared by the Office of the Corporate Secretary and make these available for inspection by any member of the Committee or the Board, as and when requested.

\textsuperscript{206} Charter of the Remuneration Committee, Section 3.1 (b).
\textsuperscript{207} Charter of the Remuneration Committee, Section 4.1.
\textsuperscript{208} Charter of the Remuneration Committee, Section 4.2.
\textsuperscript{209} Ibid.
\textsuperscript{210} Ibid.
The ERIM Department shall review all papers for submission to the Committee, including any proposals from management before these are submitted to the Committee for approval. If there are unresolved differences in opinion on any proposal between the proponent and ERIM Department, these shall be highlighted to the Committee for consideration and decision. 211

The Committee shall have reasonably free and full access to the Company’s data, records and properties, as well as information from employees, officers, directors or external parties that may be relevant in monitoring and assessing risk exposures and their implications to the Company. 212

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Yes, there is such procedure.

The Manual provides that directors can create a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company’s expense, which expense shall be reasonable. Moreover, members of the Board are given independent access to the Management and the Corporate Secretary for making inquiries to enable them to properly perform their duties and responsibilities.

Pursuant to the foregoing, the Charter of the Board of Directors provide for the following procedures:

“Section 7.1 Access to Information

The Board shall have free and full access to all relevant information, data, records, properties and personnel of the Corporation.

Section 7.2 Technical Assistance

The Corporate Secretary, the management and all personnel of the Corporation shall provide assistance and support to the Board.

211 Charter of the Risk Committee, Clause F
212 Charter of the Risk Committee, Clause G Section 4
The Board may also invite such members of management and other resource persons to its meetings and may secure independent expert and/or professional advice as it may deem desirable or appropriate. All resources necessary for the Board to perform its duties and functions shall be provided by the Corporation, at its expense."

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

As a general rule, policies of the Companies are formulated by the Senior Management, subject to the approval of the Board of Directors or pursuant to previous authorizations given by the Board or provided under the By Laws of the Corporation.

In its regular meeting held on August 11, 2015, the Board approved the creation of a Risk Committee, and in its meeting held on November 26, 2015, the Board approved the Charter of the Risk Committee. Under its Charter, the Risk Committee shall have the following authority, roles and responsibilities:

1. Promote an open discussion regarding risks faced by the Company, as well as risks faced by its subsidiaries that may have potential impact on the Company’s operations, and ensure that risk awareness culture is pervasive throughout the organization.
2. Ensure that an overall set of risk management policies and procedures exist for the Company.
3. Review the Company’s risk governance structure and the adequacy of the Company’s risk management framework / process.
4. Review and endorse to the Board changes or amendments to the Enterprise Risk Management (ERM) Policy.
5. Perform oversight functions specifically in the areas of managing strategic, financial, compliance, regulatory, operational and other risks of the Company, and crisis management.
6. In coordination with the Audit and Governance Committee, ensure that the Company’s internal audit work plan is aligned with risk management activities and that the internal control system considers all risks identified in the risk assessment process.
7. Perform other activities related to this Charter as requested by the Board.

This policy notwithstanding, Management shall remain primarily responsible for the development, implementation, monitoring and reporting of the risk management framework, process and strategies intended to address the identified risks.

In its regular meeting held on April 15, 2013, the Board ratified and approved the revisions to the Sustainability Policy and Climate Change Policy of the Company.

The Sustainability Policy of Manila Water was developed in 2005 and was first presented in the first-ever Sustainability Report of Manila Water which was released in the same year. Over the years, there have been several changes in the organization of Manila Water as well as in the business environment
within which the Company is operating and there were also new international standards. Given these factors, the management revisited the Company’s Sustainability Policy and identified the gaps that need to be addressed.

On other hand, the Climate Change Policy was ratified by the Board in 2007 and Manila Water was the first company to have a formal climate change policy. This Policy predates the Philippine Climate Change Act, National Framework Strategy on Climate Change and National Climate Change Action Plan which were passed/implemented in 2009, 2010 and 2011 respectively. To align the Company’s Climate Change Policy with the Philippine government’s anchor strategy of Adaptation, Manila Water revised its existing Climate Change Policy.

In its regular meeting held on November 29, 2013, the Board approved the Charters of the Board Committees, namely, the Executive Committee, the Nomination Committee, the Remuneration Committee, and the Committee of Inspectors of Ballots and Proxies. The Audit and Governance Committee has an existing charter. In its Regular Meeting held on February 26, 2016, the Board approved the amendment to the Charter of the Audit and Governance Committee which pertains to the transfer of the risk management and oversight functions to the recently established Risk Committee.

Prior to the adoption of the Board Committee Charters, the Manual, with the exception of the Audit and Governance Committee Charter, is the only basis of the authority, functions and duties of the Board Committees. With the recent trend of empowering the Board Committees, there existed a need to codify this empowerment and to supplement the Manual with regard to the duties, functions, and composition of the Board Committees.

The primary objective of the Board Committee Charters is to establish the requirements of membership of the aforesaid Committee, the powers, duties and responsibilities of the members, the meeting and quorum requirements, and the method of adopting resolutions. With the approval of the charters, the Committees will have a clearer and more direct participation in the functioning of the Board. However, the Board Committee Charters is not intended to replace, but only to supplement, the Manual.

In its special meeting held on April 4, 2014, the Board approved the following:

a. Revised Code of Business Conduct and Ethics
b. Policy on Related Party Transaction
c. Charter of the Office of the Corporate Secretary and
d. Charter of the Board of Directors

The Revised Code of Business Conduct and Ethics contains improvements in the existing policies of the Company on conflict of interest, honesty and fair dealing, disclosure, insider trading, and corporate entertainment and gifts. In addition, policies on creditor rights, anti-corruption and anti-sexual harassment have been incorporated as well. More importantly, the provisions on implementation of the Revised Code through the Compliance Officer have been made clearer and more stringent, and a corporate governance panel has been tasked to assist the Compliance Officer in the investigation of the violations of the Revised Code.
The Policy on Related Party Transactions (RPT), the Charter of the Corporate Secretary and the Charter of the Board seek to supplement the provisions of the Manual on the said relevant subjects.

The RPT Policy requires that the Company shall enter into any related-party transactions solely in the ordinary course of business, on ordinary commercial terms and on the basis of arm’s length arrangements, and subject to appropriate corporate approvals and actions of the Corporation or the Related Parties, as the case may be. More importantly, approval of the RPT Committee (composed entirely of the independent directors of the Audit and Governance Committee) is required prior to award of Material RPTs. With respect to non-material RPTs, the approval of the Compliance Officer is required prior to award thereof. Material RPTs are those with contract price of at least Php10,000,000.00.

The Charter of the Corporate Secretary institutionalizes the Office of the Corporate Secretary as the office with the primary function of assisting the Board of Directors.

The Charter of the Board of Directors includes, among others, the process for selection, appointment, disqualification, suspension, reinstatement, and removal of directors, meeting and quorum requirements, clear delineation of the functions of the Board as a collegial body and the Chairman of the Board of Directors, and the evaluation of the Board, the Board Committees and the President of the Company. The Charter of the Board also clarifies and ingrains the policies of the Board on Business Conduct and Ethics, Diversity and Multiple Directorships.

The adoption of the above changes in or new policies are in line with the Company’s efforts to further its corporate governance practices and implementation.

D. REMUNERATION MATTERS

1) Remuneration Process

<table>
<thead>
<tr>
<th>Process</th>
<th>CEO</th>
<th>Top 4 Highest Paid Management Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Fixed remuneration</td>
<td>Achievement of Corporate Targets, Individual Performance, Industry Benchmark</td>
<td>Achievement of Corporate Targets, Individual Performance, Industry Benchmark</td>
</tr>
<tr>
<td>(2) Variable remuneration</td>
<td>Achievement of Corporate Targets, Individual Performance, Industry Benchmarks</td>
<td>Achievement of Corporate Targets, Individual Performance, Industry Benchmarks</td>
</tr>
<tr>
<td>(3) Per diem allowance</td>
<td>Industry Benchmarks</td>
<td>Industry Benchmarks</td>
</tr>
<tr>
<td>(4) Bonus</td>
<td>Industry Benchmarks/ Individual Performance</td>
<td>Industry Benchmarks/ Individual Performance</td>
</tr>
</tbody>
</table>
2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company’s policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

The Board shall determine a level of remuneration for Directors that shall be sufficient to attract and retain directors and compensate them for attendance at meetings of the Board and Board Committees, and performance of numerous responsibilities and undertaking certain risks as a Board member. Pursuant to the Company By-Laws, the Board issued a resolution providing that each director shall receive a reasonable per diem allowance for his attendance at each meeting of the board. As compensation, the Board shall receive and allocate an amount of not more than 1% of the net income before income tax of the Company during the preceding year.

<table>
<thead>
<tr>
<th>Remuneration Policy</th>
<th>Structure of Compensation Packages</th>
<th>How Compensation is Calculated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Directors</td>
<td>Industry Practice</td>
<td>Industry Practice/By Laws</td>
</tr>
<tr>
<td>Non-Executive Directors</td>
<td>Industry Practice</td>
<td>Industry Practice/By Laws</td>
</tr>
</tbody>
</table>

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Yes. In the annual stockholders’ meeting held on April 11, 2011, the stockholders approved the following remuneration scheme for directors and members of board committees:

<table>
<thead>
<tr>
<th>Remuneration Scheme</th>
<th>Date of Stockholders’ Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retainer of P500,000.00 per member of the Board</td>
<td>April 11, 2011</td>
</tr>
</tbody>
</table>
P200,000.00 per member for every board or stockholders’ meeting actually attended  
April 11, 2011

P50,000.00 per member for every committee meeting actually attended  
April 11, 2011

The aforesaid remuneration scheme has not been revoked or amended.

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

<table>
<thead>
<tr>
<th>Remuneration Item</th>
<th>Executive Directors*</th>
<th>Non-Executive Directors (other than independent directors)*</th>
<th>Independent Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Fixed Remuneration</td>
<td>P500,000</td>
<td>P3,000,000</td>
<td>P2,000,000</td>
</tr>
<tr>
<td>(b) Variable Remuneration</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>(c) Per diem Allowance</td>
<td>P1,550,000</td>
<td>P9,100,000</td>
<td>P7,300,000</td>
</tr>
<tr>
<td>(d) Bonuses</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>(e) Stock Options and/or other financial instruments</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>(f) Others (Specify)</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Total</td>
<td>P2,050,000</td>
<td>P12,100,000</td>
<td>9,300,000</td>
</tr>
</tbody>
</table>

* The Fixed Remunerations and Per Diem allowances for Gerardo C. Ablaza, Jr. (Executive Director), Fernando Zobel de Ayala, Jaime Augusto Zobel de Ayala, John Eric T. Francia and Delfin L. Lazaro were paid directly to Ayala Corporation.

<table>
<thead>
<tr>
<th>Other Benefits</th>
<th>Executive Directors</th>
<th>Non-Executive Director (other than independent directors)</th>
<th>Independent Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Advances</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>2) Credit granted</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>
3) Pension Plan/s Contributions

(d) Pension Plans, Obligations incurred

(e) Life Insurance Premium

(f) Hospitalization Plan

(g) Car Plan

(h) Others (Specify)

<table>
<thead>
<tr>
<th></th>
<th>None</th>
<th>None</th>
<th>None</th>
</tr>
</thead>
</table>

Total

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company’s Board of Directors who own or are entitled to stock rights, options or warrants over the Company’s shares:

Data as of March 31, 2016:

<table>
<thead>
<tr>
<th>Director’s Name</th>
<th>Number of Direct Option/Rights/Warrants</th>
<th>Number of Indirect Option/Rights/Warrants</th>
<th>Number of Equivalent Shares</th>
<th>Total % from Capital Stock*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gerardo C. Ablaza, Jr.</td>
<td>4,126,077</td>
<td>0</td>
<td>4,126,077</td>
<td>0.20088538%</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>5,549,542</td>
<td>0</td>
<td>5,549,542</td>
<td>0.27018929%</td>
</tr>
<tr>
<td>Sherisa P. Nuesa</td>
<td>708,304</td>
<td>0</td>
<td>708,304</td>
<td>0.03448504%</td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>130,000</td>
<td>0</td>
<td>130,000</td>
<td>0.00632928%</td>
</tr>
</tbody>
</table>

*Common Shares Only

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders’ Meeting:
There was no amendments or discontinuance of any incentive programs introduced during the period.

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

<table>
<thead>
<tr>
<th>Name of Officer/Position</th>
<th>Total Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luis Juan B. Oreta</td>
<td>PhP87,196,000</td>
</tr>
<tr>
<td>Ferdinand M. Dela Cruz</td>
<td></td>
</tr>
<tr>
<td>Virgilio C. Rivera Jr.</td>
<td></td>
</tr>
<tr>
<td>Geodino V. Carpio</td>
<td></td>
</tr>
<tr>
<td>Rodell A. Garcia</td>
<td></td>
</tr>
</tbody>
</table>

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

On August 11, 2015, at its regular meeting, the Board approved the creation of the Risk Committee. On November 26, 2015, at its regular meeting, the Board approved the Charter of the Risk Committee.

<table>
<thead>
<tr>
<th>Committee</th>
<th>No. of Members</th>
<th>Executive Director (ED)</th>
<th>Non-executive Director (NED)</th>
<th>Independent Director (ID)</th>
<th>Committee Charter</th>
<th>Functions</th>
<th>Key Responsibilities</th>
<th>Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>YES</td>
<td>Refer below</td>
<td>Refer below</td>
<td>Refer below</td>
<td>Refer below</td>
</tr>
<tr>
<td>Audit</td>
<td>0</td>
<td>1</td>
<td>3</td>
<td>YES</td>
<td>Refer below</td>
<td>Refer below</td>
<td>Refer below</td>
<td>Refer below</td>
</tr>
<tr>
<td>Nomination*</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>YES</td>
<td>Refer below</td>
<td>Refer below</td>
<td>Refer below</td>
<td>Refer below</td>
</tr>
<tr>
<td>Remuneration</td>
<td>0</td>
<td>1</td>
<td>3</td>
<td>YES</td>
<td>Refer below</td>
<td>Refer below</td>
<td>Refer below</td>
<td>Refer below</td>
</tr>
</tbody>
</table>
During the organizational meeting of the Board of Directors held on April 11, 2016, the members appointed to the Nomination Committee consist only of independent directors.

The Executive Committee

The Board shall appoint from among its members an Executive Committee composed of five (5) members. The Board shall designate the Chairman of the Executive Committee.

The Executive Committee is authorized to act, and shall act, on matters within the competence of the Board of Directors, except with respect to --

a. approval of any action for which shareholders’ approval is also required;
b. the filling of vacancies on the Board or in the Executive Committee;
c. the amendment or repeal of By-Laws or the adoption of new By-Laws;
d. the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable;
e. the distribution of cash dividends;
f. the exercise of powers delegated by the Board exclusively to other committees, if any.

The attendance of at least four (4) members of the Executive Committee shall constitute a quorum but the majority vote of all members shall be necessary to carry an act or resolution of the Committee. An act of the Executive Committee which is within the scope of its powers shall not require ratification or approval by the Board for its validity and effectivity. However, any such act shall be subject to revision or alteration by the Board.

The Committee shall perform such other functions as may be properly delegated to it by the Board.

The Committee shall be guided by the Company’s mission and vision in the fulfilment of its functions.

The Audit and Governance Committee

There shall be an Audit and Governance Committee composed of four (4) members, and at least one of whom shall be an independent director. The independent director shall chair the Audit and Governance Committee.

The Audit and Governance Committee has three (3) independent directors, one of whom is the Chairman.
Each member shall have an adequate understanding of accounting and auditing principles in general and of the Company’s financial management systems and environment in particular. One of the independent directors, Director Jaime C. Laya, is a Certified Public Accountant.

The Audit and Governance Committee is expected, through the provision of checks and balances, to bring positive results in supervising and supporting the management of the Company. It shall be responsible for ensuring the development of, compliance with, and periodic review of corporate governance policies and practices in the Company.

In general, the Audit and Governance Committee shall assist the Board in the performance of the following functions:

i. Ensure the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;

ii. Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;

iii. Institutionalizing the internal audit functions;

iv. Ensuring the presence of, and regularly reviewing, the performance and quality of external audit;

v. Provide strategic policies and guidelines to the Company on major capital expenditures and key investments. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies;

vi. Formulate a clear communication and disclosure strategy to promptly and regularly communicate with the regulators and the Company’s shareholders and other stakeholders on matters of importance;

vii. Identify the sectors in the community in which the Company operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;

viii. Adopt a system of internal checks and balances for the Board and management which systems shall be continuously and regularly reviewed and updated to ensure adequacy and effectiveness;

ix. Provide the stockholders and stakeholders with relevant and timely information about the Company’s performance, position and prospects as well as other financial reporting and control requirements as may be issued by regulator or required by the shareholders and stakeholders from time to time.

x. Adoption, implementation and continuous monitoring of policies and procedures that will ensure the integrity and transparency of related party transactions between and among the Company and its parent company, joint ventures, subsidiaries, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board as well as other unusual or complex transactions;

xi. Recommend the appointment and removal of the external auditors;

xii. Creation of procedures for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, subject only to reasonableness of expense;

In particular, the Audit and Governance Committee shall have the following duties and responsibilities:

i. assist the Board in its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations and secure Management’s assurance as to the state of the Company’s internal control;
ii. make a fair and balanced review of all financial reports and check against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;

iii. determine the impact of new accounting standards and interpretations in the financial standing and reports of the Company;

iv. assess annual and interim financial reports as to completeness, clarity, consistency and accuracy of disclosures including information on related party transactions;

v. perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management;

vi. be responsible for setting up an internal audit department and consider the appointment and removal of the CAE; establish and identify the reporting line of the CAE so that the reporting levels allow the internal audit activity to fulfill its responsibilities;

vii. ensure that internal auditors have free and full access to all the Company’s records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results;

viii. provide oversight of the Company’s internal and external auditors; ensure that the internal and external auditors act independently from each other; and ensure that the external auditor is given unrestricted access to all records, properties and personnel to enable it to perform its audit function;

ix. review internal audit plans, including audit scope, resources and budget necessary to implement it, to ensure its conformity with the objectives of the Company;

x. discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure cooperation where more than one audit firm is needed in order to secure proper coverage and minimize duplication of efforts;

xi. monitor and evaluate the adequacy and effectiveness of the Company’s internal control system, including financial reporting control and information technology security;

xii. ensure that accounting system of the Company adheres to internationally accepted financial reporting standards and that auditing processes, practices and methodologies are compliant with generally accepted audit standards and practices.

xiii. develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through a procedures and policies handbook that will be used by the entire organization;

xiv. receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies;

xv. establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. The internal auditor shall functionally report directly to the Audit and Governance Committee which committee shall ensure the internal auditor’s independence and freedom from interference by outside parties;

xvi. review the quarterly, half-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, stock exchange and other regulatory requirements;

xvii. recommend and review the appointment and removal of external auditors and their remuneration;

xviii. coordinate, monitor and facilitate compliance with laws, rules and regulations;

xix. evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company’s overall consultancy expenses. The Committee
shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Company’s annual report;

xx. understand and evaluate disagreements between the external auditors and management and make the appropriate recommendation to the Board for redress of the matter.

xxi conduct a yearly self-evaluation of the directors and executive officers and report the results of the same to the Board. Independent consultants may also be invited to assist the Committee in the process;

xxii develop and recommend to the Board corporate governance principles applicable to the Company;

xxiii monitor and assess the Company’s compliance with rules and regulations relating to corporate governance policies;

xxiv make an assessment of the correspondence between the Company and its regulators regarding financial statement filings and disclosures;

xxv evaluate and monitor compliance with the Company’s policy in detection of fraud and whistle-blower program;

xxvi evaluate compliance with the Company’s Code of Conduct and Ethics.

In the fulfillment of the foregoing functions, the Committee shall maintain a free and open communication with the Company’s independent auditors, the internal auditors and the management of the Company. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention, with full access to all records, books of accounts, facilities and personnel of the company and the power to retain outside counsel or other experts for this purpose.

Furthermore, the Committee may rely upon the expertise and knowledge of Management, the Internal Auditors and Independent Auditors in the fulfillment of its responsibilities. The independent Auditors are responsible to the Committee in helping ensure the integrity of the financial statements while the Internal Auditors help the Committee identify the risks, control and financial reporting issues through the continuous review of the effectiveness of the organization’s risk management, financial reporting and controls, and corporate governance processes.

With regard to Financial Reporting, the Audit and Governance Committee shall:

i Review of the financial statements and all related disclosures and reports certified by the Chief Finance Officer (CFO) and released to the public and/or submitted to the Philippine Securities and Exchange Commission for compliance with both the internal financial management handbook and existing financial accounting standards, legal and regulatory requirements.

ii Review of the quarterly, mid-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, alternative accounting treatments and significant adjustments resulting from the audit, on-going concern assumptions, compliance with accounting standards, tax, legal, and stock exchange requirements.

iii Ensure that a transparent financial management system is established to ensure the integrity of internal control activities throughout the organization.

iv Maintain at international standards, the Company’s accounting and auditing processes, practices and methodologies, and ensure that: (a) The accounting system of the Company is compliant with the current and existing financial accounting standards; and (b) An accountability statement is in place that specifically identifies officers and/or personnel directly responsible for the accomplishment of such task.

v Review and approve management representation letter before the same is submitted to the independent auditor.
vi Communicate with the Company’s legal officer/s or counsel/s regarding litigations, claims, contingencies or other significant legal issues that may have an impact on the financial standing of the Company.

With regard to Internal Audit, the Audit and Governance Committee shall:

i Review and approval of the Internal Audit Charter and subsequent revisions thereto.

ii Set up the Internal Audit Activity (“IAA”), including the appointment and removal of the CAE. The Committee shall establish and identify the reporting line of the CAE so that the reporting levels allow the IAA to fulfill its responsibilities. The Committee, having appointed the CAE, shall also concur in his/her replacement, re-assignment or dismissal.

iii Ensure that the Internal Auditors have free and full access to all Corporation’s records, properties and personnel relevant to and required by its function and that the IAA shall be free from interference in determining its scope, performing its work and communicating its results.

iv Approve the Annual Internal Audit Work Plan and all deviations therefrom, ensure that the audit resources are reasonably allocated to the areas of higher risk.

v Review reports of the IAA and regulatory agencies, where applicable, ensure that management is taking appropriate and corrective actions in a timely manner, including addressing internal control and compliance issues.

vi Review of the IAA’s periodic reports and the IAA Annual Report. Periodic reports shall highlight the status of projects in accordance with the audit plan approved by the Committee, as well any unplanned projects. Such reports shall include a summary of key findings and recommendations, including the status of implementation. The Annual Report shall discuss the IAA’s activities and performance relative to the audit plans and strategies approved by the Committee.

vii Conduct separate meetings with the President to discuss any matter that the Committee or the auditors may deem necessary to be discussed privately.

viii Provide inputs on the performance of the IAA and communicate/discuss such inputs with the President who shall then translate these into a performance appraisal applicable to the CAE and the Internal Auditors taken as a whole.

ix As necessary, institute special investigations and, if appropriate the hire of special counsel or experts to provide the necessary assistance.

x Monitor the assessment of IAA in determining whether the information technology governance of the organization sustains and supports the organization’s strategies and objectives. (New standard–ISPPIA 2110.A2)

xi Provide inputs on the IAA’s evaluation of the potential occurrence of material errors and fraud. IAA should inform the Committee how the organization manages fraud risk. The Committee shall determine the sufficiency of the risk controls applied in the Company for the occurrence of such material errors and fraud and provide inputs and/or guidance on how to improve the same. (New standard–ISPPIA 2120.A2)

xii The Committee shall report to the Board any material error or fraud it may have found on its own or through the evaluation conducted by the IAA related to the business of the Company, particularly in financial reporting, and recommend appropriate actions to be taken by the Board to correct the same.

xiii Provide and approve the limits of IAA’s responsibility in assisting the management in establishing and improving risk management process. IAA must refrain from assuming management responsibility by actually managing risks. (New standard-ISPPIA 2120.C3)

xiv Oversee that IAA will only state that their engagements are “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing”, only if the results of the quality assurance and improvement program support the statement. (New standard-ISPPIA 2430)
Review and evaluate IAA’s evaluation of the Company’s internal controls including Information Technology systems and functions;

Evaluate and deliberate on the weaknesses of the Company’s internal control and reporting processes and provide guidance or establish corrective measures for its improvement;

Ensure that management employs the services of internal auditors who are compliant with all qualification requirements of existing regulations, if any, and/or have sufficient experience and expertise in the performance of internal audit functions and that the performance of the internal auditor’s functions are in compliance with international standards on the Practice of Internal Auditing;

Determine the propriety of keeping an in-house audit function as compared to outsourcing. The Committee shall make the appropriate recommendation to the Board should it determine that the internal audit function should be outsourced.

With regard to External Audit, the Audit and Governance Committee shall:

i. Recommend the appointment and removal of the Independent Auditors and the fixing of their compensation to the Board and ensure that the rotation process of the auditors of the external auditors of the firm engaged is enforced.

ii. Ensure that the external auditors comply with relevant and applicable auditing standards.

iii. Review and pre-approve the Independent Auditor’s plans to understand the basis for their risk assessment and financial statement materiality including the scope and frequency of the audit, and ensure cooperation when more than one professional service firm is needed.

iv. Monitor the coordination efforts of the external and internal auditors.

v. Review the reports of the Independent Auditors and regulatory agencies, where applicable. Ensure that management is taking appropriate corrective actions in a timely manner, including addressing control and compliance issues.

vi. Conduct a separate meeting in executive session, with the external auditors to discuss any matter that the committee or auditors believe should be discussed privately, including the results of the audit, year-end financial statements, the quality of management, financial and accounting controls.

vii. Review and approve the proportion of audit versus non-audit work both in relation to their significance to the auditor and in relation to the Company’s year-end financial statements, and total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the independent auditor. The amount of non-audit work of independent auditors shall be disclosed in the annual report.

viii. Evaluate the internal control issues that have been raised by the independent auditor.

ix. Communicate with the external auditors of the Company within a reasonable period of time after the completion of the independent audit and to discuss any material findings on the Company relating to critical policy weaknesses, the external auditor’s observation on the Company’s internal controls, audit adjustments, alternative treatments, the independent auditor’s independence and limitations on the audit that may have been imposed by management and other material issues that affect the integrity and accuracy of the Company’s financial reporting;

x. Evaluate the performance of the external auditor and to ensure that the same performs its functions in compliance with the relevant and applicable auditing standards.

The Nomination Committee

The Nomination Committee shall be composed of at least three (3) members, majority of whom shall be independent directors. The Board will designate the Chairman of the Committee who must be an independent director.
At present, the Nomination Committee of Manila Water has four (4) members, three (3) of whom are independent directors. The Chairman is an independent Director.

The Committee shall have the following functions:

a. Install and maintain a process to ensure that all directors to be nominated for election at the next Annual General Stockholders’ Meeting have the qualifications and none of the disqualifications stated above;

b. Encourage the selection of a mix of competent directors, each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies;

c. Review and evaluate the qualifications of all persons nominated to positions in the Company which require appointment by the Board and provide guidance and advice as necessary for the appointment of persons nominated to other positions;

d. Review and revise if necessary, the succession plans for members of the Board and officers from Group Directors to the President/CEO;

e. Provide assessment on the Board’s effectiveness in directing the process of renewing and replacing Board members and in appointing officers or advisors and develop, update as necessary and recommend to the Board policies for considering nominees for directors, officers or advisors;

f. Discharge any other duties and responsibilities delegated to the Committee by the Board from time to time.

The Committee shall be guided by the Corporation’s vision and mission in the fulfilment of its functions.

The Remuneration Committee

The Remuneration Committee shall be composed of at least three (3) members, a majority of whom shall be independent director. The Board will designate the Chairman of the Committee who must be an independent director.

At present, the Nomination Committee of Manila Water has four (4) members, three (3) of whom are independent directors. The Chairman is an independent Director.

The Committee shall have the following functions:

a. Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company’s culture, strategy and the business environment in which it operates;

b. Determine and approve all matters relating to the remuneration and benefits of the Board and the Company’s officers;

c. Evaluate and recommend for Board approval the pertinent guidelines on executive compensation, including non-monetary remuneration;

d. Periodically review and evaluate the policy on remuneration in order that it be in a sufficient level to attract and retain directors and officers of the Company;

e. Provide in the Company’s Required Reportorial Requirements, a clear, concise and understandable disclosure of all compensation that may be paid to its directors and key officers during the preceding fiscal year;
f. Review and revise, if necessary, the existing Company policies to strengthen provisions on conflict of interest, compensation and benefit policies, promotion and career advancement and compliance with all regulatory policies.

No member of the Committee will act to fix his or her own compensation except for uniform compensation to directors for their services as a director.

**The Related Party Transaction Committee**

The Related Party Transactions Committee consists of all of the independent directors of the Audit and Governance Committee, provided that there are at least three (3) independent directors in the Committee. As such, the RPT Committee is considered a subset of the Audit and Governance Committee. Hence, except on matters relating specifically to their functions as members of the RPT Committee, the members are subject to the charter of the Audit and Governance Committee.

Prior to entering into any Material RPT, the Company shall submit the same for the review of the RPT Committee to confirm that it has undergone the same process as an ordinary transaction and to determine that the Material RPT under review is in the best interest of the Corporation. A Material RPT means any RPT with a stated value of at least Ten Million Pesos (Php10,000,000.00).

**The Risk Committee**

The Risk Committee shall be comprised of at least four (4) members of the Board, majority of whom shall be independent directors of the Company. The Board shall designate one member, who must be an independent director, to serve as the Committee Chairman.

The Board shall appoint the Committee members at its annual organizational meeting. Membership shall be reviewed annually, subject to the approval of the Board.

The Committee shall have the following authority, roles and responsibilities;

a. Promote an open discussion regarding risks faced by the Company, as well as risks faced by its subsidiaries that may have potential impact on the Company’s operations, and ensure that risk awareness culture is pervasive throughout the organization.

b. Ensure that an overall set of risk management policies and procedures exist for the Company.

c. Review the Company’s risk governance structure and the adequacy of the Company’s risk management framework/process.

d. Review and endorse to the Board changes or amendments to the Enterprise Risk Management (ERM) Policy.

e. Perform oversight functions specifically in the areas of managing strategic, financial, compliance, regulatory, operational and other risks of the Company, and crisis management.

f. In coordination with the Audit and Governance Committee, ensure that the Company’s internal audit work plan is aligned with risk management activities and that the internal control system considers all risks identified in the risk assessment process.

g. Perform other activities related to this Charter as requested by the Board.
The Committee shall meet at least twice a year, or more frequently as needed. All meetings shall be presided by the Committee Chairman and attended by all committee members, whether in person or via teleconference or videoconference. Meetings shall not proceed in the absence of a quorum; that is, more than half of the total number of committee members.

Separate executive sessions may be conducted by the Committee with the Chief Risk Officer (CRO), Chief Finance Officer (CFO), Chief Audit Executive (CAE), other members of the Management team and/or external auditors to foster open communication and discuss any matter that the Committee believes as needed to be discussed in private.

The Committee Chairman shall submit and present a report to the Board, containing updates on all actions taken by the Committee at the Board meeting following the Committee meeting.

2) Committee Members

(a) Executive Committee

<table>
<thead>
<tr>
<th>Office</th>
<th>Name*</th>
<th>Date of Appointment (^{213})</th>
<th>No. of Meetings Held</th>
<th>No. of Meetings Attended</th>
<th>%</th>
<th>Length of Service in the Committee (^{214})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman (NED)</td>
<td>Fernando Zobel de Ayala</td>
<td>April 7, 2015</td>
<td>3</td>
<td>3</td>
<td>100%</td>
<td>18</td>
</tr>
<tr>
<td>Member (ED)</td>
<td>Gerardo C. Ablaza Jr.</td>
<td>April 7, 2015</td>
<td>3</td>
<td>3</td>
<td>100%</td>
<td>6</td>
</tr>
<tr>
<td>Member (ID)</td>
<td>Sherisa P. Nuesa</td>
<td>April 7, 2015</td>
<td>3</td>
<td>3</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>Member (NED)</td>
<td>Antonino T. Aquino</td>
<td>April 7, 2015</td>
<td>3</td>
<td>2</td>
<td>66.7%</td>
<td>17</td>
</tr>
<tr>
<td>Member (NED)</td>
<td>John Eric T. Francia</td>
<td>April 7, 2015</td>
<td>3</td>
<td>3</td>
<td>100%</td>
<td>5</td>
</tr>
</tbody>
</table>

*The same individuals have been nominated and appointed members of the Executive Committee during the Organizational Meeting of the Board held on April 11, 2016.

\(^{213}\) Date of last appointment

\(^{214}\) Reckoned from the date of original appointment
(b) Audit and Governance Committee

<table>
<thead>
<tr>
<th>Office</th>
<th>Name*</th>
<th>Date of Appointment</th>
<th>No. of Meetings Held</th>
<th>No. of Meetings Attended</th>
<th>%</th>
<th>Length of Service in the Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman (ID)</td>
<td>Oscar S. Reyes</td>
<td>April 7, 2015</td>
<td>5</td>
<td>5</td>
<td>100%</td>
<td>9</td>
</tr>
<tr>
<td>Member (ID)</td>
<td>Jaime C. Laya</td>
<td>April 7, 2015</td>
<td>5</td>
<td>4</td>
<td>80%</td>
<td>0</td>
</tr>
<tr>
<td>Member (NED)</td>
<td>Victoria P. Garchitorena</td>
<td>April 7, 2015</td>
<td>5</td>
<td>5</td>
<td>100%</td>
<td>0</td>
</tr>
<tr>
<td>Member (ID)</td>
<td>Jose L. Cuisia Jr.</td>
<td>April 7, 2015</td>
<td>5</td>
<td>4</td>
<td>80%</td>
<td>4</td>
</tr>
</tbody>
</table>

*The same individuals have been nominated and appointed members of the Audit and Governance Committee during the Organizational Meeting of the Board held on April 11, 2016.*

Disclose the profile or qualifications of the Audit and Governance Committee members.

**OSCAR S. REYES**

*Independent Director, Board of Directors*  
Chairman, Audit and Governance Committee  
Chairman, Related Party Transaction Committee  
Chairman, Remuneration Committee  
Member, Nomination Committee  
Member, Risk Committee  
Filipino, 69 years old  
*Independent Director of the Company since February 3, 2005*

Education and Training:
- Bachelor of Arts degree in Economics, *Cum Laude*, Ateneo de Manila University
- Post-Graduate studies at the Ateneo Graduate School of Business, Waterloo Lutheran University and the Harvard Business School.

Membership in the Board of Listed Companies:
- Manila Water Company, Inc. (Ayala Group)

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215 Date of last appointment  
216 Reckoned from the date of original appointment  
217 Pursuant to SEC Memorandum Circular No. 9 Series of 2011 of the Securities and Exchange Commission, all previous terms served by existing Independent Directors as of January 2, 2012 shall not be included in the application of the term limits under the Circular.
- Bank of the Philippine Islands (Ayala Group)
- Manila Electric Company
- Philippine Long Distance Telephone Company
- Pepsi Cola Products (Philippines), Inc.
- Basic Energy Corporation
- Cosco Capital, Inc.

Membership in the Board of Non-Listed Companies:
- PLDT Communications & Energy Ventures, Inc.
- Sun Life Financial Plans, Inc.
- Sun Life Prosperity Dollar Advantage Fund, Inc.
- Sun Life Prosperity Dollar Abundance Fund, Inc.
- Sun Life Prosperity GS Fund, Inc.
- Sun Life of Canada Prosperity Bond Fund, Inc.
- Sun Life Prosperity Money Market Fund, Inc.
- Sun Life Prosperity Dynamic Fund, Inc.
- Grepalife Fixed Income Fund Corporation
- Grepalife Dollar Bond Fund Corporation
- Grepalife Bond Fund Corporation
- Petrolift, Inc.
- Eramen Minerals Inc.
- Meralco PowerGen Corporation
- Meralco Industrial Engineering Services Corporation (MIESCOR)
- CIS Bayad Center
- Meralco Energy, Inc. (MEI)
- Redondo Peninsula Energy, Inc.
- PacificLight Pte. Ltd.
- MRail, Inc.
- Republic Surety & Insurance Corporation
- Calamba Aero Power Corporation
- Clark Electric Development Corporation

Positions in Other Organizations and Corporations:
- Member of the Advisory Board of the Philippine Long Distance Telephone Company (PLDT)
• President and CEO of Meralco
• President of Meralco PowerGen Corporation
• Chairman of MIESCOR, CIS Bayad Center, MEI, Redondo Peninsula Energy, Inc., PacificLight Pte., Ltd. and MRail, Inc.

Mr. Reyes served as Country Chairman of the Shell Companies in the Philippines and concurrently President of Pilipinas Shell Petroleum Corporation and Managing Director of Shell Philippines Exploration B.V.

JOSE L. CUISIA JR.
Independent Director, Board of Directors
Chairman, Nomination Committee
Member, Remuneration Committee
Member, Audit and Governance Committee
Member, Related Party Transaction Committee
Member, Risk Committee
Filipino, 71 years old
Independent Director of the Company since April 12, 2010218

Education and Training:
• AB-BSC degrees, Magna Cum Laude, De La Salle University
• MBA degree, University of Pennsylvania (University Scholar)

Membership in the Board of Directors of Listed Companies:
• Manila Water Company, Inc. (Ayala Group)
• SM Prime Holdings
• PHINMA Corporation
• Century Properties Group, Inc.

Membership in the Board of Other Organizations and Corporations:
• The Covenant Car Company, Inc.
• AIG Shared Services – Business Processing, Inc.
• Phinma, Inc.

218 Pursuant to SEC Memorandum Circular No. 9 Series of 2011 of the Securities and Exchange Commission, all previous terms served by existing Independent Directors as of January 2, 2012 shall not be included in the application of the term limits under the Circular.
Positions in Other Organizations and Corporations:

- Chairman of the Board of Directors of The Covenant Car Company, Inc.
- Vice-Chairman of SM Prime Holdings

Mr. Cuisia is presently the Philippine Ambassador Extraordinary and Plenipotentiary to the United States of America and non-resident Ambassador to Trinidad & Tobago, the US Virgin Islands, Grenada, Puerto Rico, the Commonwealth of Jamaica and the Republic of Haiti and has oversight over the following jurisdictions: Antigua & Barbuda, Barbados, the Commonwealth of Dominica, The Federation of St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines.

Before becoming Philam Life’s President and CEO for 16 years, Mr. Cuisia served the Philippine Government as Governor of the Central Bank of the Philippines and Chairman of its Monetary Board from 1990-1993. He was also appointed Commissioner, representative of the Employer’s Group, for the Social Security System (SSS) in September 2010. Mr. Cuisia was also Governor for the Philippines to the International Monetary Fund and Alternate Governor to the World Bank. Prior to service in the Central Bank, he was also Administrator and CEO of the Philippine Social Security System from 1986-1990.

JAIME C. LAYA
Independent Director, Board of Directors
Member, Audit and Governance Committee
Member, Related Party Transaction Committee
Member, Nomination Committee
Chairman, Risk Committee
Filipino, 75 years old
Independent Director of the Company since April 4, 2014

Education and Training:

- Certified Public Accountant
- BSBA, Magna cum Laude, University of the Philippines
- M.S. in Industrial Management, Georgia Institute of Technology
- Ph.D. in Financial Management, Stanford University in 1966

Membership in the Board of Listed Companies:

- Manila Water Company, Inc. (Ayala Group)
- Ayala Land, Inc. (Ayala Group)
- Philippine Trust Company (Philtrust Bank)
- GMA Network, Inc.
- GMA Holdings, Inc.
Membership in the Board of Non-Listed Companies:
  • Philippine AXA Life Insurance Co., Inc.
  • Cultural Center of the Philippines
  • St. Paul’s University – Quezon City
  • Ayala Foundation, Inc.
  • Fundacion Santiago
  • Yuchengco Museum
  • CIBI Foundation, Inc.
  • Escuela Taller de Filipinas Foundation, Inc.
  • Manila Polo Club.

Positions in Other Organizations and Corporations:
  • Chairman of the Board of Directors and President of Philippine Trust Company (Philtrust Bank).

Mr. Laya has served as Minister of the Budget; Minister of Education, Culture and Sports; Governor of the Central Bank of the Philippines; Chairman of the National Commission for Culture and the Arts; and Professor and Dean of Business Administration of the University of the Philippines.

VICTORIA P. GARCHITORENA  
*Member of the Board of Directors*  
*Member, Audit and Governance Committee*  
*Member, Risk Committee*  
*Filipino, 70 years old*  
*Director of the Company since April 4, 2014*

Education and Training:
  • B.S. Physics, *Magna cum Laude*, College of the Holy Spirit
  • Post-graduate studies in Management Development Program, Asian Institute of Management
  • Post-graduate studies in Environmental Economics & Policy Analysis, Harvard Institute for International Development

Membership in the Board of Listed Companies:
  • Manila Water Company, Inc. (Ayala Group)
Membership in the Board of Non-Listed Companies:
- UCPB Finance Corp.
- UCPB Foundation, Inc.
- Avignon Tower Condominium Corporation
- Asian Institute of Management
- Ayala Foundation, Inc.

Positions in Other Organizations and Corporations:
- Consultant of Ayala Corporation
- Member, Makati Business Club
- Member, National Executive Committee of the Bishops-Businessmen's Conference for Human Development
- Member, National Executive Committee of the UBAS (Ugnayan ng Barangay at Simbahan)
- Adviser, Gerry Roxas Foundation
- Adviser, United CSO Federation of Makati

Ms. Garchitorena has served as a member of the Management Committee of Ayala Corporation (Ayala Group) from 2006 until 2011.

She was a Managing Director of Ayala Corporation, President of Ayala Foundation, Inc. and Philippine Development Foundation (formerly Ayala Foundation USA). Her other significant past positions include: Trustee of the International Center on Innovation, Transformation and Excellence in Governance and Pinoy Me Foundation; member of the Asia Pacific Advisory Council Against Corruption-World Bank and the World Bank Social Protection Advisory Board; League of Corporate Foundations and Makati Business Club; and member of the National Committee of Bishops-Businessmen’s Council for Human Development.

Previously, she was a Senior Consultant on Poverty Alleviation and Good Governance and the Head of the Presidential Management Staff and Secretary to the Cabinet under the Office of the President of the Republic of the Philippines; a Director of Philippine Charity Sweepstakes Office; Executive Assistant to the Chairman and President of the Meralco Foundation, Inc.; a Trustee of the Ramon Magsaysay Awards Foundation; and Co-Chairperson of EDSA People Power Commission; a Board Member of the US based Council of Foundations; Member of the Global Foundation Leaders Advisory Group of World Economic Forum and Governor of Management Association of the Philippines.

Describe the Audit and Governance Committee’s responsibility relative to the external auditor.

With regard to External Audit, the Audit and Governance Committee shall:

i. Recommend the appointment and removal of the Independent Auditors and the fixing of their compensation to the Board and ensure that the rotation process of the auditors of the external auditors of the firm engaged is enforced.

ii. Ensure that the external auditors comply with relevant and applicable auditing standards.
iii. Review and pre-approve the Independent Auditor’s plans to understand the basis for their risk assessment and financial statement materiality including the scope and frequency of the audit, and ensure cooperation when more than one professional service firm is needed.

iv. Monitor the coordination efforts of the external and internal auditors.

v. Review the reports of the Independent Auditors and regulatory agencies, where applicable. Ensure that management is taking appropriate corrective actions in a timely manner, including addressing control and compliance issues.

vi. Conduct a separate meeting in executive session, with the external auditors to discuss any matter that the committee or auditors believe should be discussed privately, including the results of the audit, year-end financial statements, the quality of management, financial and accounting controls.

vii. Review and approve the proportion of audit versus non-audit work both in relation to their significance to the auditor and in relation to the Company’s year-end financial statements, and total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the independent auditor. The amount of non-audit work of independent auditors shall be disclosed in the annual report.

viii. Evaluate the internal control issues that have been raised by the independent auditor.

ix. Communicate with the external auditors of the Company within a reasonable period of time after the completion of the independent audit and to discuss any material findings on the Company relating to critical policy weaknesses, the external auditor’s observation on the Company’s internal controls, audit adjustments, alternative treatments, the independent auditor’s independence and limitations on the audit that may have been imposed by management and other material issues that affect the integrity and accuracy of the Company’s financial reporting;

x. Evaluate the performance of the external auditor and to ensure that the same performs its functions in compliance with the relevant and applicable auditing standards. 219

(c) Nomination Committee

<table>
<thead>
<tr>
<th>Office</th>
<th>Name</th>
<th>Date of Appointment220</th>
<th>No. of Meetings Held</th>
<th>No. of Meetings Attended</th>
<th>%</th>
<th>Length of Service in the Committee221</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman (ID)</td>
<td>Jose L. Cuisia Jr.</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>5</td>
</tr>
<tr>
<td>Member (NED)</td>
<td>Jaime Augusto Zobel de Ayala</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>10</td>
</tr>
<tr>
<td>Member (ID)</td>
<td>Jaime C. Laya</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>Member (ID)</td>
<td>Oscar S. Reyes</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>10</td>
</tr>
</tbody>
</table>

At the Organizational Meeting of the Board held on April 11, 2016, the following individuals were elected Chairman and members of the Nomination Committee. Hence, for the ensuing year, the Nomination Committee of the Company is composed only of independent directors.

219 Audit and Governance Committee Charter
220 Date of last appointment
221 Reckoned from the date of original appointment
### Remuneration Committee

<table>
<thead>
<tr>
<th>Office</th>
<th>Name*</th>
<th>Date of Appointment</th>
<th>No. of Meetings Held</th>
<th>No. of Meetings Attended</th>
<th>%</th>
<th>Length of Service in the Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman (ID)</td>
<td>Oscar S. Reyes</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>6</td>
</tr>
<tr>
<td>Member (ID)</td>
<td>Sherisa P. Nuesa</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>Member (NED)</td>
<td>Fernando Zobel de Ayala</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>6</td>
</tr>
<tr>
<td>Member (ID)</td>
<td>Jose L. Cuisia Jr.</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>5</td>
</tr>
</tbody>
</table>

*The same individuals have been nominated and appointed members of the Remuneration Committee during the Organizational Meeting of the Board held on April 11, 2016.*

### Risk Committee

<table>
<thead>
<tr>
<th>Office</th>
<th>Name*</th>
<th>Date of Appointment</th>
<th>No. of Meetings Held</th>
<th>No. of Meetings Attended</th>
<th>%</th>
<th>Length of Service in the Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman (ID)</td>
<td>Jaime C. Laya</td>
<td>August 11, 2015</td>
<td>1</td>
<td>1</td>
<td>100%</td>
<td>0</td>
</tr>
<tr>
<td>Member (ID)</td>
<td>Oscar S. Reyes</td>
<td>August 11, 2015</td>
<td>1</td>
<td>1</td>
<td>100%</td>
<td>0</td>
</tr>
<tr>
<td>Member (NED)</td>
<td>Victoria P. Garchitorena</td>
<td>August 11, 2015</td>
<td>1</td>
<td>1</td>
<td>100%</td>
<td>0</td>
</tr>
<tr>
<td>Member (ID)</td>
<td>Jose L. Cuisia Jr.</td>
<td>August 11, 2015</td>
<td>1</td>
<td>1</td>
<td>100%</td>
<td>0</td>
</tr>
</tbody>
</table>

*The same individuals have been nominated and appointed members of the Risk Committee during the Organizational Meeting of the Board held on April 11, 2016.*

---

222 Date of last appointment
223 Reckoned from the date of original appointment
224 Date of last appointment
225 Reckoned from the date of original appointment
(f) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

**Committee of Inspectors of Ballots and Proxies***:

<table>
<thead>
<tr>
<th>Office</th>
<th>Name</th>
<th>Date of Appointment</th>
<th>No. of Meetings Held</th>
<th>No. of Meetings Attended</th>
<th>%</th>
<th>Length of Service in the Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Xerxes Noel O. Ordanez</td>
<td>April 7, 2015</td>
<td>1</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>Member</td>
<td>Head – Legal and Corporate Governance</td>
<td>April 7, 2015</td>
<td>1</td>
<td>1</td>
<td>100%</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Department</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Atty. Jhoel P. Raquedan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member</td>
<td>Representative of External Auditor</td>
<td>April 7, 2015</td>
<td>1</td>
<td>1</td>
<td>100%</td>
<td>5</td>
</tr>
</tbody>
</table>

*Formerly, the “Proxy Validation Committee”

**By virtue of their positions and offices, the same individuals were nominated and appointed members of the Committee during the Organizational Meeting of the Board held on April 11, 2016.**

**Related Party Transactions Committee**

<table>
<thead>
<tr>
<th>Office</th>
<th>Name*</th>
<th>Date of Appointment</th>
<th>No. of Meetings Held</th>
<th>No. of Meetings Attended</th>
<th>%</th>
<th>Length of Service in the Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman (ID)</td>
<td>Oscar S. Reyes</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>Member (ID)</td>
<td>Jaime C. Laya</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>Member (ID)</td>
<td>Oscar S. Reyes</td>
<td>April 7, 2015</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>1</td>
</tr>
</tbody>
</table>

*The members of the Committee consist of all the independent directors of the Audit and Governance Committee. The Committee is considered a subset of the Audit and Governance Committee, and as such is governed by the same charter. The same individuals were nominated and appointed members of the Committee during the Organizational Meeting of the Board held on April 11, 2016.*

---

226 Date of last appointment
227 Date of last appointment
228 Reckoned from the date of original appointment
3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Changes in Committee Membership in 2015:

<table>
<thead>
<tr>
<th>Name of Committee</th>
<th>Name</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committee of Inspectors of Ballots and Proxies*</td>
<td>Xerxes Noel O. Ordanez</td>
<td>Mr. Ordanez previously held the position of Officer-in-Charge of Internal Audit, until the confirmation of his appointment as Head of the Internal Audit Department</td>
</tr>
</tbody>
</table>

*Formerly, the Proxy Validation Committee

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

THE EXECUTIVE COMMITTEE:

For 2015, the Executive Committee has passed the resolutions on the following:

e. Resolution No. E-5 (2015) on the cancellation of Income Tax Holiday granted by the Bureau of Internal Revenue
g. Resolution No. E-7 and E-8 (2015) on the additional investment of the Company in its wholly owned subsidiary, Manila Water Total Solutions Corporation and Manila Water Asia Pacific Pte. Ltd.

h. Resolution No. E-9 (2015) on the changes in the composition of the Retirement Committee of the Company

The acts and resolutions approved and/or passed by the Executive Committee were those acts necessary for or in furtherance of the operations of the Company. These acts and resolutions were ratified by the Board in its meeting immediately succeeding the relevant Executive Committee meeting.

**THE NOMINATION COMMITTEE:**

For 2015, the Nomination Committee has evaluated and endorsed:

- a. the nomination of Mr. Thomas T. Mattison as Group Director for Project Delivery Group
- b. the nomination for election of the eleven (11) nominees to the Board of Directors at the ASM on April 7, 2015
- c. the nomination for election of the nominees to the positions of officers of the Company and the board committees at the Organizational Meeting on April 7, 2015

For 2016, the Nomination Committee has evaluated and endorsed:

- a. the nomination for election of the eleven (11) nominees to the Board of Directors at the ASM on April 11, 2016
- b. the nomination for election of the nominees to the positions of officers of the Company and the Board Committees at the Organizational Meeting on April 11, 2016

**THE REMUNERATION COMMITTEE:**

For 2015, the Remuneration Committee has approved:

- a. the 2014 Employee Stock Option Plan Grant to qualified officers and employees of the Company
- b. the 2015 Compensation Program of the Company

For 2016, the Remuneration Committee has evaluated and approved the 2016 Compensation Program of the Company.

**THE COMMITTEE OF INSPECTORS OF BALLOTS AND PROXIES:**

On March 27, 2015, the Committee of Inspectors of Ballots and Proxies validated the proxies submitted by the stockholders for the purpose of the 2015 ASM held on April 7, 2015.
On April 4, 2016, the Committee of Inspectors of Ballots and Proxies validated the proxies submitted by the stockholders for the purpose of the 2016 ASM held on April 11, 2016.

**THE AUDIT AND GOVERNANCE COMMITTEE:**

For 2015, the Audit and Governance Committee has approved the following matters:

a. 2014 Consolidated Financial Statements including the Notes to the Financial Statements, Management Discussion and Analysis and Management Representation Letters
b. 2015 SGV Audit Plan
c. 2015 Quarterly Consolidated Financial Results
d. Re-appointment of SGV and Co. as external auditor of the Company and the subsidiaries
e. The total audit fee of SGV for the audit engagement of the Company and its subsidiaries and for other audit engagements amounting to Php3,527,350, exclusive of value added tax and out of pocket expenses. Of this total audit fee, Php2 million pertains to the audit engagement of the Company.
f. Report of the Audit and Governance Committee to the Board
g. Revision to the Policy on Related Party Transactions and approval of the Secondment Agreement with Manila Water Asia Pacific Pte. Ltd. (acting as Related Party Committee)
h. Proposed Committee Meeting Schedules and Agenda for 2015
i. Minutes of Previous Audit Committee Meetings
j. 2016 Risk-Based Audit Plan
k. Establishment of a Risk Committee

For 2016, the Audit and Governance Committee has approved the following matters:

a. 2015 Consolidated Financial Statements including the Notes to the Financial Statements, Management Discussion and Analysis and Management Representation Letters
b. Endorsed the re-appointment and fixed the remuneration of SGV as external auditors of the Company and its subsidiaries for fiscal year 2016
c. Counterparty limits for relationship banks of the Company
d. Revision to the Charter of the Committee which revisions pertain to the transfer of the risk management and oversight function to the recently established Risk Committee
e. Minutes of Previous Audit Committee Meetings
f. Report of the Committee to the Board
THE RELATED PARTY TRANSACTION COMMITTEE:

For 2015, the Related Party Transaction Committee has approved the terms and conditions of the Memorandum of Agreement between Ayala Land, Inc. and Manila Water Philippine Ventures, Inc. (a wholly owned subsidiary of Manila Water). The objective of the MOA is to leverage on the respective expertise of the Parties, in order to provide optimum services and facilities for their customers and clients. Previously, the ALI Group provides in-house water and used water services and facilities in their property development projects. Under the MOA, MWPV will provide the water and used water services and facilities to all the property development projects of the ALI Group nationwide.

THE RISK COMMITTEE:

For 2015, immediately after its establishment on August 11, 2015, the Risk Committee adopted its own Charter. With the establishment of the Risk Committee, the risk oversight function of the Audit and Governance Committee has been absorbed and will be performed by the Risk Committee.

For 2016, the Committee so far discussed the top enterprise risks, with particular focus on security risks, and the existing insurance coverage of the Company and its subsidiaries.

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Each of the Board Committees is required under its own Charter to regularly review the provisions of its Charter to ensure compliance with the relevant corporate governance policies and practices. They are mandated to diligently comply with their duties, functions and responsibilities as set out in their respective Charters and in the Manual.

In addition, the Audit and Governance Committee is expected, through the provision of checks and balances, to bring positive results in supervising and supporting the management of the Company and shall be responsible for ensuring the development of, compliance with, and periodic review of corporate governance policies and practices of the Company. The Audit and Governance Committee is also tasked to oversee the risk management system of the Company.

The Related Party Transactions Committee will ensure the all material RPTs have undergone the same process as an ordinary transaction and determine that the material RPT under review is in the best interest of the Corporation.

The establishment of the Risk Committee will ensure effective management of strategic, operational, financial and compliance-related risks. The Committee will also assist the Board in its oversight functions in relation to risk governance in the Company.
F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

In order to achieve its corporate objectives, Manila Water acknowledges the need for the active management of the risks inherent in its business which should involve the entire organization. For this reason, the Manila Water has established an Enterprise Risk Management (ERM) Program which aims to use a globally accepted approach in managing imminent and emerging risks in its internal and external operating environments. Under the ERM Program, Manila Water shall appropriately respond to risks and manage them in order to increase shareholder value and enhance its competitive advantage.

Manila Water, through its Enterprise Risk and Insurance Management Department (ERIM Department), seeks to integrate risk awareness and responsibility at each level of management activities, and into all strategic planning and decision-making processes within Manila Water and its subsidiaries to support achievement of strategies and objectives.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The 2015 Annual Report of the Risk Committee to the Board of Directors reads in part:

- The Committee discussed with Management the adequacy and effectiveness of the Enterprise Risk Management Process, including significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans. The review was undertaken in the context that Management is primarily responsible for the risk management process.

- The Committee has reviewed the Enterprise Risk Management Process and is satisfied that sufficient risk management systems are in place in the Company.

- The Committee noted the 2016 plans and initiatives of the Enterprise Risk and Insurance Management (ERIM) Department to create a robust risk awareness and management culture and to promote good risk management practices achieving appropriate risk and reward in Manila Water’s business.

The Internal Audit Department assessed the state of the ERM framework of Manila Water and the results of the assessment was reported to the Risk Committee (RC) and the Board of Directors (BOD). The assessment of the ERM framework covered the following components, namely:

- Governance and Organization;
• Risk Management Strategy;
• Reporting and Communication;
• Tools and Technology; and
• Culture and Capability.

The RC and the BOD reviewed and approved the top enterprise risks of the Company and reviewed the progress of the action plans to manage these risks. In addition, the risk management programs are reviewed and approved by RC which make a report to the BOD. The comments and recommendations of the RC and BOD were incorporated in the programs for 2015.

For 2015, the following are the improvements in the Risk Management System:
• Creation of Risk Committee of the BOD
• Conduct of Black Swan Workshop attended by Senior Leadership Team and Management Committee
• Inclusion of Manila Water subsidiaries in the Risk Management Excellence Awards program
• Inclusion of ERM maturity in corporate and group targets

In addition, an external assessment of Manila Water’s ERM maturity was conducted by Aon Philippines. Manila Water achieved a rating of 4.5 which means Manila Water is between the operational and advanced levels of ERM implementation. The 4.5 score is also above the global average for all industries (3.0) and global average for utility companies (2.5). The assessment covered the following components of ERM:

• Board Understanding and Commitment to Risk Management
• Executive Level Risk Management Stewardship
• Risk Communication
• Risk Culture: Engagement & Accountability
• Risk Identification
• Stakeholder Participation in Risk Management
• Risk Information and Decision Making Processes
• Integrating Risk Management & Human Capital Processes
• Risk Analysis & Quantification to Understand Risk and Demonstrate Value
• Risk Management Focus on Value Creation

(c) Period covered by the review;

2015
(d) How often the risk management system is reviewed and the directors’ criteria for assessing its effectiveness; and

Annual for the assessment of framework; quarterly progress review

(e) Where no review was conducted during the year, an explanation why not.

Not applicable

2) Risk Policy

(a) Company

Give a general description of the company’s risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

The ERM Policy:

- Establishes the framework that shall be employed for risk management at Manila Water;
- Establishes the risk management process;
- Establishes the risk management oversight structure; and
- Defines the authorities and responsibilities of individuals, committees and organization units with roles in ERM.

<table>
<thead>
<tr>
<th>Risk Exposure</th>
<th>Risk Management Policy</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>Treasury Risk Management Policy</td>
<td>Provide a clear guidance on the financial risks of Manila Water. (i.e.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Market, Credit and Liquidity Risks) arising from Treasury transactions.</td>
</tr>
<tr>
<td>Financial and Compliance</td>
<td>CAPEX Control Policy</td>
<td>Provide a clear guidance on the CAPEX Approval Process and the tolerable</td>
</tr>
<tr>
<td></td>
<td></td>
<td>limits for variations in CAPEX Projects. (i.e. cost, time, scope)</td>
</tr>
<tr>
<td>Operational</td>
<td>Business Continuity Policy</td>
<td>Provide clear guidance on the continuity and resumption strategies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>following any operational disruption.</td>
</tr>
<tr>
<td>Operational and Financial</td>
<td>Business Continuity Funding Policy</td>
<td>Provide funding provision for the “Big One” and now covers not only</td>
</tr>
</tbody>
</table>
the head office but also all MWC business areas.

<table>
<thead>
<tr>
<th>Financial</th>
<th>OPEX Control Policy</th>
<th>Provide guidance on the process, controls and limits for operational expenses.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>Liquidity Plan Policy</td>
<td>Provide granular information on daily movement of funds, cash position and requirements.</td>
</tr>
<tr>
<td>Compliance</td>
<td>Regulatory Compliance Policy</td>
<td>Provide guidance on the identification, assessment, monitoring and reporting of regulatory compliance requirements and violations of the organization.</td>
</tr>
<tr>
<td>Health and Safety</td>
<td>Health and Safety Policy</td>
<td>Provide guidance to ensure safety, preservation of life and health of employees as well as stakeholders.</td>
</tr>
</tbody>
</table>

**Group**

Give a general description of the Group’s risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

<table>
<thead>
<tr>
<th>Risk Exposure</th>
<th>Risk Management Policy</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>Enterprise Risk Management Policy</td>
<td>Subsidiaries are required to adopt the same risk management framework as the Parent Company. Subsidiaries are required to attain a certain level of risk management maturity.</td>
</tr>
<tr>
<td>Strategic</td>
<td>Secondment of Manila Water officers as General Managers (GMs) and Finance and Administration Managers (FAMs) for all subsidiaries who are trained by and directly reporting to Manila Water.*</td>
<td>To provide the parent company oversight and control over all financial and administrative processes of its subsidiaries.</td>
</tr>
<tr>
<td>Financial and Operational</td>
<td>New Business Development Policy</td>
<td>Provide guidance on the process and controls for developing New Businesses.</td>
</tr>
</tbody>
</table>

* Not a policy but an organizational strategy

**Minority Shareholders**

Indicate the principal risk of the exercise of controlling shareholders’ voting power.
Risk to Minority Shareholders

No risk, since minority shareholders have a venue to exercise their voting power through the Annual Stockholders Meeting.

Also, Manila Water has independent directors with one of the independent directors as the chairman of the Risk Committee. There are three (3) independent directors in the Risk Committee.

In addition, Manila Water has a Related Party Transaction (RPT) Policy in place which provides guidance on the process and controls for handling RPTs in instances where such transactions cannot be avoided.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

<table>
<thead>
<tr>
<th>2015 TOP CORPORATE RISKS</th>
<th>MITIGATION STRATEGIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>RATE REBASING</td>
<td>Review and analysis of approved business plan versus actual accomplishment is done to ensure compliance to the arbitral award. In addition, improvements in various processes and systems have been implemented.</td>
</tr>
<tr>
<td>INVESTMENT PLAN EXECUTION</td>
<td>A capex optimization project was undertaken to optimize processes, functions and resources to ensure projects are implemented within budget and timeline, and at an acceptable quality level. A project risk management program is in place wherein projects are categorized in different tiers with varying frequency of review and reporting of risks and levels for risk acceptance.</td>
</tr>
<tr>
<td>WATER SUPPLY</td>
<td>Activities are being done to further increase reliability and efficiency of the current water supply system such as the development of medium-term water sources, weekly monitoring and investigation of non-revenue water (NRW) contributors, weekly monitoring of dam water levels, preventive and corrective maintenance of dam facilities and aqueducts and implementation of metering at raw water portal and tailrace metering.</td>
</tr>
<tr>
<td>REGULATORY</td>
<td>Programs have been implemented to ensure control of regulatory and socio-political risks at both compliance and strategic levels. There were organizational changes to improve the regulatory compliance of the organization. The document management system has been enhanced to improve readiness in regulatory review and audit.</td>
</tr>
</tbody>
</table>
addition, guidelines on concession accounting and auditing and technical audit are under development.

**NEW BUSINESS OPERATIONS**  
Failure to manage risks/issues linked to operating new businesses.  
Organizational enhancements were implemented to improve Manila Water’s control and visibility in the subsidiaries. Risk Officers have been appointed to strengthen risk governance in the subsidiaries. The enterprise risk management framework had been implemented by the new businesses and their top risks and action plans are being reported to Manila Water.

---

(b) **Group**

**Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:**

<table>
<thead>
<tr>
<th>Risk Exposure</th>
<th>Risk Assessment (Monitoring and Measurement Process)</th>
<th>Risk Management and Control (Structures, Procedures, Actions Taken)</th>
</tr>
</thead>
</table>
| Various Risks       | The parent company and its subsidiaries all go through the same Risk Assessment Process based on ISO 31000 for Corporate/ Group / Department level Risks. | - Identification, Assessment, Reporting and Monitoring of Top Risks  
Incorporation of Risks Identified in Planning Activities  
- The Risk Management Executive Committees (RMECs) of Manila Water and its subsidiaries meet on a regular basis to discuss risk management matters.  
The management of top risks is delegated to the appropriate risk owners across the organization.  
- Manila Water’s Internal Audit follows a risk-based approach to assessing the effectiveness of controls and risk management strategies at the process level.  
-Continuous management of all project, safety, security and business continuity risks  
The company has dedicated departments to address these various operational risks. |
| Various Risks       | Internal Audit                                                                                                         | - Manila Water’s Internal Audit follows a risk-based approach to assessing the effectiveness of controls and risk management strategies at the process level. |
| Operational Risks   | Various Processes- i.e. Business Impact Analysis, HIRAC, HAZOP, business continuity plan                                 | -Continuous management of all project, safety, security and business continuity risks  
The company has dedicated departments to address these various operational risks. |
(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

<table>
<thead>
<tr>
<th>Committee/Unit</th>
<th>Control Mechanism</th>
<th>Details of its Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERIM Department</td>
<td>Monitoring and Reporting of Top Risks of the company and the treatment for the risks.</td>
<td>Develops, Manages and continuously improves the risk management program of the organization.</td>
</tr>
<tr>
<td>Risk Management Executive Committee.</td>
<td>Provides management oversight for the risk management program of the company.</td>
<td>Composed of the Management Committee members and the CRO. This committee provides direction on the design and implementation of the company’s Enterprise Risk Management process.</td>
</tr>
<tr>
<td>Audit and Governance Committee</td>
<td>Assists the Board of Directors in fulfilling its responsibility for oversight of the organization’s corporate governance process.</td>
<td>Composed of the Internal Audit, representatives from the Board and the chaired by an Independent Director. It reviews and endorses for approval to the board ERM policy matters as well as ensure the adequacy and effectiveness of Manila Water’s ERM Process.</td>
</tr>
</tbody>
</table>

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

The Company’s internal control is aligned with the COSO’s Interrelated Components of Internal Control
- Control Environment/Activities
- External Control Environment
- Risk Management
(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The 2015 Annual Report of the Audit and Governance Committee to the Board of Directors reads in part:

The Committee discussed and approved the overall scope and the respective audit plans of the Company’s internal auditors and of SGV & Co., the results of their audits and their assessment of the Company’s internal controls, and the overall quality of the financial reporting process.

The Committee discussed the reports of the internal auditors, and ensured that Management is taking appropriate actions in a timely manner, including addressing internal control and compliance issues. All the activities performed by Internal Audit were conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

The Audit and Governance Committee, through the audits conducted by SGV & Company and Internal Audit, has reviewed Management’s system of internal controls and the Committee found the internal control system to be adequate and effective.

The Committee discussed with Management the adequacy and effectiveness of the Enterprise Risk Management process, including significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans. The review was undertaken in the context that Management is primarily responsible for the risk management process.

(c) Period covered by the review;

2015

(d) How often internal controls are reviewed and the directors’ criteria for assessing the effectiveness of the internal control system; and

Internal controls are reviewed on an annual basis

(e) Where no review was conducted during the year, an explanation why not.

Review of internal controls is part of the audit activities and based on Audit’s assessment of risks.
2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the Company's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

General Audit:

- Review the effectiveness by which risks that may threaten the achievement of organizational and financial reporting objectives are identified and managed.
- Review the reliability and integrity of the financial reporting process and operating information and the business process used to identify, measure, classify and report such information.
- Review the adequacy of the system of internal controls, planned and in use, to safeguard the Company's assets and operations.
- Review the effectiveness of management controls meant to ensure the economic and efficient utilization of resources and achieve the Company's corporate vision and objectives.
- Review the adequacy, existence and degree of adherence to Company policies, procedures and sound business practices.
- Report the result of audit reviews and other activities in a manner that helps management address the identified risk issues/corresponding concerns and take appropriate action within a reasonable period of time.
- Appraise the adequacy of action taken by management in response to reported risk issues, control weaknesses and opportunities for improvement.

Assurance Services

The IAA provides reasonable assurance on the following to help ensure that management enhances the value of the Company as it competes in an ever dynamic and increasingly competitive marketplace;

- Overall effectiveness and efficiency of the control environment and the risk management and governance processes
- Compliance with policies, laws and regulations
- Safeguarding of assets
- Reasonableness of financial information, in conjunction with the external/independent auditors' activities

Consulting Services
The IAA of the Company shall provide advisory and related client service activities, the nature and scope of which are agreed with the client, and are intended to add value and improve the organization’s governance, risk management, and control processes without assuming management’s responsibility.

Examples of consulting services are:

- Assistance in risk management activities
- Assessing the adequacy of internal controls in a proposed system
- Providing recommendation and advise on governance and business process improvements

<table>
<thead>
<tr>
<th>Role</th>
<th>Scope</th>
<th>Indicate whether In-house or Outsource Internal Audit Function</th>
<th>Name of Chief Internal Auditor/ Auditing Firm</th>
<th>Reporting process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Audit Executive</td>
<td>Oversees the whole Internal Audit Activity like but not limited to:</td>
<td>In-house</td>
<td>Xerxes Noel Ordanez, CPA, CIA, CISA, CRISC</td>
<td>Functionally reporting to the Audit and Governance Committee and Administratively reporting to the CFO</td>
</tr>
<tr>
<td></td>
<td>• Establishing appropriate policies and procedures to guide the internal audit function</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Establishing risk-based audit plans to set out the priorities of the internal audit function</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Auditor</td>
<td>Review of financial close process and provide reasonable assurance on the reliability and integrity of financial and operational information.</td>
<td>In-house</td>
<td>Jon Louis Santos, CPA, Reynan Tayag, CPA, Jonel Funtanar, CPA</td>
<td>Directly reporting to the Chief Audit Executive</td>
</tr>
<tr>
<td>System Auditor</td>
<td>Review of Information Technology (I.T.) systems to provide reasonable assurance on the reliability, integrity of financial and operational information.</td>
<td>In-house</td>
<td>Mark Joseph Cabatbat, CPA, CISA</td>
<td>Directly reporting to the Chief Audit Executive</td>
</tr>
</tbody>
</table>
Review the construction and facility management process of the Company and all the related CAPEX and facility processes, policies and procedures

In-house

Engr. Joel Velasco
Engr. Emerson Santos

Directly reporting to the Chief Audit Executive

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

YES. The appointment and/or removal of the Internal Auditor requires the approval of the Audit and Governance Committee. This is specifically provided in the Charter of the Audit and Governance Committee.

(c) Discuss the internal auditor’s reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The Internal Audit Activity (IAA) functionally reports to the Audit and Governance Committee and administratively to the Chief Finance Officer. Though this is not the optimum placement of the department to ensure independence since the standards explicitly states that IAA should administratively reports to the Chief Executive Officer, IAA maintains its independence by adhering to the provisions stated in the Internal Audit Charter where the purpose, authority, and responsibility of the IAA were formally defined consistent with the Auditing Standards, and approved by the board. The charter established the IAA’s position within the organization. It authorizes access to records, personnel, and physical properties relevant to the performance of engagements and defines the scope of internal audit activities.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

<table>
<thead>
<tr>
<th>Name of Audit Staff</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franco Evangelista, CPA (Financial Auditor)</td>
<td>Resigned</td>
</tr>
<tr>
<td>Xerxes Noel Ordanez, CPA, CIA, CISA, CRISC</td>
<td>Re-assigned from Systems Auditor to Head of the Internal Audit Department</td>
</tr>
</tbody>
</table>

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit’s progress against plans, significant issues, significant findings and examination trends.
Progress Against Plans  |  90-95% completion of Risk-based Audit Plan
---|---
Issues\(^{229}\)  |  Issues raised were related to the effectiveness of internal controls, risk management and governance processes. Other focus area was on the efficiency of business processes.
Findings\(^{230}\)  |  Audit findings were related to compliance with Company’s policies and procedures
Examination Trends  |  Followed the standard audit methodology

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

**Note:** MWC Internal Audit Activity for the given year has been performed in accordance with the Provisions of the International Standards on the Professional Practice of Internal Auditing (ISPIA).

\(\textbf{f)}\)  **Audit Control Policies and Procedures**

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column “Implementation.”

<table>
<thead>
<tr>
<th>Policies &amp; Procedures</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Audit Charter</td>
<td>Passed the 2012 Quality Assessment review conducted by the Institute of Internal Auditors.</td>
</tr>
<tr>
<td>Internal Audit’s Code of Ethics/Conduct</td>
<td>Passed the 2012 Quality Assessment review conducted by the Institute of Internal Auditors.</td>
</tr>
</tbody>
</table>

\(^{229}\)“Issues” are compliance matters that arise from adopting different interpretations.

\(^{230}\)“Findings” are those with concrete basis under the company’s policies and rules.
Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company’s shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

<table>
<thead>
<tr>
<th>Auditors (Internal and External)</th>
<th>Financial Analysts</th>
<th>Investment Banks</th>
<th>Rating Agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mechanisms under the Internal Audit Charter and the Audit and Governance Committee Charter</td>
<td>Mechanisms under the Revised Code of Business Conduct and Ethics</td>
<td>Mechanisms under the Revised Code of Business Conduct and Ethics</td>
<td>Mechanisms under the Revised Code of Business Conduct and Ethics</td>
</tr>
<tr>
<td>Mechanisms under the Revised Code of Business Conduct and Ethics</td>
<td>Refer to discussions below.</td>
<td>Refer to discussions below.</td>
<td>Refer to discussions below.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**The Internal Audit Charter provides for the mechanisms to ensure independence of the auditors. In particular, it provides that:**

RESPONSIBILITIES of Internal Audit Activity

The internal audit activity will govern itself by adherence to the Institute of Internal Auditor’s mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity’s performance.

1. General

- Review the effectiveness by which risks that may threaten the achievement of organizational and financial reporting objectives are identified and managed.
- Review the reliability and integrity of the financial reporting process and operating information and the business process used to identify, measure, classify and report such information.
- Review the adequacy of the system of internal controls, planned and in use, to safeguard the Company’s assets and operations.
• Review the effectiveness of management controls meant to ensure the economic and efficient utilization of resources and achieve the Company’s corporate vision and objectives.
• Review the adequacy, existence and degree of adherence to Company policies, procedures and sound business practices.
• Report the result of audit reviews and other activities in a manner that helps management address the identified risk issues/ concerns and take appropriate action within a reasonable period of time.
• Appraise the adequacy of action taken by management in response to reported risk issues, control weaknesses and opportunities for improvement.

Under the Audit and Governance Committee Charter, the Audit and Governance Committee also evaluates and determines the non-audit work, if any, of the external auditor, and reviews periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company’s overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence.

The Revised Code of Business Conduct and Ethics also provides for the mechanisms that can ensure the independence of the Financial Analysts, Investment Banks and Rating Agencies.

The Revised Code of Business Conduct and Ethics provides that:

**Honesty and Fair Dealing**

d. The core principle of the Corporation is to conduct business honestly and fairly with its investors, suppliers, contractors, service providers, customers and employees and other third parties.

e. Directors, Officers and employees shall act honestly, ethically and in comply with all applicable laws, rules and regulations and protect the name and reputation of the Corporation.

f. Directors, Officers and employees shall not engage in any unfair dealing practices, such as taking advantage of anyone through abuse of confidential information, manipulation, concealment, or misrepresentation or other similar acts.

g. Officers and employees involved in the procurement process for services, materials, supplies, and equipment shall strictly comply with the Corporation’s Procurement Policy. The Procurement Policy is an integral part of this Code.

h. Directors, Officers and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to the Board, in case of directors, and to the immediate supervisor or to the Office of the Compliance Officer in case of officers and employees. The Corporation shall promptly identify and
investigate any suspected fraudulent or dishonest acts. Without prejudice to applicable administrative sanctions, the Corporation may pursue civil and/or criminal actions against directors, officers and employees as may be warranted.

Conflict of Interest

a. A conflict of interest arises when a Director, or an Officer or employee appears to have a direct or indirect personal or financial interest in any transaction, which may deter or influence him from acting in the best interest of the Corporation. It is not required that there be an actual conflict, it is only required that there could be perceived or seen to be a conflict by an impartial observer.

b. When an actual or apparent conflict of interest arises, a Director must inform the Board, and the Officer or employee must immediately inform his immediate supervisor or the Compliance Officer. Such Director, Officer or employee should not participate in, or in any way seek to influence, any negotiations, or decisions pertaining to the transaction, which is the subject of interest.

c. The Director, Officer or employee must also file a Conflict of Interest Report with the Board in case of a director or to the immediate supervisor and the Office of the Compliance Officer in case of an officer or employee. The report shall indicate a brief description of the conflict, the date when the Board, or immediate supervisor and the Office of the Compliance Officer were notified, and the action taken on the conflict.

d. No Officer or employee may have financial interest in a privately owned enterprise, which directly or indirectly deals or transacts business with the Corporation.

A Director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests.

e. No Director, Officer or employee may use his position in the Corporation for personal gain or advantage or to promote any action that may run counter to the Corporation’s ethical standards.

f. No Director, Officer or employee shall use the Corporation’s facilities, materials, intellectual properties, vehicles, equipment and supplies for his or another party’s personal purpose.

Corporate Entertainment / Gifts

a. Directors, Officers and employees shall strictly follow the principles of highest ethical business standards and comply with all relevant laws and regulations.

Towards this end, Directors, Officers and employees shall not accept corporate entertainment/gifts with an approximate value of more than Three Thousand Pesos (Php3,000.00) or anything that can or can be viewed to influence the manner on which a director, officer or employee may discharge his duties.
b. Within five (5) business days from receipt of corporate entertainment and gifts, directors, officers and employees are required to submit a report to the Board, in case of directors, or to their immediate supervisor and the Office of the Compliance Officer, in case of officers and employees. The report shall identify the giver, date of receipt, and type and approximate value of the corporate entertainment/gifts received.

Insider Trading

a. Directors, Officers and employees who have a direct or indirect knowledge, from time to time, of material facts or changes in the affairs of the Corporation, which have not been disclosed to the public, including any information likely to affect the market price of the Corporation’s shares, are restricted to buy or sell Manila Water shares during the following period:

b. Ten (10) calendar trading days before and three (3) calendar trading days after the disclosure of quarterly and annual financial results; and

c. Three (3) calendar trading days before and three (3) calendar trading days after the disclosure of any material information other than the above.

d. All Directors, Officers, and employees are required to report their trades on a quarterly basis to the Office of the Compliance Officer within fifteen (15) calendar days from the end of each quarter.

e. Directors and Officers who may be covered by the reporting requirements of the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE) in respect of their shareholding in the Corporation or any changes thereof shall do so promptly and accurately. Notwithstanding anything to the contrary, the directors shall report their dealings in Corporation shares one (1) business day before the dealing and within three (3) business days after the dealing.

Disclosure

a. The Corporation hereby adopts a policy of prompt and adequate disclosure of all material facts or changes in the affairs of the Corporation including any information likely to affect the market price of the Corporation’s shares.

b. The Corporation shall ensure transparency of information to its shareholders, stakeholders and the public. It shall regularly and truthfully update its shareholders, stakeholders and the public on its financial and operational results, business prospects and all other relevant information.

c. The Corporation shall fully comply with all the disclosure and reporting requirements of the SEC, PSE and all other government and regulatory agencies.

d. Directors, Officers and employees shall not knowingly misrepresent or cause others to misrepresent information relating to the Corporation to government and regulatory agencies, independent auditors, the media or any other person.
e. No Director, Officer or employee shall disclose any confidential information obtained from the Corporation for personal gain or for the advantage of any other person. This prohibition shall include investment in securities and association with a competitor, customer or supplier of the Corporation.

Creditor Rights

a. The Corporation values its partnership with its creditors. The Corporation shall at all times, strictly comply with its covenants under its agreements with its creditors.

b. No distribution or disposal of assets of the Corporation shall be made except:

- When allowed by the law; or
- By decrease of capital stock; or
- Upon lawful dissolution and after payment of all its debts and liabilities;
- When allowed by the material agreements of the Corporation, but without prejudice to vested rights.

Anti-Corruption

The Corporation strictly prohibits giving facilitating payments to any private or government officials or employees, their agents or intermediaries in order to expedite or secure performance of any governmental action, or to gain any perceived or actual favor or advantage from any private or government entities. The Corporation must ensure that it and its directors, officers and employees fully comply with the laws governing bribes, unlawful payments and other corrupt practices.

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company’s full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

In its Annual Reports (glossy and SEC Form 17A), the Company affirms its full compliance with the SEC Code of Corporate Governance.

Moreover, in a Certification dated January 30, 2016, Mr. Luis Juan B. Oreta, the Compliance Officer, and Mr. Gerardo C. Ablaza, Jr., President and CEO of the Company, affirmed the Company’s full compliance with the Manual of Corporate Governance pursuant to Article V, Section 3 of the Manual of Corporate Governance.

H. ROLE OF STAKEHOLDERS

1) Disclose the company’s policy and activities relative to the following:
<table>
<thead>
<tr>
<th>Customers' welfare</th>
<th>Policy</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>The core principle of the Company is to conduct business honestly and fairly with its investors, suppliers, contractors, service providers, customers and employees.</td>
<td>Excellent customer service</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Strong partnership with Customers</td>
<td>Water quality compliance with the PNSDW</td>
</tr>
<tr>
<td></td>
<td>24/7 water supply</td>
<td>Sustainability programs that affect the triple bottom line</td>
</tr>
<tr>
<td></td>
<td>Environmental protection initiatives</td>
<td>Making clean water accessible to urban poor communities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Enabling better health and sanitation / improving general welfare of communities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Community programs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supplier/contractor selection practice</th>
<th>Policy</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>The core principle of the Company is to conduct business honestly and fairly with its investors, suppliers, contractors, service providers, customers and employees.</td>
<td>All suppliers and contractors are expected to comply strictly with the Company’s Vendor Management Policies and Standard Contracting Procedures and adhere to the Manila Water Vendor’s Code of Conduct, which requires all accredited vendors to conduct their business with utmost integrity and professionalism and in full compliance with Philippine tax laws, statutory fund laws, and the Philippine Labor Code. The Company also studies the results of their commercial evaluations, which it contracts from a third party, as part of its due diligence to further mitigate risks of violations of labor laws and human rights. Moreover, Manila Water conducts regular performance evaluation according to the guidelines of its Service</td>
<td></td>
</tr>
<tr>
<td>Officers and employees shall act honestly, ethically and in compliance with all applicable laws, rules and regulations and to protect the good name and reputation of the Company.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Environmentally friendly value-chain | Long-term goal and programs for contractors  
Training and development programs for contractors  
Safety policy  
Sustainability policy  
Environmental protection initiatives  
Greening the Supply Chain  
Fair treatment of vendors  
Payment method | Providers Performance Appraisal Policy.  
Officers and employees involved in the procurement process for services, materials, supplies, and equipment shall strictly comply with the Company’s Procurement Policy.  
Manila Water continually implements its Greening the Supply Chain through the provision of forums and seminars to its Contractors and Suppliers. |
| Community interaction | Communicating Clearly and Responsibly | When communicating to the public, Manila Water upholds truth in all its information, advertising, and marketing programs and materials. All promotions, advertising, and sponsorships are regarded as opportunities to inform and educate its stakeholders and the greater public of the environmental and social sustainability objectives under the goals of water access and security which the Company espouses. Promoting these advocacies also helps strengthen and enhance relations with the stakeholders, with the end views of determining areas of synergy and forging partnerships. Manila Water also provides innovative sponsorships by way of agreeing to be hydration sponsors for events such as fun runs and other sports or family and environmental events.  
The Company has a strict policy and practice of checking all data and figures that will be released to the public. It adheres to the basic tenets |
of truth in advertising as set forth in the standards of the Philippine Association of National Advertisers, and complies strictly with the standards for transparent and accurate media reporting as put forth by the Kapisanan ng mga Broadkaster ng Pilipinas (KBP), a national association of broadcast practitioners, the Public Relations Society of the Philippines, International Association of Business Communicators, and the Foreign Correspondents Association of the Philippines.

| Anti-corruption programmes and procedures | Revised Code of Business Conduct and Ethics on Anti-corruption | The Corporation strictly prohibits giving facilitating payments to any private or government officials or employees, their agents or intermediaries in order to expedite or secure performance of any governmental action, or to gain any perceived or actual favor or advantage from any private or government entities. The Corporation must ensure that it and its directors, officers and employees fully comply with the laws governing bribes, unlawful payments and other corrupt practices. |
| Safeguarding creditors' rights | Strict compliance with loan covenants | Includes but not limited to: a. timely submission of documentary reports or requirements under the loan agreements for the information to the lenders b. constant communication with the lenders on the financial status of the Company c. payment of obligations as scheduled |

2) **Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?**


For the years 2005 up to 2012, Manila Water has published its Sustainability Report. Manila Water has published its 2013-2014 Sustainability Report, a biennial report in accordance to the latest Global Reporting Initiative Guidelines G4- Core option. Published Sustainability Reports can be downloaded from
the Manila Water website. In addition, the Annual Reports (glossy and SEC Form 17A) and the Definitive Information Statement of Manila Water issued every year and its website contain a section on Sustainability.

3) **Performance-enhancing mechanisms for employee participation.**

(a) **What are the company’s policy for its employees’ safety, health, and welfare?**

An orientation towards healthy and safe practices at work is ingrained in the culture of Manila Water.

Manila Water is committed to achieving customer satisfaction, upholding environmental sustainability and ensuring safety, preservation of life and health of its employees and all stakeholders. To achieve these objectives, it is the policy of Manila Water to:

- a. Continuously assess, implement and improve its processes and the way it conducts its business by adopting best practices and keeping abreast with the latest innovations to ensure reliability and efficiency of its operations;
- b. Ensure full compliance with relevant laws and standards in pollution prevention and environmental sustainability, safety and health protection, as well as applicable regulatory standards and customer requirements related to the quality of its products and services;
- c. Build a strong culture committed to customer satisfaction, environmental protection, health and safety through education, training and awareness at all levels of the organization that will empower its employees, contractors, suppliers and stakeholders;
- d. Actively promote the conservation and optimal use of precious resources by constantly creating and improving existing programs aimed at pollution prevention, waste minimization, resource conservation and environmental sustainability;
- e. Systematically manage and control its health and safety risks through effective risk assessment processes; and
- f. Regularly revisit, improve, develop and maintain its Quality, Environment, Health and Safety management system to ensure its effectiveness and relevance to the changing needs of the company to drive continuous improvement in operations, quality, environmental, health and safety performances.

(b) **Show data relating to health, safety and welfare of its employees.**

The Company has managed to maintain an excellent record of occupational health and safety, which was recognized by the Safety Organization of the Philippines last November 2014. The company was given an Award of Merit for achieving 4.4 Million Safe Man-Hours for a period of one year. This recognizes Manila Water’s unrelenting efforts to maintain occupational health and safety for optimum productivity and zero accident in the workplace.

Safe and Work procedures were also revisit last year and was improved through creation of Safe Systems of Work Handbook which is a quick guide that converts lengthy safe work procedures into an illustrative instruction manual to increase employee’s awareness and understanding of the standards. It also aims to effectively communicate hazards in the workplace and equip users with a guide on what controls to employ to effectively manage hazards in their respective work activities.
Training programs held last year were on safety topics such as Behavioral Based Safety Training (employees and contractors), First Aid and Basic Life Support, Safe Operation of Overhead Cranes, Electrical Safety, Safe Systems of Work, Fire Safety, Chemical Safety and Spill Response. The Company also observes and complies with the Labor Code’s Working Conditions and rest Periods, Hours of Work and Weekly Rest Periods. Employees involved in operations that require a 24 x 7 work schedule are provided two consecutive rest days per week.

Manila Water has several health and safety committees on relevant Occupational Health and Safety (OHS) issues and practices such as HMO screening, safe conditions, observance of safe working practices and the use of personal protective equipment. A new brand of safety was also launched which is “SAFETY MANES I CARE”. This campaign exemplifies the value we put in the in caring for the safety of our employees and other stakeholders. The workforce is well represented in these various joint management-worker health and safety committees. Wellness programs were also implemented and these covered a variety of topics determined to be relevant to and requested by the employees. These are: education and awareness campaigns, in the form of lectures, wellness bulletins, and emails, on healthy lifestyles to help prevent cardiovascular diseases and the risk of smoking; free vaccinations against flu, pneumonia, cervical cancer, dog bites; annual physical examination and follow-up counseling on identified illnesses; regular audiometry test (measuring of hearing capacity) for plant operators and employees exposed to noise; and physical fitness sessions such as aerobics and cardiovascular exercises. Counseling and training on the prevention, risk control, and treatment of serious and seasonal diseases like dengue were also conducted. These programs are made available to Manila Water employees, their family members, and the community.

(c) State the company’s training and development programmes for its employees. Show the data.

Manila Water reinforces human capital as the company’s competitive advantage by continuing to invest significantly on its talents’ training and development. The transition to competency-based training and development at both the individual and the organizational level took off as integrated support for various forms of learning and for various types of learning environments have been instituted to facilitate in the development of the core, leadership and technical competencies of Manila Water. Employees were equipped with the knowledge and skills required to perform their current jobs effectively as well as prepare them for future roles.

In 2015, a total of 41,326 training hours were logged by 1,081 employees who comprise approximately 80% of the Manila Water workforce across all levels of the organization. This translates to an average of 32 training hours or 4 training days per employee.

Apart from the launch of the competency-based Management Development Training Program (MDTP) and kick-off of the competency-based Business Zone Leadership School (BZLS) that continue to help sustain the organization’s talent supply, in-house functional trainings such as Stakeholder Relations Management and Communication, Project Management, Business and Technical Writing, among others, were also provided to employees to help drive their performance at work.

As Manila Water recognizes that its institutional knowledge also constitutes a valuable intangible asset for creating and sustaining competitive advantage, capture of the company’s technical expertise was also set in motion through the development of a holistic technical curriculum which lays the foundation for Manila Water’s Center for Technical Excellence. Knowledge sharing activities are now supported by the newly established learning platform that is the
**Manila Water University** designed to conduct activities that foster individual and organizational learning and knowledge in support of the company’s business objectives.

(d) **State the company’s reward/compensation policy that accounts for the performance of the company beyond short-term financial measures**

The Company as a policy, assesses the individual performance of the officers and employees annually. Based on the metrics used, the performance of the officers and employees are rated and rewarded. Rewards are based on company performance and individual achievements, and target amounts are pre-determined prior to the applicable year and depends on market conditions.

4) **What are the company’s procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.**

Under the Revised Code of Business Conduct and Ethics, Directors, Officers and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to the Board, in case of directors, and to the immediate supervisor or to the Office of the Compliance Officer in case of officers and employees. The Corporation shall promptly identify and investigate any suspected fraudulent or dishonest acts. Without prejudice to applicable administrative sanctions, the Corporation may pursue civil and/or criminal actions against directors, officers and employees as may be warranted.²³¹

Below is the pertinent portion of the guidelines on the Reporting of Fraudulent or Dishonest Acts:²³²

“3. **Obligation to Report**

3.1 All Directors, Officers and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to the Board of Directors, in case of a Director and to the Line Manager/Immediate Superior and/or the Compliance Officer, in case of Officers and employees. Such acts may include, but are not limited to, the following:

a. any criminal act or gross violation of any corporate governance policy;
b. failure to comply with a legal duty through negligence or gross misconduct;
c. any loss or damage to the Corporation due to fraud, corruption, or similar cause;
d. conflicts of interest; and
e. deliberate cover-up of any of the above acts.

²³¹ Revised Code of Business Conduct and Ethics, Section 4.5.
3.2 The report should be in writing, properly signed and pertain to a matter relevant to the business of Manila Water. It must contain sufficient details and include supporting documents as may be available, to enable the Board or the Compliance Officer to properly investigate the incident reported and take the necessary action. Further, the report must be made in good faith (i.e., the employee or officer reporting has a reasonable suspicion that a fraudulent or dishonest act has occurred, is occurring or is likely to occur).

3.3 Where the report is made for an ulterior and undesirable purpose (e.g., for blackmail), it will not be considered as having been done in good faith. Anonymous reports (through letters, email or text messages or any other means) shall not be given due course.

3.4 Upon receipt of a report that complies with the requirements of Section 3.2 with respect to those involving Officers and employees, the Compliance Officer shall investigate the matter and make a report on the results of the investigation. The Compliance Officer may refer the matter to the Internal Audit Department for further investigation as may be warranted, in coordination with the appropriate units of the Corporation (e.g. Legal and Corporate Governance, Corporate Human Resources, the concerned department).

3.5 The person making the report shall be informed of the results of the evaluation/investigation and if warranted, it shall also be reported to the Audit Committee.

4. Protection to Reporter

4.1 The Corporation shall protect the reporter from any form of retaliation or discrimination by the concerned person, his co-employees or superiors. The identity of the person making the report and the contents of the report shall be kept confidential to the extent legally permissible.

5. Prohibited Acts

5.1 The following acts are subject to disciplinary action, as provided under the Code, without prejudice to any civil or criminal proceedings that the Corporation or regulators may file for violation of existing laws:

   a. retaliating or discriminating against Directors, Officers and employees who raise genuine concerns;
   b. reporting a false allegation with malice or bad faith;
   c. failure to report fraudulent or dishonest acts, despite knowledge of the same; and
   d. deliberate cover-up of any fraudulent or dishonest acts.”

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure
(a)  Holding 5% shareholding or more

Data as of December 31, 2015

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of Shares</th>
<th>Percent of class</th>
<th>Beneficial Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Corporation</td>
<td>870,542,896 common shares***</td>
<td>42.38%*</td>
<td>Ayala Corporation</td>
</tr>
<tr>
<td>PCD Nominee Corporation</td>
<td>152,142,261 common shares</td>
<td>7.41%*</td>
<td>First State Investment Management (UK) Limited,</td>
</tr>
<tr>
<td>Philwater Holdings Company, Inc.</td>
<td>3,999,999,998 participating preferred shares</td>
<td>100%**</td>
<td>Philwater Holdings Company, Inc.</td>
</tr>
</tbody>
</table>

*Based on the outstanding numbers of common shares (registered securities)  
**Based on the outstanding numbers of participating preferred shares  
***Inclusive of 1,000,000 shares held through Michigan Holdings, Inc., a wholly owned subsidiary of Ayala Corporation

Data as of December 31, 2015:

<table>
<thead>
<tr>
<th>Name of Senior Management</th>
<th>Number of Direct shares</th>
<th>Number of Indirect shares / Through (name of record owner)</th>
<th>% of Capital Stock*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>1</td>
<td>4,126,077 / ESOWN</td>
<td>0.20088542%</td>
</tr>
<tr>
<td>Luis Juan B. Oreta</td>
<td>0</td>
<td>1,572,727 / ESOWN</td>
<td>0.07657100%</td>
</tr>
<tr>
<td>Ferdinand M. dela Cruz</td>
<td>0</td>
<td>1,248,264 / ESOWN</td>
<td>0.06077395%</td>
</tr>
<tr>
<td>Virgilio C. Rivera, Jr.</td>
<td>0</td>
<td>2,242,795 / ESOWN</td>
<td>0.10919445%</td>
</tr>
<tr>
<td>Geodino V. Carpio</td>
<td>0</td>
<td>1,629,800 / ESOWN</td>
<td>0.07934971%</td>
</tr>
<tr>
<td>Rodell A. Garcia</td>
<td>0</td>
<td>513,600 / ESOWN</td>
<td>0.02500553%</td>
</tr>
<tr>
<td>Abelardo P. Basilio</td>
<td>0</td>
<td>775,200 / ESOWN</td>
<td>0.03774199%</td>
</tr>
<tr>
<td>Thomas T. Mattison</td>
<td>0</td>
<td>274,100 / ESOWN</td>
<td>0.01334504%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1</strong></td>
<td><strong>12,382,563/ESOWN</strong></td>
<td><strong>0.60286709%</strong></td>
</tr>
</tbody>
</table>

*Common Shares only

2)  Does the Annual Report disclose the following:

The 2015 Annual Report discloses the following:

<p>| Key risks | Yes |</p>
<table>
<thead>
<tr>
<th>Corporate objectives</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial performance indicators</td>
<td>Yes</td>
</tr>
<tr>
<td>Non-financial performance indicators</td>
<td>Yes</td>
</tr>
<tr>
<td>Dividend policy</td>
<td>Yes</td>
</tr>
<tr>
<td>Details of whistle-blowing policy</td>
<td>Yes</td>
</tr>
<tr>
<td>Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners</td>
<td>Yes</td>
</tr>
<tr>
<td>Training and/or continuing education programme attended by each director/commissioner</td>
<td>Yes</td>
</tr>
<tr>
<td>Number of board of directors/commissioners meetings held during the year</td>
<td>Yes</td>
</tr>
<tr>
<td>Attendance details of each director/commissioner in respect of meetings held</td>
<td>Yes</td>
</tr>
<tr>
<td>Details of remuneration of the CEO and each member of the board of directors/commissioners</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) **External Auditor’s fee**

For 2015:

<table>
<thead>
<tr>
<th>Name of auditor</th>
<th>Audit Fee</th>
<th>Non-audit Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sycip Gorres Velayo and Co.</td>
<td>PhP2,000,000</td>
<td>PhP82,880</td>
</tr>
</tbody>
</table>

4) **Medium of Communication**

List down the mode/s of communication that the company is using for disseminating information.

The Company disseminates information through the following:

a. Philippine Stock Exchange Disclosures  
b. Securities and Exchange Commission reports and submissions
c. Company website and world wide web

5) **Date of release of audited financial report:**

The 2015 Audited Consolidated Financial Statements was filed with the Securities and Exchange Commission and disclosed to the Philippine Stock Exchange on February 29, 2016, within 60 days from the end of the fiscal year 2015.

6) **Company Website**

**Does the company have a website disclosing up-to-date information about the following?**

<table>
<thead>
<tr>
<th>Information</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business operations</td>
<td></td>
</tr>
<tr>
<td>Financial statements/reports (current and prior years)</td>
<td>Yes</td>
</tr>
<tr>
<td>Materials provided in briefings to analysts and media</td>
<td>Yes</td>
</tr>
<tr>
<td>Shareholding structure</td>
<td></td>
</tr>
<tr>
<td>Group corporate structure</td>
<td></td>
</tr>
<tr>
<td>Downloadable annual report</td>
<td></td>
</tr>
<tr>
<td>Notice of AGM and/or EGM</td>
<td></td>
</tr>
<tr>
<td>Company's constitution (company's by-laws, memorandum and articles of association)</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Should any of the foregoing information be not disclosed, please indicate the reason thereto.
### Disclosure of RPT

<table>
<thead>
<tr>
<th>RPT</th>
<th>Relationship</th>
<th>Nature</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative and Support Services Agreement with Ayala Corporation</td>
<td>Ayala Corporation as the Service Provider</td>
<td>Service Agreement for the provision of services in relation to human resources, treasury, accounting, capital works, corporate services, regulatory affairs and administrative management of the Company. This Service Agreement was entered into by the Company to ensure compliance with its service and contractual obligations under the Concession Agreement with the Metropolitan Waterworks and Sewerage System.</td>
<td>$1,000,000.00 Annual Base Fee</td>
</tr>
</tbody>
</table>

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The Company shall avoid related party transactions. In instances where related party transactions cannot be avoided, the Company shall disclose all relevant information on the same, including information on the affiliated parties and the affiliation of directors and principal officers.\(^{233}\)

In addition, the Company shall ensure that those related party transactions are arms-length-transaction.

On April 4, 2014, the Board, in its special meeting, approved the Policy on Related Party Transactions (RPT). The Policy on RPT has the following objectives:

a. To provide guidance on what constitutes Related Party Transactions;
b. To avoid conflict of interest and comply with regulatory and good governance practices;
c. To ensure that the appropriate process for approval of the transaction has been undertaken; and
d. To ensure compliance with the Disclosure Policy of the Corporation and disclosure requirements of Financial Statement Reporting

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\(^{233}\) Manual of Corporate Governance, Article IV, page 32.
Below are the relevant provisions of the Policy on RPT:

“5. Disclosure Requirements:

5.2 The Corporation must comply with all disclosure requirements of RPT mandated under applicable law, rules and regulations.

5.2 The Related Parties must comply with all the disclosure requirements of RPTs required under applicable law, rules and regulations of the SEC, PSE and the BIR, and other relevant government agencies.

5.3 Each director, executive officer and members of the Key Management is responsible for providing written notice to the Office of the Compliance Officer of any potential RPT involving him or her or his or her Immediate Family Member, including any additional information about the transaction that may reasonably be requested by the Corporation.

The Office of the Compliance Officer, by himself, or in consultation with the Management Committee and with the Chief Legal Counsel or external counsel, as appropriate, will determine whether the notified transaction does, in fact, constitute a RPT requiring compliance with this Policy.

Disclosure of a RPT shall include information about the price of the transaction, outstanding balances, if any, major terms and conditions and guarantees, if any. The Office of the Compliance Officer may require additional and other relevant information sufficient to enable the Office of the Compliance Officer to determine any Conflict of Interest and the potential effect of the relationship.

5.5 In addition, each director, executive officer and member of the Key Management may be required to complete a questionnaire that inquires about their RPTs and those of their Immediate Family Members.

6. Guidelines prior to entering into a RPT:

6.5 All RPTs shall have terms and conditions that are fair and equitable to the Corporation.

6.6 The approval, award, processing and payment of RPTs shall follow the same procedures as the other transactions and contracts of the Corporation. No unusual privilege or special treatment shall be afforded a Related Party.

6.7 In case of doubt on the nature of a transaction subject of investigation or review pursuant to this Policy, the Office of the Compliance Officer, in consultation with the Committee, shall determine whether the transaction or relationship constitutes a RPT, and whether the same shall be pursued taking into consideration the cost and benefit to the Corporation.
6.8 Prior to the award of any Material RPT, the Corporation shall submit the same for the review of the Committee to confirm that it has undergone the same process as an ordinary transaction and to determine that the Material RPT under review is in the best interest of the Corporation.

When a Material RPT is submitted to the Committee for review, the presence of at least two (2) independent directors shall be necessary to constitute a quorum of the Committee.

Non-Material RPTs shall be subject to the review and/or approval of the Compliance Officer.

7. Internal Reporting of RPTs

7.3 The following transactions, if with a Related Party, are considered RPTs:

   i. Purchases or sales of goods
   ii. Purchases or sale of property and other assets
   iii. Purchases and sales of services
   iv. Leases
   v. Transfer of Research and Development
   vi. Transfers under License Agreements
   vii. Transfers under Finance Arrangement like Loans and Equity contribution in cash or in kind
   viii. Loans and other forms of financial assistance
   ix. Provisions of Guarantees and collateral
   x. Settlement of Liabilities on behalf of the Corporation or by Corporation on behalf of another party
   xi. Commitments to do something if a particular event occurs or does not occur in the future
   xii. Such other similar or analogous transactions to the foregoing

7.4 The Compliance Officer, with the assistance of the Chief Legal Counsel, shall prepare a monthly report on RPTs based on the disclosures and/or reports of RPTs submitted to the Compliance Officer.

   The Report shall be submitted to the Accounting Department to be furnished the External Auditor for proper disclosure in the Financial Statements of the Corporation, if necessary under applicable financial reporting rules and policies.

8. Prohibited RPTs
8.2 Notwithstanding any provision of this Policy to the contrary, the following RPTs shall not be allowed:

a. Loans and/or financial assistance to a Director;
b. Loans and/or financial assistance to the Key Management, except when allowed pursuant to an established company benefit or plan

9. Sanctions

9.1 Non-compliance with any provision of this Policy, in particular, the reporting, and disclosure requirements, the guidelines prior to entering into RPT and the prohibited RPTs, shall result in the invalidation of the Contract involved in the RPT.

9.2 Any officer or employee of the Corporation who has knowledge of any violation of this Policy shall report the same to the Office of the Compliance Officer.

The Chief Legal Counsel, in coordination with the Office of the Compliance Officer, shall report to the Committee all violations of this Policy.

9.3 The Committee shall have the authority to recommend to the Board of Directors the invalidation of the Contract.

9.4 This Policy shall be without prejudice to the provisions of the Code, the Manual of Corporate Governance and all related and relevant policies of the Corporation which shall be observed and shall apply to the fullest extent possible. In particular, RPTs shall not be allowed if it would present a conflict of interest for any Related Party as defined in the Code.

10 Review of the Policy

This Policy shall be reviewed from time to time in order to reflect the requirements of applicable law, rules and regulations.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders’ Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders’ Meeting as set forth in its By-laws.
(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

<table>
<thead>
<tr>
<th>System Used</th>
<th>By Poll</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>Unless otherwise provided by law, in all regular or special meeting of stockholders, the affirmative vote of stockholders constituting at least a majority of the outstanding voting capital stock of the Company shall be necessary to approve matters requiring stockholders’ action.234</td>
</tr>
</tbody>
</table>

(c) Stockholders’ Rights

List any Stockholders’ Rights concerning Annual/Special Stockholders’ Meeting that differ from those laid down in the Corporation Code.

<table>
<thead>
<tr>
<th>Stockholders’ Rights under The Corporation Code</th>
<th>Stockholders’ Rights not in The Corporation Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-emptive rights</td>
<td>There shall be no pre-emptive rights with respect to shares of stock to be issued, sold or otherwise disposed of by the Company (i) to its officers and/or employees pursuant to a duly approved stock option, stock purchase, stock subscription or similar plans, or (ii) through a duly approved public offering of the primary shares of the Company.235</td>
</tr>
</tbody>
</table>

Dividends

<table>
<thead>
<tr>
<th>Declaration Date</th>
<th>Record Date</th>
<th>Payment Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 20, 2014*</td>
<td>March 6, 2014</td>
<td>March 21, 2014</td>
</tr>
</tbody>
</table>

234 Amended By Laws, Article II, Section 5.
235 Revised Articles of Incorporation, Seventh Article.
October 7, 2014*  
October 21, 2014  
November 5, 2014  
November 27, 2014**  
December 1, 2014  
December 26, 2014  
February 20, 2015*  
March 6, 2015  
March 20, 2015  
August 11, 2015*  
August 25, 2015  
September 9, 2015  
November 26, 2015**  
December 10, 2015  
December 22, 2015  
February 26, 2016*  
March 11, 2016  
March 23, 2016  

*Dividends on common and participating preferred shares  
**Dividends on the coupon rate of the participating preferred shares only

(d) Stockholders’ Participation

1) State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders’ Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders’ meetings.

<table>
<thead>
<tr>
<th>Measures Adopted</th>
<th>Communication Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question and Answer after each Agenda Item</td>
<td>Stockholders are given opportunity to ask questions and seek clarification regarding the agenda item</td>
</tr>
<tr>
<td>Question and Answer Portion in the agenda</td>
<td>A question and answer portion is allotted during every stockholders’ meeting to allow stockholders to ask questions regarding matters that concern them as stockholders of the Company.</td>
</tr>
</tbody>
</table>

2) State the company policy of asking shareholders to actively participate in corporate decisions regarding:

(a) Amendments to the company's constitution

This is subject to approval by stockholders’ owning or representing at least 2/3 of the outstanding voting capital stock of the Company.  

(b) Authorization of additional shares

---

236 Corporation Code, Section 16.
This is subject to approval by stockholders’ owning or representing at least 2/3 of the outstanding voting capital stock of the Company.\textsuperscript{237}

(c) **Transfer of all or substantially all assets, which in effect results in the sale of the company**

This is subject to approval by stockholders’ owning or representing at least 2/3 of the outstanding voting capital stock of the Company.\textsuperscript{238}

3) **Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?**

Yes. For purposes of the 2016 Annual Stockholders Meeting held on April 11, 2016, the Company:

a. Sent on March 2, 2016 via registered mail copies of the Notice and Agenda of ASM to the stockholders of record as of February 19, 2016;
b. Published on March 12 and 13, 2016, respectively, in the Philippine Daily Inquirer and Philippine Star, the Notice and Agenda of ASM;
c. Sent the Definitive Information Statement starting March 9, 2016 via electronic mail, and thereafter, via registered mail in compact disc and hard copy formats

This is because the Company is required to comply with Section 7 of the Revised PSE Disclosure Rules which provides that:

For the holding of any stockholders’ meeting, the Philippine Stock Exchange must be given a written notice thereof at least ten (10) trading days prior to the record date fixed by the Issuer. The notice must include all the necessary details including the time, venue and agenda of the meeting and the inclusive dates when the stock and transfer books will be closed. The Issuer shall further submit within five (5) trading days after the record date the list of stockholders who are entitled to notice and to vote at a regular or special stockholders’ meeting.

The disclosure to the PSE also serves as the initial notice of the meeting to the stockholders. Thereafter, the stockholders will still be furnished with the Definitive Information Statement at least fifteen (15) working days prior to the meeting.

a. **Date of sending out notices:**

For purposes of the 2016 Annual Stockholders Meeting held on April 11, 2016, the Company:

a. Sent on March 2, 2016 via registered mail copies of the Notice and Agenda of ASM to the stockholders of record as of February 19, 2016;

\textsuperscript{237} Ibid.
\textsuperscript{238} Corporation Code, Section 40.
b. Published on March 12 and 13, 2016, respectively, in the Philippine Daily Inquirer and Philippine Star, the Notice and Agenda of ASM;
c. Sent the Definitive Information Statement starting March 9, 2016 via electronic mail, and thereafter, via registered mail in compact disc and hard copy formats

For the 2015 ASM held on April 7, 2015, the notice and agenda of ASM was disclosed to the PSE on February 2, 2015. The notice and agenda of meeting was also sent out to stockholders via electronic mail by March 13, 2015.

b. **Date of the Annual/Special Stockholders’ Meeting:**

The 2016 ASM was held on April 11, 2016

The 2015 ASM was held on April 7, 2015

4) **State, if any, questions and answers during the Annual/Special Stockholders’ Meeting.**

The Questions and Answers during the April 11, 2016 ASM are as follows:

<table>
<thead>
<tr>
<th>Stockholder:</th>
<th>Query:</th>
<th>Response:</th>
</tr>
</thead>
</table>
| Stephen G. Soliven  | Are there legal cases filed against Manila Water? | Mr. Gerardo C. Ablaza, Jr., the President and CEO, responded that there are a number of legal suits involving Manila Water but the most significant of which are the cases now pending with the Supreme Court and filed against Manila Water, together with Maynilad Water Services, Inc. (“Maynilad”) and the Metropolitan Waterworks and Sewerage System (MWSS), which cases raise the following similar issues, among others:  
  a. a challenge to the validity of the concession agreement with the MWSS;  
  b. whether Manila Water and Maynilad, as concessionaires of the MWSS, are public utilities; and  
  c. whether Manila Water and Maynilad, as concessionaires of MWSS, are eligible to recover their corporate income taxes  
As regards the other cases, the President mentioned that they are being attended to, and do not pose significant risks to the Company at this time. |
<table>
<thead>
<tr>
<th>Name</th>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jose Leonardo</td>
<td>How many trees were planted in 2015?</td>
<td>Mr. Ablaza directly responded to the second question of Mr. Lorenzo, and he said that the Company actually initiated a project for a treatment plant that will extract water from Laguna Lake to produce 15 million liters per day (MLD) of treated water. This treatment plant is expandable to 100 mld and is one of the ways the Company will provide for and ensure water supply reliability because 97% of Metro Manila’s water source is the Angat Dam.</td>
</tr>
<tr>
<td></td>
<td>What is the Company’s plan for Laguna Lake?</td>
<td></td>
</tr>
<tr>
<td>Dr. Alan Robert R. Karaan</td>
<td>What is the source of water for the Cebu Bulk Water Supply Project?</td>
<td>Mr. Ablaza responded that the water supply for the project is obtained by the Luyang River in the town of Carmen, which is around 35 kilometers from the city of Cebu. A 35 km pipeline had to be constructed to convey</td>
</tr>
</tbody>
</table>
Considering that there is El Nino, will the Company ration water to its customers?

He added that there are other potential sources of surface water that are being explored for the project. Mr. Ablaza acknowledged that ground water source is seriously depleted in Cebu.

On the second query, Mr. Ablaza said that around the third quarter of 2015, the Company was worried that there might not be enough water supply due to the El Nino phenomenon. However, the tropical depression “Lando” brought with it sufficient water which filled the Angat Dam. Towards the end of the year, the Angat Dam level was above spilling level, for which reason the Company does not foresee any water shortage problem during the current year.

<table>
<thead>
<tr>
<th>Stockholder</th>
<th>Query</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Esperanza S. Lopez</td>
<td>Which concessionaire of MWSS (Manila Water and Maynilad) charges higher tariffs?</td>
<td>Mr. Ablaza responded that the tariffs in the East Zone concession (operated by Manila Water) and in the West Zone (operated by Maynilad) are not the same. The tariff being charged by Manila Water in the East Zone is cheaper by 20% than the tariff being charged by Maynilad in the West Zone. The reason for this is that each concessionaire has a different set of programs of operating and capital expenditures and the tariff is determined according to the value of the approved expenditure plan of the concessionaire.</td>
</tr>
</tbody>
</table>

The Questions and Answers during the April 7, 2015 ASM are as follows:

<table>
<thead>
<tr>
<th>Stockholder:</th>
<th>Query</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carmencita C. Santos</td>
<td>She said that she is comfortable that Manila Water follows strict rules on related party transactions. However, she noticed that one third or P2 billion of Manila Water’s P6 billion cash and cash equivalents are being held by the Bank of the Philippine Islands, which according to her is beyond the rule of</td>
<td>The Chairman said that the Company has several banking relationships both in the domestic and international scene. He added that the Board also has independent directors who take part in the decision process relating to the banking transactions and relationships of the Company. Mr. Ablaza said that the Company has counterparty limits with all banking relationships of the Company and each of the counterparty limits is</td>
</tr>
</tbody>
</table>

141
thumb of 25%. She then inquired how Manila Water manages this kind of exposure. approved by the Board of Directors. In addition, on a monthly basis, the Asset and Management Liability Committee of the Company reviews all treasury placements and banking transactions to ensure that they comply with the limits that have been established and approved by the Board.

Carmencita C. Santos

Ms. Santos inquired how long has the Company engaged SGV and Company as external auditor. Director Oscar S. Reyes responded that the Company has not replaced SGV for a long time. He explained further SGV has satisfactorily performed its task as independent director of Manila Water. However, as an internal control, the Partner assigned to the Company is rotated every five (5) years\(^{239}\). SGV is also subjected to annual performance review and evaluation before the management of the Company recommends further engagement of its service to the Audit and Governance Committee, which is composed mainly of independent directors.

The Questions and Answers during the April 4, 2014 ASM are as follows:

<table>
<thead>
<tr>
<th>Stockholder:</th>
<th>Query:</th>
<th>Response:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pacifico Pacu</td>
<td>What is the reason for the failure of the investment in Palyja in Jakarta, Indonesia?</td>
<td>The Chairman responded that the Company went through a bidding and negotiation process with the private party who owned the concession in Jakarta. Mr. Ablaza confirmed that all of the elements of the sale had been completed. In fact, a Share Purchase Agreement (SPA) had been executed. However, the SPA included as a condition precedent the grant of consent of the government of Jakarta through the governor of Jakarta, in compliance with the requirement of the concession agreement of Palyja. The governor of Jakarta eventually decided to withhold the consent to the transaction.</td>
</tr>
</tbody>
</table>

\(^{239}\) Rotation of signing partner is based on SRC Rule No. 68 as amended (in 2011) per Provision No. 3 B(ix) under the "Qualification and Report of Independent Auditors" which states that:

ix) Rotation of External Auditors

The independent auditors or in the case of an audit firm, the signing partner, of the aforementioned regulated entities shall be rotated after every five (5) years of engagement. A two-year cooling off period shall be observed in the re-engagement of the same signing partner or individual auditor.
and the explanation that the management obtained was that the governor was considering a government–linked corporation to be the owner of the 51% stake.

| Alfred Reiterer | What is the view of the Company on the possible election of the governor of Jakarta as President of Indonesia, in relation to the failed Palyja transaction and the Company’s aim for a substantial income contribution from Indonesia? | The Chairman said that the Company will continue to look for opportunities in Indonesia because of the very good investment prospects therein. Mr. Ablaza also mentioned his observation of the Indonesian political regulatory environment, in particular, that the local governments in Indonesia are very strong and independent units. When it comes to infrastructure, particularly, water infrastructure projects, the governors and the mayors appear to have significant control than the national government. Hence, the assumption is that all the intended projects of the Company in Indonesia would have to be pursued at the local level, rather than at the national level. |
| Alfred Reiterer | What is the aim of the Company in relation to the ASEAN integration in 2015? | Mr. Ablaza said that the ASEAN integration may have more advantage in terms of trade rather than in the areas of infrastructure investment. In any case, the Company has made a strategic commitment to expansion in the emerging markets, in particular, Vietnam, Indonesia, Myanmar and the Philippines (VIMP). |
| Jose Leonardo | How does the Company plan to increase the supply of water in its service areas? | Mr. Ablaza replied that part of the business plan that the Company has submitted under the RR13 submission is a plan for new water sources. In particular, the Company is considering the areas of Kaliwa, Tayabasan, and Kanan as potential sources of new water for Metro Manila. There was also a plan to develop a small project to draw 50 to 100 mld of water from Laguna Lake which is within the ability of the lake to provide. Mr. Ablaza said that there is a very well-planned sequence of new water source development programs but these are now under discussion with the MWSS under the RR 2013. |
| Jose Leonardo | How does the Company plan to address the siltation in Laguna Lake? | Mr. Ablaza said that the clearing of siltation in the Laguna Lake is beyond the ability of the Company to undertake and it is in fact a subject of a national government project. In connection with the intended new water source project of the Company, the Company understands that it may have to use technology to clean and treat the water. |
| Stephen Soliven | What is the nature of the following items in the financial statements of the Company:  
1. Concession financial receivables;  
2. Schedule of payments;  
3. Increase in related party transactions | Ms. Marilou P. Bago, the Head of the Accounting Department of Manila Water, addressed the query of Mr. Soliven. She said that the item on the concession financial receivables pertains to the investment in the Province of Cebu. Under the Water Purchase Agreement between the water district and the Cebu Manila Water Development, Inc., the subsidiary of the Company, there is an arrangement whereby CMWD is entitled to be paid a minimum fixed amount for the guaranteed supply of bulk water. Under IFRIC 12 financial asset model, this fixed income is required to be recognized as a receivable. On the schedule of payments, Ms. Bago explained that the Company has assumed the dollar denominated loans of the MWSS and these loans are booked as an obligation to pay of the Company. Finally, on the increase of RPT, Ms. Bago explain that the increase pertains to the acquisition of the water system of the Laguna Technopark, Inc. Laguna Water, the subsidiary of Manila Water, initially paid 35% of the purchase price and undertook to pay the remainder within the year. |
| Stephen Soliven | Does the Company have budget for its operational expenditures? | The Chairman responded that the budget has been done and approved by the Board several months ago in anticipation of year 2014. |
| Rommel Sangco | Will the Company continue to spend its cash flows in the east zone or in other investment opportunities or maintain a higher level of free cash flows? | Mr. Ablaza stated that the Company will always be committed to fulfil its service obligations that span the rest of the concession’s life up to 2037. Therefore, the Company will definitely undertake the capital expenditures and operating expenditures necessary to fulfil those obligations. Nevertheless, the management would like to see an increasing diversification of the overall group’s investment portfolio, because from a growth point of view, Metro Manila is reaching its maturity stage and for the Company to pursue its expansion plans, it must continue to look for other markets and opportunities. |
| Rommel Sangco | What is the effect on the revenues of the water rate adjustment should the Company lose or win the arbitration with the MWSS? | Mr. Ablaza said that he preferred providing the details at the conclusion of the arbitration proceeding. Nevertheless, he said that should the Company prevail in the arbitration, then its financial projections will remain very healthy over the next five years. If it loses, then the Company will have to... |
make adjustments in its operational expenditures and capital which are logically connected to which business plan would be accepted.

Guillermo Gili

How much environmental fees are being paid by the customers of Manila Water and how do these compared to that of Maynilad?

Mr. Oreta replied that in the audited FS of the Company, the amount of environmental charges paid by the customers in 2013 amounted to approximately P2.2 billion. As a percentage of the bill, the customers paid about 20% of the basic water tariff as environmental charges. With regard to the environmental charges of Maynilad, Mr. Oreta said that the amount of environmental fee is the same in terms of the percentage of the basic water tariff. However, Maynilad charges a basic water tariff which is about 20% more than the basic water tariff being charged by Maynilad.

5) Result of Annual/Special Stockholders’ Meeting’s Resolutions

Results of 2016 ASM

<table>
<thead>
<tr>
<th>Resolution</th>
<th>For</th>
<th>Against</th>
<th>Abstain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval of minutes of previous meeting</td>
<td>5,523,090,519 (91.23%)</td>
<td>0 (0.00%)</td>
<td>26,900 (0.00%)</td>
</tr>
<tr>
<td>Approval of the Annual Report and the 2015 Audited Financial Statements</td>
<td>5,515,418,619 (91.10%)</td>
<td>0 (0.00%)</td>
<td>7,698,800 (0.13%)</td>
</tr>
<tr>
<td>Appointment of SGV as External Auditor</td>
<td>5,516,816,518 (91.23%)</td>
<td>0 (0.00%)</td>
<td>6,300,900 (0.10%)</td>
</tr>
</tbody>
</table>

Results of Election of Directors at the 2016 ASM:

<table>
<thead>
<tr>
<th>Nominees</th>
<th>Number of Votes and Percentage of Outstanding and Voting Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For**</td>
</tr>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>5,444,244,814</td>
</tr>
<tr>
<td>Name</td>
<td>Shares</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>5,446,754,764</td>
</tr>
<tr>
<td>Gerardo C. Ablaza, Jr.</td>
<td>5,506,192,805</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>5,492,341,505</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>5,487,348,905</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>5,492,341,505</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>5,436,076,864</td>
</tr>
<tr>
<td>Jaime C. Laya (Independent)</td>
<td>5,474,294,755</td>
</tr>
<tr>
<td>Jose L. Cuisia, Jr. (Independent)</td>
<td>5,501,487,605</td>
</tr>
<tr>
<td>Oscar S. Reyes (Independent)</td>
<td>5,457,971,664</td>
</tr>
<tr>
<td>Sherisa P. Nuesa (Independent)</td>
<td>5,483,795,514</td>
</tr>
</tbody>
</table>

*Based on the proxy votes

** Votes “Against” have no effect on the outcome of the elections. Under the Corporation Code of the Philippines, the election of directors is by plurality of votes. Abstentions also have no effect on the outcome of the elections. Under the Corporation Code of the Philippines, shareholders have the right to cumulative voting to ensure minority shareholders’ representation in the Board of Directors. A shareholder is entitled to one vote per share times the number of directors to be elected. He may cumulate his votes all in favor of one candidate, or distribute them equally or in any proportion among the candidates.
## Results of 2015 ASM

<table>
<thead>
<tr>
<th>Resolution</th>
<th>For</th>
<th>Against</th>
<th>Abstain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval of minutes of previous meeting</td>
<td>5,514,829,696</td>
<td>0</td>
<td>5,000</td>
</tr>
<tr>
<td></td>
<td>91.10%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Approval of the Annual Report and the 2014 Audited Financial Statements</td>
<td>5,462,906,131</td>
<td>23,186,681</td>
<td>29,843,584</td>
</tr>
<tr>
<td></td>
<td>90.00%</td>
<td>0.38%</td>
<td>0.49%</td>
</tr>
<tr>
<td>Ratification and approval of all acts and resolutions of the directors,</td>
<td>5,514,821,996</td>
<td>0</td>
<td>1,114,400</td>
</tr>
<tr>
<td>board committees and officers during the preceding year</td>
<td>91.10%</td>
<td>0.00%</td>
<td>0.02%</td>
</tr>
<tr>
<td>Re-Appointment of SGV as External Auditors and fixing of remuneration</td>
<td>5,494,600,844</td>
<td>15,058,500</td>
<td>6,277,000</td>
</tr>
<tr>
<td></td>
<td>90.76%</td>
<td>0.25%</td>
<td>0.10%</td>
</tr>
</tbody>
</table>

### Results of Election of Directors at the 2015 ASM:

<table>
<thead>
<tr>
<th>Nominees</th>
<th>For**</th>
<th>%</th>
<th>Against*</th>
<th>%</th>
<th>Abstain*</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>5,429,901,366</td>
<td>89.69%</td>
<td>85,958,265</td>
<td>1.42%</td>
<td>5,000</td>
<td>0.00%</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>5,419,829,815</td>
<td>89.53%</td>
<td>79,688,265</td>
<td>1.32%</td>
<td>16,346,451</td>
<td>0.27%</td>
</tr>
<tr>
<td>Gerardo C. Ablaza, Jr.</td>
<td>5,486,758,173</td>
<td>90.63%</td>
<td>29,097,191</td>
<td>0.48%</td>
<td>5,000</td>
<td>0.00%</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>5,472,928,313</td>
<td>90.40%</td>
<td>32,855,800</td>
<td>0.54%</td>
<td>10,076,451</td>
<td>0.17%</td>
</tr>
<tr>
<td>Name</td>
<td>Votes Cast</td>
<td>For</td>
<td>Against</td>
<td>Abstain</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------------------------</td>
<td>------------</td>
<td>-----</td>
<td>---------</td>
<td>---------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>5,472,928,413</td>
<td>32,855,800</td>
<td>10,076,451</td>
<td>0.17%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>5,472,928,013</td>
<td>32,855,800</td>
<td>10,076,451</td>
<td>0.17%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>5,419,957,315</td>
<td>85,830,365</td>
<td>10,076,451</td>
<td>0.17%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jaime C. Laya (Independent)</td>
<td>5,505,962,211</td>
<td>9,896,900</td>
<td>5,000</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jose L. Cuisia, Jr. (Independent)</td>
<td>5,503,097,831</td>
<td>1,451,300</td>
<td>11,315,000</td>
<td>0.19%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oscar S. Reyes (Independent)</td>
<td>5,444,964,005</td>
<td>60,823,765</td>
<td>10,076,451</td>
<td>0.17%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sherisa P. Nuesa (Independent)</td>
<td>5,503,102,503</td>
<td>7,721,300</td>
<td>5,036,451</td>
<td>0.08%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Based on the proxy votes

** Votes “Against” have no effect on the outcome of the elections. Under the Corporation Code of the Philippines, the election of directors is by plurality of votes.

Abstentions also have no effect on the outcome of the elections. Under the Corporation Code of the Philippines, shareholders have the right to cumulative voting to ensure minority shareholders’ representation in the Board of Directors. A shareholder is entitled to one vote per share times the number of directors to be elected. He may cumulate his votes all in favor of one candidate, or distribute them equally or in any proportion among the candidates.

### Results of 2014 ASM

<table>
<thead>
<tr>
<th>Resolution</th>
<th>For</th>
<th>Against</th>
<th>Abstain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval of minutes of previous meeting</td>
<td>5,270,976,635 (87.16%)</td>
<td>0 (0.00%)</td>
<td>200 (0.00%)</td>
</tr>
<tr>
<td>Resolution</td>
<td>For**</td>
<td>%</td>
<td>Against*</td>
</tr>
<tr>
<td>------------</td>
<td>-------</td>
<td>-----</td>
<td>----------</td>
</tr>
<tr>
<td>Approval of the Annual Report and the 2013 Audited Financial Statements</td>
<td>5,270,951,235</td>
<td>(87.16%)</td>
<td>0</td>
</tr>
<tr>
<td>Ratification and approval of all acts and resolutions of the directors, board committees and officers during the preceding year</td>
<td>5,270,975,935</td>
<td>(87.16%)</td>
<td>1,000</td>
</tr>
<tr>
<td>Amendment of the Third Article of the Articles of Incorporation</td>
<td>5,270,956,935</td>
<td>(87.16%)</td>
<td>0</td>
</tr>
<tr>
<td>Election of External Auditors and fixing of remuneration</td>
<td>5,264,686,835</td>
<td>(87.06%)</td>
<td>0</td>
</tr>
</tbody>
</table>

Results of Election of Directors at the 2014 ASM:

<table>
<thead>
<tr>
<th>Nominees</th>
<th>For**</th>
<th>%</th>
<th>Against*</th>
<th>%</th>
<th>Abstain*</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>5,228,165,594</td>
<td>86.45%</td>
<td>35,755,091</td>
<td>0.68%</td>
<td>6,270,000</td>
<td>0.12%</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>5,227,341,940</td>
<td>86.44%</td>
<td>36,621,455</td>
<td>0.69%</td>
<td>6,270,000</td>
<td>0.12%</td>
</tr>
<tr>
<td>Gerardo C. Ablaza, Jr.</td>
<td>5,231,497,545</td>
<td>86.51%</td>
<td>44,546,340</td>
<td>0.84%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>5,226,683,245</td>
<td>86.43%</td>
<td>34,881,200</td>
<td>0.66%</td>
<td>8,873,440</td>
<td>0.17%</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>5,234,459,994</td>
<td>86.56%</td>
<td>34,881,200</td>
<td>0.66%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Name</td>
<td>Shares</td>
<td>% Votes</td>
<td>Votes</td>
<td>% Direct</td>
<td>Shares</td>
<td>% Cumulative</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>---------</td>
<td>---------</td>
<td>--------</td>
<td>----------</td>
<td>---------</td>
<td>--------------</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>5,235,243,285</td>
<td>86.57%</td>
<td>35,607,791</td>
<td>0.68%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>5,235,186,685</td>
<td>86.57%</td>
<td>34,881,200</td>
<td>0.66%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Jaime C. Laya (Independent)</td>
<td>5,263,817,885</td>
<td>87.04%</td>
<td>6,270,000</td>
<td>0.12%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Jose L. Cuisia, Jr. (Independent)</td>
<td>5,263,847,835</td>
<td>87.04%</td>
<td>42,025,091</td>
<td>0.80%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Oscar S. Reyes (Independent)</td>
<td>5,228,040,294</td>
<td>86.45%</td>
<td>0</td>
<td>0%</td>
<td>6,270,000</td>
<td>0.12%</td>
</tr>
<tr>
<td>Sherisa P. Nuesa (Independent)</td>
<td>5,263,967,785</td>
<td>87.04%</td>
<td>6,270,700</td>
<td>0.12%</td>
<td>0</td>
<td>0%</td>
</tr>
</tbody>
</table>

*Based on the proxy votes
** Votes “Against” have no effect on the outcome of the elections. Under the Corporation Code of the Philippines, the election of directors is by plurality of votes. Abstentions also have no effect on the outcome of the elections. Under the Corporation Code of the Philippines, shareholders have the right to cumulative voting to ensure minority shareholders’ representation in the Board of Directors. A shareholder is entitled to one vote per share times the number of directors to be elected. He may cumulate his votes all in favor of one candidate, or distribute them equally or in any proportion among the candidates.

6) Date of publishing of the result of the votes taken during the most recent ASM for all resolutions:

The results of the 2016 ASM was disclosed to the PSE immediately after the ASM. In addition, the results of voting in the 2016 ASM was published on the website of the Company immediately on the next day.

The results of the 2015 ASM was disclosed to the PSE immediately after the ASM. In addition, the results of voting in the ASM was published on the website of the Company on the next day.
(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders’ Meeting regulations during the most recent year and the reason for such modification:

The following modifications were applied to the proceedings of the ASM starting April 15, 2013:

<table>
<thead>
<tr>
<th>Modifications</th>
<th>Reason for Modification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Validation of votes by independent body</td>
<td>For transparency of proceedings</td>
</tr>
<tr>
<td>Use of ballots that includes all resolutions for stockholders’ approval</td>
<td>For transparency of proceedings and to give stockholders sufficient information on the proposals to be approved</td>
</tr>
</tbody>
</table>

In addition to the modifications applied for the ASM conducted for 2013, the following mechanism was applied to the proceedings of the ASM conducted last April 4, 2014, April 7, 2015, and April 11, 2016:

<table>
<thead>
<tr>
<th>Modifications</th>
<th>Reason for Modification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic Voting</td>
<td>To facilitate voting procedure and counting of votes</td>
</tr>
</tbody>
</table>

(f) Stockholders’ Attendance

(i) Details of Attendance in the Annual/Special Stockholders’ Meeting Held:

Details of Attendance in the 2014, 2015 and 2016 ASM:

<table>
<thead>
<tr>
<th>2014 Annual Stockholders Meeting</th>
<th>2015 Annual Stockholders Meeting</th>
<th>2016 Annual Stockholders Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Names of Board Members/Officers</td>
<td>The Board members present were:</td>
<td>The Board members present were:</td>
</tr>
<tr>
<td></td>
<td>Fernando Zobel de Ayala</td>
<td>Fernando Zobel de Ayala</td>
</tr>
<tr>
<td>Date of Meeting</td>
<td>April 4, 2014</td>
<td>April 7, 2015</td>
</tr>
<tr>
<td>-----------------------</td>
<td>---------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>Voting Procedures</td>
<td>By Poll (electronic</td>
<td>By Poll (electronic</td>
</tr>
<tr>
<td></td>
<td>and manual voting</td>
<td>and manual voting</td>
</tr>
<tr>
<td></td>
<td>through the use of</td>
<td>through the use of</td>
</tr>
<tr>
<td></td>
<td>ballots and computers)</td>
<td>ballots and computers)</td>
</tr>
<tr>
<td>Percentage of Shareholders Attending in Person</td>
<td>8.85%</td>
<td>9.39%</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Percentage of Shareholders in Proxy</td>
<td>91.15%</td>
<td>90.61%</td>
</tr>
<tr>
<td>Total Percentage of Shareholders in Attendance</td>
<td>87.22%</td>
<td>91.11%</td>
</tr>
</tbody>
</table>

No special meeting for the stockholders was held in 2013, 2014 and 2015.

(ii) **Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?**

For the 2016 ASM, the Company appointed the firm of Sycip Gorres Velayo and Company to validate the votes at the 2016 ASM. The counting and validating of votes were primarily performed by the Committee of Inspectors of Ballots and Proxies, in coordination with the Office of the Corporate Secretary.

For the 2015 ASM, the Company appointed the firm of Sycip Gorres Velayo and Company to validate the votes at the 2015 ASM. The counting and validating of votes were primarily performed by the Committee of Inspectors of Ballots and Proxies, in coordination with the Office of the Corporate Secretary.

(iii) **Do the company’s common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.**

All shares of the Company, regardless of class, have the same voting rights.\(^{240}\)

\(^{240}\) Amended Articles of Incorporation, Seventh Article.
(g) **Proxy Voting Policies**

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders’ Meeting.

<table>
<thead>
<tr>
<th>Company’s Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Execution and acceptance of proxies</strong></td>
</tr>
<tr>
<td>Proxies shall be in writing and signed by the stockholder.(^{241})</td>
</tr>
<tr>
<td>Duly accomplished proxies must be submitted to the Office of the Corporate Secretary not later than seven (7) working days prior to the date of the stockholders’ meeting.(^{242})</td>
</tr>
<tr>
<td><strong>Notary</strong></td>
</tr>
<tr>
<td>No need for notarization of proxy.</td>
</tr>
<tr>
<td><strong>Submission of Proxy</strong></td>
</tr>
<tr>
<td>Duly accomplished proxies must be submitted to the Office of the Corporate Secretary not later than seven (7) working days prior to the date of the stockholders’ meeting.(^{243})</td>
</tr>
<tr>
<td><strong>Several Proxies</strong></td>
</tr>
<tr>
<td>Stockholders may authorize such number of proxies to represent them in the stockholders meeting.</td>
</tr>
<tr>
<td>In case of shares of stock owned jointly by two or more persons, in order to vote the same, the consent of all the co-owners shall be necessary, unless there is a written proxy, signed by all the co-owners authorizing one or some of them or any other person to vote such shares: Provided that when the shares are owned in an “and/or” capacity by the holders thereof, any one of the joint owners can vote said shares or appoint a proxy therefor.(^ {244})</td>
</tr>
<tr>
<td><strong>Validity of Proxy</strong></td>
</tr>
<tr>
<td>Generally, a proxy is valid for five (5) years, unless, the proxy specifically states that it is valid only for the meeting for which it is intended.(^ {245})</td>
</tr>
<tr>
<td>Any doubt on the validity of the Proxy shall be resolved in the stockholders’ favor.(^ {246})</td>
</tr>
</tbody>
</table>

---

\(^{241}\) Corporation Code, Section 58; Charter of the Committee of Inspectors of Ballots and Proxies

\(^{242}\) By Laws, Article II, Section 7; Charter of the Committee of Inspectors of Ballots and Proxies

\(^{243}\) By Laws, Article II, Section 7; Charter of the Committee of Inspectors of Ballots and Proxies

\(^{244}\) Corporation Code, Section 56; Charter of the Committee of Inspectors of Ballots and Proxies

\(^{245}\) Corporation Code, Section 58; Charter of the Committee of Inspectors of Ballots and Proxies

\(^{246}\) Manual of Corporate Governance, Article IX, page 42; Charter of the Committee of Inspectors of Ballots and Proxies
Proxies executed abroad

No formal requirement for proxies executed abroad.

Invalidated Proxy

Any doubt on the validity of the Proxy shall be resolved in the stockholders’ favor. 247

Validation of Proxy

Validation of the proxies shall be conducted by the Committee of Inspectors of Ballots and Proxies at least five (5) days prior to the date of the stockholders’ meeting. 248

Violation of Proxy

Any doubt on the Validity of the Proxy shall be resolved in the stockholders’ favor. 249

(h) Sending of Notices

State the company’s policies and procedure on the sending of notices of Annual/Special Stockholders’ Meeting.

<table>
<thead>
<tr>
<th>Policies</th>
<th>Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notices for Regular/Annual or Special Stockholders Meeting</td>
<td>Under the Revised PSE Disclosure Rules:</td>
</tr>
<tr>
<td></td>
<td>For the holding of any stockholders’ meeting, the Philippine Stock Exchange must be given a written notice thereof at least ten (10) trading days prior to the record date fixed by the Issuer. The notice must include all the necessary details including the time, venue and agenda of the meeting and the inclusive dates when the stock and transfer books will be closed. The Issuer shall further submit within five (5) trading days after the record date the list of stockholders who are entitled to notice and to vote at a regular or special stockholders’ meeting. 250</td>
</tr>
<tr>
<td></td>
<td>Under the By Laws:</td>
</tr>
</tbody>
</table>
|                                                      | Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery, postal or electronic mail, telegraph, or cable at least fifteen (15) working days prior to the date of the meeting to each stockholder of record at his address as it

247 Manual of Corporate Governance, Article IX, page 42; Charter of the Committee of Inspector of Ballots and Proxies  
248 Amended By Laws, Article II, Section 7; Charter of the Committee of Inspectors of Ballots and Proxies  
249 Manual of Corporate Governance, Article IX, page 42; Charter of the Committee of Inspector of Ballots and Proxies  
250 PSE Revised Disclosure Rules, Section 7.
appears on the record of the stockholders of the Corporation or by publication in a newspaper of general circulation. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. In case of special meetings, only matters stated in the notice can be the subject of motions or deliberations at such meeting.

The requirement of notice to the meeting shall be deemed waived if the stockholder, in person or by proxy, shall be present thereat.

When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

The notice of any regular or special meeting of stockholders shall be deemed to have been given at the time when delivered personally or deposited in the post office, or sent electronically or by e-mail and addressed as herein provided.  

### Provision of Information or Documents to Stockholders

The Company may provide information or documents to a stockholder by e-mail or by posting the information or documents on the website of the Company or another electronic network provided that a separate notice is given to the stockholder of such posting. In case the Company provides information or documents by electronic posting, the information or documents shall be deemed delivered or given upon the later of (i) the posting of the information or documents or (ii) the giving of a separate notice to the stockholder of such specific posting.

There shall be an Investor Relations Division within the Company, which shall be tasked with:

i. Creation and implementation of an investor relations program that reaches out to all

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251 Amended By Laws, Article II Section 4
252 Manual of Corporate Governance, Article VI, (2)
| shareholders and fully informs them of corporate activities; |
| ii. Formulation of a clear policy on communicating or relating relevant information to Company stakeholders and to the broader investor community accurately, effectively and sufficiently; |
| iii. Preparation of disclosure documents to the SEC and the Philippine Stock Exchange |

### Electronic Notice and Provision of Information or Documents to Stockholders

The Company shall give notice and provide information and documents electronically, as provided above, only to stockholders who have consented to receive notices, information or documents by e-mail or electronic transmission. A stockholder shall be deemed to have consented to receiving notices, information, or documents electronically if he has provided an e-mail or electronic address to the Company and he has not notified the Company in writing that he requires notices, information, or documents to be given to him in physical paper form.\(^{254}\)

### (i) Definitive Information Statements and Management Report

For the 2016 ASM:

| **Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials** | 1,200 |
| **Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners** | March 9, 2016 |
| **Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders** | March 9, 2016 |
| **State whether CD format or hard copies were distributed** | CD format and hardcopies were given to the stockholders. Soft copy of the DIS were also mailed electronically to stockholders who indicated their electronic mail addresses. |

\(^{254}\) Amended By Laws, Article II, Section 4
If yes, indicate whether requesting stockholders were provided hard copies | Requesting stockholders were provided with hardcopies.

For the 2015 ASM:

| Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials | 1,260 |
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners | March 17, 2015 |
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders | March 17, 2015 |
| State whether CD format or hard copies were distributed | CD format and hardcopies were given to the stockholders. Soft copy of the DIS were also mailed electronically to stockholders who indicated their electronic mail addresses. |
| If yes, indicate whether requesting stockholders were provided hard copies | Requesting stockholders were provided with hardcopies. |

(j) Does the Notice of Annual/Special Stockholders’ Meeting include the following:

| Each resolution to be taken up deals with only one item. | YES |
| Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election. | YES |
| The auditors to be appointed or re-appointed. | YES |
| An explanation of the dividend policy, if any dividend is to be declared. | YES, dividend policy was explained in the Definitive Information Statement, but Cash Dividends are not required to be approved |
The dividend policy was included in the Definitive Information but the amount payable for final dividends are not included in the notice of stockholders’ meeting because the declaration of cash dividends is not required to be approved by the stockholders as these are matters only for board approval.

Nevertheless, declaration of cash dividends by the Board of Directors are disclosed pursuant to the disclosure rules of the Securities and Exchange Commission and the Philippine Stock Exchange.

2) Treatment of Minority Stockholders

(a) State the company’s policies with respect to the treatment of minority stockholders.

<table>
<thead>
<tr>
<th>Policies</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right to Information</td>
<td>In accordance with existing law and jurisprudence, minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management should include such information, and if not included, then the minority shareholders can propose to include such matters in the agenda of stockholders’ meeting provided always that this right of access is conditioned upon the requesting shareholders’ having a legitimate purpose for such access. 255</td>
</tr>
<tr>
<td>Duty to Promote Shareholder rights</td>
<td>It is the duty of the directors to promote shareholders rights, remove impediments to the exercise of</td>
</tr>
</tbody>
</table>

255 Manual of Corporate Governance, Article IX, page 40
shareholders rights and provide effective redress for violation of their rights. They shall encourage the exercise of shareholders’ voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

The Board should be transparent and fair in the conduct of the annual and special stockholders’ meetings of the Company. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-laws, the exercise of that right shall not be unduly restricted and any reasonable doubt about the validity of a proxy should be resolved in the stockholder’s favor.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of a meeting and the right to propose items in the agenda of the meeting that relate directly to legitimate business purposes, all in accordance with the By-laws.  

Cumulative voting shall be used in the election of directors. Directors may be removed with or without cause, but directors shall not be removed without cause if it will deny minority shareholders representation in the Board.  

All shares of the Company, regardless of class, have the same voting rights. 

Each share of stock is entitled to one vote.

(b) **Do minority stockholders have a right to nominate candidates for board of directors?**

Yes. The By Laws provide that the members of the Board of Directors are to be elected by and from among the stockholders.

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256 Manual of Corporate Governance, Article IX, page 41
257 Manual of Corporate Governance, Article IX, page 40; Corporation Code of the Philippines, Section 28.
258 Amended Articles of Incorporation, Seventh Article.
259 Amended By Laws, Article III, Section 1, page 9
Every stockholder has a right to submit a nomination for election to the Board. All nominations to the Board, whether for first time nominees or repeat nominees, or for independent directors, shall be submitted to the Nomination Committee at least thirty (30) working days before the date of the annual stockholders meeting. The stockholders, in making their nominations, or the Company, may make use of professional search firms or external sources of candidates when searching for candidates to the Board. For this year’s election of directors, the last day of nomination was on February 24, 2016.

There is nothing in the constitutional documents of the Company that prohibit an individual stockholder to nominate candidates to the board of directors. In fact, the Independent Directors of the Company have always been nominated by individual shareholders of the Company. Mr. Jaime C. Laya was nominated as independent director by Loida S. Diño, Mr. Jose L. Cuisia, Jr. by Dave Michael V. Valeriano, Mr. Oscar S. Reyes by Jennifer S. Gutierrez, and Ms. Sherisa P. Nuesa by Mary Lorraine Ibasco-Gomez. Ms. Diño, Mr. Valeriano, Ms. Gutierrez and Ms. Ibasco are minority stockholders of the Company, each owning less than 0.02% of the outstanding voting capital stock of the Company.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company’s external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The Company is committed to the highest standards of disclosure, transparency and information dissemination. The Company provides the public with strategic, operating and financial information through adequate and timely disclosure filings submitted to the regulatory authorities. Along with regular quarterly financial reports, the Company discloses any and all material and critical information about the Company that may have an impact on the market price and trading volume of its securities.

Aside from disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange that are handled by the Governance Department, the Company also addresses the various information requirements of the investors and other stakeholders through a dedicated Investor Relations Department.

Both the Governance and Investor Relations Departments report directly to the Chief Finance Officer (CFO).

2) Describe the company’s investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

The Company believes in open and transparent communication with all shareholders in order to build investor confidence. Through the Investor Relations Department, which reports directly to the Chief Finance Officer (CFO), the Company addresses the various information requirements of the investing public in general, and minority shareholders, in particular, and fosters dialogue between senior management and the investors.

Aside from disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange, the Company conducts quarterly Analysts’ Briefings for both equity (buy-side and sell-side) and credit analysts and communicates directly with institutional and retail investors through one-on-one meetings,
written communications such as electronic mails, and conference calls.

Analysts and fund managers not able to attend the quarterly briefings in person can also be informed of the discussions through a live streaming of the event or the audio recording of the meeting that is uploaded immediately in the website. The presentation materials of the briefing are also uploaded in the website shortly after the briefing is concluded.

The Company also has a continuing program of enhancing the Investor Relations and Governance section in the corporate website.

Throughout the year, the CEO, CFO, Director for Financial Planning Policy, Investor Relations and Supply Chain, Head of Investor Relations, and other members of the Management Committee (where appropriate) make themselves available for meetings with institutional investors through prearranged company visits, teleconferences, Analysts’ Briefings, and attendance in local and international investor conferences.

<table>
<thead>
<tr>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Objectives</td>
</tr>
<tr>
<td>(2) Principles</td>
</tr>
<tr>
<td>(3) Modes of Communications</td>
</tr>
<tr>
<td>(4) Investors Relations Officer</td>
</tr>
</tbody>
</table>

*Effective January 7, 2016

3) What are the company’s rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

NOT APPLICABLE. THE COMPANY HAS NOT HAD ANY TRANSACTION INVOLVING ACQUISITION OF CORPORATE CONTROL IN THE CAPITAL MARKETS AND EXTRA-ORDINARY TRANSACTIONS SUCH AS Mergers, AND SALES OF SUBSTANTIAL PORTIONS OF CORPORATE ASSETS.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

NOT APPLICABLE. THE COMPANY HAS NOT HAD ANY TRANSACTION INVOLVING ACQUISITION OF CORPORATE CONTROL IN THE CAPITAL MARKETS AND EXTRA-ORDINARY TRANSACTIONS SUCH AS Mergers, AND SALES OF SUBSTANTIAL PORTIONS OF CORPORATE ASSETS.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES
Discuss any initiative undertaken or proposed to be undertaken by the company.

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Beneficiary</th>
<th>Inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tubig Para Sa Barangay</td>
<td>1.8 million people from urban poor communities</td>
<td>2015 Accomplishments (as of Nov. 2015)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>East Zone of Metro Manila: 2,107 households</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Laguna: 150 households</td>
</tr>
<tr>
<td>Lingap programs</td>
<td>381 institutions (plus 9 Lingap projects</td>
<td>2015 Accomplishments: 27 institutions</td>
</tr>
<tr>
<td></td>
<td>rehabilitated)/ 1.6 million people</td>
<td>(plus 9 Lingap projects rehabilitated)</td>
</tr>
<tr>
<td>Kabuhayan Para Sa Barangay</td>
<td>195 cooperatives</td>
<td>2015 Accomplishments: Total of 195</td>
</tr>
<tr>
<td></td>
<td>68,250 families</td>
<td>Cooperatives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>58,250 families</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Program Cost: P 19,500,000.00</td>
</tr>
</tbody>
</table>
### Initiative

- **Competitive Price.** In addition, the beneficiaries are allowed to serve other clienteles and are not exclusive to Manila Water to encourage entrepreneurial growth.

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Beneficiary</th>
<th>Inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lakbayan</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This Program involves an educational tour of the Water Trail to show the participants the process that the raw water undergoes from the sources, to treatment and prior to distribution to customers.</td>
<td><strong>Lakbayan:</strong> 1,210 groups 40,135 participants from Non-Governmental Agencies, Local Government Units, academe, media, corporates, Non-Governmental Organizations, and similar entities.</td>
<td><strong>2015 Accomplishments:</strong> Lakbayan: 96 groups/ 2,009 participants from Non-Governmental Agencies, Local Government Units, academe, media, corporates, Non-Governmental Organizations, and similar entities.</td>
</tr>
<tr>
<td>Participants are given a tour of the water and wastewater treatment facilities of the Company. The Program aims to promote stakeholder awareness on the need to conserve water and to care for our water sources.</td>
<td><strong>Mobile Lakbayan:</strong> 195 groups 9,868 participants</td>
<td><strong>Mobile Lakbayan - Bawat Patak, Tumatatak... Goes to School</strong> 8 schools 21 sections 813 students 88 volunteer employees</td>
</tr>
<tr>
<td><strong>Mobile Lakbayan</strong> Another scheme is the Mobile Lakbayan wherein Lakbayan educational tools are brought to the communities, schools and other partner agencies.</td>
<td><strong>Mobile Lakbayan - Bawat Patak, Tumatatak... Goes to School</strong> 8 schools 21 sections 813 students</td>
<td><strong>Mobile Lakbayan - Bawat Patak, Tumatatak... Goes to School</strong> 8 schools 21 sections 813 students 88 volunteer employees</td>
</tr>
<tr>
<td><strong>Mobile Lakbayan – Bawat Patak, Tumatatak... Goes to School</strong> Another form of Mobile Lakbayan is the Mobile Lakbayan – Bawat Patak, Tumatatak.. Goes to School. It caters specifically to elementary students and involves volunteer Manila Water employees to educate students on proper solid waste management and used water treatment.</td>
<td><strong>Toka Toka</strong> Toka-Toka Lingap Sapa in Maytunas Creek covers the following 9 barangays:</td>
<td><strong>2015 Accomplishments:</strong> Number of clean-ups conducted: 8</td>
</tr>
</tbody>
</table>
Manila Water Used Water Advocacy which partners with different public and private institutions to help inform, educate, and influence each individual to do their ‘toka’ (share) to help revive the waterways.

This 2015, Manila Water launched Toka-Toka Lingap Sapa in Maytunas Creek which traverses the cities of Mandaluyong and San Juan. Lingap Sapa aims to:

1. To develop Toka-Toka Barangay Champions who meet the following criteria:
   a. Conducts regular waterway clean-up involving residents of the barangay in coordination with the local government unit;
   b. Implements barangay ordinances in support of RA 9275 (Clean Water Act) and RA 9003 (Solid Waste Management Act);
   c. Conducts information, education, campaigns for the residents of the barangays regarding solid waste management, environmental protection, Supreme Court Continuing Mandamus to rehabilitate Manila Bay, etc.

2. To decrease the number of solid waste collected from Maytunas creek (baseline from the project launch)

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Beneficiary</th>
<th>Inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manila Water Used Water Advocacy which partners with different public and private institutions to help inform, educate, and influence each individual to do their ‘toka’ (share) to help revive the waterways.</td>
<td>Kabayan, San Juan</td>
<td>Total Length Cleaned: approximately 1300 meters</td>
</tr>
<tr>
<td>This 2015, Manila Water launched Toka-Toka Lingap Sapa in Maytunas Creek which traverses the cities of Mandaluyong and San Juan. Lingap Sapa aims to:</td>
<td>Pleasant Hills, San Juan</td>
<td></td>
</tr>
<tr>
<td>1. To develop Toka-Toka Barangay Champions who meet the following criteria:</td>
<td>Maytunas, San Juan</td>
<td></td>
</tr>
<tr>
<td>a. Conducts regular waterway clean-up involving residents of the barangay in coordination with the local government unit;</td>
<td>Addition Hills, Mandaluyong</td>
<td></td>
</tr>
<tr>
<td>b. Implements barangay ordinances in support of RA 9275 (Clean Water Act) and RA 9003 (Solid Waste Management Act);</td>
<td>Daang Bakal, Mandaluyong</td>
<td></td>
</tr>
<tr>
<td>c. Conducts information, education, campaigns for the residents of the barangays regarding solid waste management, environmental protection, Supreme Court Continuing Mandamus to rehabilitate Manila Bay, etc.</td>
<td>Addition Hills, Mandaluyong</td>
<td></td>
</tr>
<tr>
<td>2. To decrease the number of solid waste collected from Maytunas creek (baseline from the project launch)</td>
<td>Hagdang Bato Libis, Mandaluyong</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mauway, Mandaluyong</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bagong Silang, Mandaluyong</td>
<td></td>
</tr>
</tbody>
</table>

**M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL**

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

The Company has an Annual Board Evaluation Process that is required to be accomplished by the directors. This Annual Board Evaluation Process is comprehensive enough in scope and enables the directors to assess the following:
a. Board and Board Committee Processes and Meetings
b. Compliance with the responsibilities and functions of the Board and Board Committees
c. Board-Management Relationship
d. Board Member Self Evaluation
e. Performance of the CEO/President

The idea for the evaluation is to give the Board and the management information on the areas that need improvement in terms of the foregoing scope.

The evaluation process also allows the Board to explain the ratings they gave and to provide their own comments and recommendations on the matters discussed in the evaluation.

The evaluation criteria are as follows:

<table>
<thead>
<tr>
<th>Scope</th>
<th>Criteria</th>
<th>Point System</th>
</tr>
</thead>
</table>
| Board Processes and Meetings               | a. Adequacy, frequency, duration and scheduling of Board and Committee meetings per year  
<pre><code>| b. Attendance to the Board and Committee meetings                         | Rate of 1 to 5, 1 being the lowest   |
</code></pre>
<p>|                                            | c. Adequacy of materials for meetings of the Board and the Committees      |                                    |
|                                            | d. Content and quality of materials for meetings of the Board and the Committees |                                    |
|                                            | e. Quality of presentations to the Board and the Committees               |                                    |
|                                            | f. Quality and adequacy of discussions and deliberations during Board and Committee meetings |                                    |
|                                            | g. Preparedness of the directors for the Board and Committee meetings     |                                    |
|                                            | h. Appropriateness of delegation of business to the respective Board Committees |                                    |
|                                            | i. Adequate information to the Board of Committee acts and approvals      |                                    |
| Compliance with the Responsibilities and Functions of the Board | a. Involvement of the Board and the Committees in the determination of the Corporation’s strategic initiatives and direction | Rate of 1 to 5, 1 being the lowest |
|                                            | b. Effectiveness of the Board and the Committees in monitoring of management’s implementation of corporate strategy |                                    |
|                                            | c. Effectiveness of the Board and the Committees in monitoring the operational and financial performance of the Corporation |                                    |
|                                            | d. Effectiveness of the Board and the Committees in handling crisis situation |                                    |
|                                            | e. Commitment of the Board and the Committees to good corporate governance practices |                                    |</p>
<table>
<thead>
<tr>
<th>Board – Management Relationship</th>
<th>f. Consideration by the Board and the Committees of the interest of the minority shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>a. Existence of open lines of communication and constructive interaction between directors and the management of the Corporation</td>
</tr>
<tr>
<td></td>
<td>b. Clear understanding of the delineation between the roles of the Board and the Committees and the key officers/management</td>
</tr>
<tr>
<td></td>
<td>Support of the Board and the Committees to the management</td>
</tr>
<tr>
<td></td>
<td>Rate of 1 to 5, 1 being the lowest</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Board Member Self Evaluation</th>
<th>f. Consideration by the Board and the Committees of the interest of the minority shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>a. Exercise of independent judgment in that a Director views each problem/situation objectively and supports plans and ideas which such Director believes are beneficial to the Corporation</td>
</tr>
<tr>
<td></td>
<td>b. Avoidance of any situation where a Director may be placed in a conflict of interest</td>
</tr>
<tr>
<td></td>
<td>c. Inclination to disclose any conflict of interest</td>
</tr>
<tr>
<td></td>
<td>d. Prompt and complete attendance in Board and Committee meetings</td>
</tr>
<tr>
<td></td>
<td>e. Preparedness on the topics to be discussed on Board and Committee meetings</td>
</tr>
<tr>
<td></td>
<td>f. Active and objective participation in the Board and Committee discussions</td>
</tr>
<tr>
<td></td>
<td>g. Working knowledge on the statutory and regulatory requirements affecting the Corporation</td>
</tr>
<tr>
<td></td>
<td>h. Promotion and support on good corporate governance practices</td>
</tr>
<tr>
<td></td>
<td>Rate of 1 to 5, 1 being the lowest</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Evaluation of the CEO/President</th>
<th>f. Consideration by the Board and the Committees of the interest of the minority shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>a. Possession by the CEO/President of the qualifications to effectively discharge the functions of the office</td>
</tr>
<tr>
<td></td>
<td>b. Ability of the CEO/President to achieve Key Result Areas and Performance of the CEO against clear, measurable and documented objectives</td>
</tr>
<tr>
<td></td>
<td>Rate of 1 to 5, 1 being the lowest</td>
</tr>
</tbody>
</table>

In addition, the Audit and Governance Committee adopted SEC Memorandum Circular No. 4 Series of 2012 on the Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange which took effect on 30 June 2012.

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.
To strictly observe and implement the provisions of the Manual, the following penalties\textsuperscript{260} shall be imposed after notice and hearing, on the Company's directors, officers, and staff in case of violation of any of the provisions of the Manual:

<table>
<thead>
<tr>
<th>Violations</th>
<th>Sanctions</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Violation</td>
<td>Reprimand</td>
</tr>
<tr>
<td>Second Violation</td>
<td>Suspension from office, for such duration at the reasonable discretion of the Board, depending on the gravity of the violation</td>
</tr>
<tr>
<td>Third Violation</td>
<td>Removal from office</td>
</tr>
<tr>
<td>Third Violation by a director</td>
<td>Removal from directorship</td>
</tr>
</tbody>
</table>

\textsuperscript{260} Manual of Corporate Governance, page 43.
References:
Amended Articles of Incorporation
Amended By Laws
Manual of Corporate Governance
Revised Code of Business Conduct and Ethics
Charter of the Board of Directors
Charter of the Executive Committee
Charter of the Nomination Committee
Charter of the Remuneration Committee
Charter of the Audit and Governance Committee
Charter of the Committee of Inspectors of Ballots and Proxies
Charter of the Risk Committee
Policy on Related Party Transactions
2012 Sustainability Report
2013 Annual Report
2014 Annual Report
2013 Financial Statements
2013 Definitive Information Statement
Quality, Environment, Health and Safety Policy
2014 Definitive Information Statement
2015 Definitive Information Statement
Minutes of Meeting 2013 Annual Stockholders Meeting
Minutes of Meeting 2014 Annual Stockholders Meeting
2015 ASM Voting Results
Procurement Policy
Vendor’s Code of Conduct
Employee Code of Conduct and Discipline
Corporation Code of the Philippines (Batas Pambansa Blg. 68)
Securities Regulations Code (Republic Act No. 8799)
SEC Memorandum Circular No. 9 Series of 2011 (Term Limits for Independent Directors)
SEC Memorandum Circular No. 16 Series of 2002 (Guidelines on the Nomination and Election of Independent Directors)
SEC Memorandum Circular No. 4 Series of 2012 (Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange)
Internal Audit Charter
Enterprise Risk Management Policy
Certification of Full Compliance to the Manual of Corporate Governance
Report of the Risk Committee to the Board of Directors
Report of the Audit and Governance Committee to the Board of Directors
SEC Certification on permanent exemption of Ambassador Jose L. Cuisia, Jr. (independent director), from attendance in Corporate Governance Training requirements of the SEC
SECRETARY'S CERTIFICATE

I, JHOEL P. RAQUEDAN, Filipino, of legal age, and with business address at the 2nd Floor, MWSS Administration Building, No. 489 Katipunan Road, Balara, Quezon City, after having been duly sworn in accordance with law, do hereby certify that:

1.0 I am the Assistant Corporate Secretary of Manila Water Company, Inc. (the “Company”), a corporation duly organized and existing under Philippine laws, with business address at the MWSS Administration Building, No. 489 Katipunan Road, Balara, Quezon City.

2.0 This certification is being rendered in connection with the submission of the consolidated changes in the Annual Corporate Governance Report (ACGR) of the Company pursuant to the Securities and Exchange Commission Memorandum Circular No. 12 Series of 2014 and the Securities and Exchange Commission Advisory dated March 12, 2015 in connection with the Company’s submission of it SEC Form 17-A.

3.0 At the regular meeting of the Board of Directors held on February 26, 2016, at which meeting a quorum duly existed, the Board approved the Report of the Risk Committee and the Report of the Audit and Governance Committee to the Board.

In its report to the Board, the Risk Committee confirmed that:

- The Committee reviewed and endorsed the Committee Charter for the approval of the Board of Directors;

- The Committee discussed with Management the adequacy and effectiveness of the Enterprise Risk Management process, including significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans. The review was undertaken in the context that Management is primarily responsible for the risk management process.

- The Committee has reviewed the Enterprise Risk Management Process and is satisfied that sufficient risk management systems are in place in Manila Water.

- The Committee noted the 2016 plans and initiatives of the Enterprise Risk and Insurance Management (ERIM) Department to create a robust risk awareness and management culture and to promote good risk management practices achieving appropriate risk and reward in Manila Water’s business.

In its report to the Board, the Audit and Governance Committee confirmed that:

- The Committee reviewed and approved the quarterly unaudited consolidated financial statements and the annual Audited Consolidated Financial Statements of Manila Water Company, Inc. and subsidiaries, including Management’s Discussion and Analysis of Financial Condition and Results of Operations as of and for the year ended December 31, 2015, with the Company’s Management, internal auditors, and SGV& Co. These activities were conducted in the following context:
- That, Management has the primary responsibility for the financial statements and the reporting process
- That, SGV & Co. is responsible for expressing an opinion on the conformity of the Company’s audited consolidated financial statements with the Philippine Financial Reporting Standards.

• The Committee reviewed and approved the Management representation letter before submission to the Company’s independent external auditors.

• The Committee recommended to the Board of Directors the re-appointment of SGV & Co. as independent external auditors for 2015 based on its review of SGV’s performance and qualifications, including consideration of Management’s recommendation.

• The Committee reviewed and approved all audit and audit-related services provided by SGV & Co. to the Company and the related fees for such services.

• The Committee discussed and approved the overall scope and the respective audit plans of the Company’s internal auditors and of SGV & Co., the results of their audits and their assessment of the Company’s internal controls, and the overall quality of the financial reporting process.

• The Committee discussed the reports of the internal auditors, and ensured that Management is taking appropriate actions in a timely manner, including addressing internal control and compliance issues. All the activities performed by Internal Audit were conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

• The Audit and Governance Committee, through the audits conducted by SGV & Company and Internal Audit, has reviewed Management’s system of internal controls and the Committee found the internal control system to be adequate and effective.

• The Committee discussed with Management the adequacy and effectiveness of the Enterprise Risk Management process, including significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans. The review was undertaken in the context that Management is primarily responsible for the risk management process.

• The Committee reviewed and confirmed that the existing Audit and Governance and Internal Audit Charters are sufficient to accomplish the Committee’s and Internal Audit’s objectives. The A&GC Charter is in compliance with the Securities and Exchange Commission Memo Circular No. 04 (2012).

• The Committee conducted a self-assessment of its performance to confirm that the Committee continues to meet the expectations of the Board, Management and shareholders.

• Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit and Governance Committee recommended to the Board of Directors the inclusion of the Company’s audited consolidated financial statements in the Company’s Annual Report to the Stockholders for the year ended December 31, 2015 and the filing thereof with the Securities and Exchange Commission.

4.0 In the same regular meeting of the Board of Directors held on February 26, 2016, at which meeting a quorum duly existed, the Board approved the following resolutions:
Approval of 2015 Financial Statements: Resolution No. 2 (2016)

RESOLVED, to approve the financial statements of the Company as of the fiscal year ended December 31, 2015.

Re-appointment of SGV & Co. as External Auditor: Resolution No. 3 (2016)

RESOLVED, to approve the re-appointment of the firm of Sycip Gorres Velayo and Company as the external auditor of the Company for the fiscal year January 1, 2016 to December 31, 2016, for an audit fee of Php2,000,000.00, exclusive of Value Added Tax and out-of-pocket expenses.

RESOLVED, FINALLY, to approve the re-appointment of the firm of Sycip Gorres Velayo and Company as the external auditor of the Manila Water Group for the fiscal year January 1, 2016 to December 31, 2016, for a total audit fee of Php3,754,600.00, exclusive of Value Added Tax and out-of-pocket expenses.

Declaration of First Semester Cash Dividends: Resolution No. 4 (2016)

RESOLVED, to approve the declaration of the following cash dividends for the first semester of 2016:
   (a) P 0.4167 per share on the outstanding Common shares;
   (b) P0.04167 per share on the outstanding Participating Preferred shares, payable on March 23, 2016 to stockholders of record of the Company as of March 11, 2016.

Ratification of Audit and Governance Committee Acts and Resolutions: Resolution No. 9 (2016)

RESOLVED, to approve and ratify the following actions and resolutions of the Audit & Governance Committee adopted in its meeting held on February 24, 2016:
   a. Endorsement for Board’s approval of the Financial Statements of the Company for the year ended December 31, 2015 and the accompanying Notes to Financial Statements
   b. Approval of the Management Discussion and Analysis
   c. Approval of the External auditors’ communication to the Committee and the Management Representation Letter
   d. Re-appointment of SGV and Co. as the external auditors of the Company and the Group for the fiscal year 2016 for an audit fee of Php2,000,000.00 and Php3,754,600.00 respectively, exclusive of value added taxes and out-of-pocket expenses
e. Discussion of the revisions to the counterparty limits of the Company consisting of inclusion of Bank of China in the counterparty banks, and increasing the counterparty limits of HSBC and PNB
f. Approval of the Report of the Committee to the Board
g. Approval of the Revised Charter of the Committee which revisions pertain to the transfer of the risk management and oversight function to the recently established Risk Committee

RESOLVED, FINALLY, to note the following actions and resolutions of the Audit & Governance Committee adopted in the same meeting:

a. Discussion of the focus areas of SGV and Co., the significant accounting and auditing issues noted by SGV, the unadjusted audit differences, and the communications of SGV to the Committee
b. Approval of the minutes of the previous meeting of the Committee
c. Discussion of the communication of the Internal Audit to the Committee
d. Proposed schedules and agenda of meetings of the Committee in 2016
e. Discussion of the status of the Risk Based Audit Plan and the fourth quarter results of the audit of the Internal Audit
f. Discussion of the treasury risks exposures of the Company to the following: foreign exchange risk on cash and loans; interest rate risk and liquidity risk

Ratification of Remuneration Committee Acts and Resolutions: Resolution No. 10 (2016)

RESOLVED, to approve and ratify the following actions and resolutions of the Remuneration Committee adopted in its meeting held on February 24, 2016:

a. Approval of the 2016 Salary Increases
b. Approval of the 2016 Corporate Incentive Program

Ratification of Risk Committee Acts and Resolutions: Resolution No. 11 (2016)

RESOLVED, to approve and ratify the following actions and resolutions of the Risk Committee adopted in its meeting held on February 11, 2016:

a. Approval of the Report of the Committee to the Board

RESOLVED, FINALLY, to note the following actions and resolutions of the Risk Committee adopted in the same meeting:

a. Discussion on the Committee approach regarding the risk oversight and management function of the Committee
b. Discussion of the security risks of the Company and the Group and the water quality report of Clark Water
c. Insurance briefing of the Enterprise Risk and Insurance Management Department to the Committee
d. Approval of the minutes of the previous meeting of the Committee

Ratification of Nomination Committee Acts and Resolutions: Resolution No. 12 (2016)

RESOLVED, to note the following actions and resolutions of the Nomination Committee adopted in its meeting held on February 24, 2016:

a. Endorsement of the election of the following nominees to the Board for election at the 2016 annual meeting of stockholders:

   Fernando Zobel de Ayala                Jaime Augusto Zobel de Ayala
   Gerardo C. Ablaza, Jr.                 Delfin L. Lazaro
   John Eric T. Francia                   Antonino T. Aquino
   Oscar S. Reyes                         Jose L. Cuisia, Jr.
   Sherisa P. Nuesa                       Victoria P. Garchitorena
   Jaime C. Laya

5.0 At the Annual Stockholders Meeting held on April 11, 2016, at which meeting a quorum duly existed, the stockholders:

a. Approved the election of the following as Directors of the Company:

   Fernando Zobel de Ayala                Jaime Augusto Zobel de Ayala
   Gerardo C. Ablaza, Jr.                 Antonino T. Aquino
   Delfin L. Lazaro                        John Eric T. Francia
   Victoria P. Garchitorena                Jaime C. Laya (Independent)
   Jose L. Cuisia, Jr. (Independent)       Oscar S. Reyes (Independent)
   Sherisa P. Nuesa (Independent)

b. Approved the 2015 audited financial statement of the Company and adopted the following resolution:

   Resolution No. 2 (2016): “RESOLVED, to note the Annual Report and to approve the 2015 Audited Financial Statements of the Company.”

c. Approved the re-appointment of SyCip Gorres Velayo & Co. as external auditor and adopted the following resolution:

   Resolution No. 4 (2016): “RESOLVED, to approve the re-appointment of the firm of SyCip Gorres Velayo & Company as external auditor of the Company for the fiscal year January 1, 2016 to December 31, 2016 for an audit fee of Pesos: Two Million (P2,000,000.00), exclusive of value-added tax and out-of-pocket expenses.”
6.0 At the organizational meeting of the Board held on April 11, 2016, at which meeting a quorum duly existed, the Board approved the following appointments:

**Board Chairman and Vice Chairman**

Fernando Zobel de Ayala  Chairman
Jaime Augusto Zobel de Ayala  Vice Chairman

**Board Committee Compositions**

**Executive Committee**

Fernando Zobel de Ayala  Chairman
Gerardo C. Ablaza, Jr.  Vice Chairman
Antonino T. Aquino  Member
John Eric T. Francia  Member
Sherisa P. Nuesa  Member

**Audit and Governance Committee**

Oscar S. Reyes (Independent)  Chairman
Jose L. Cuisia, Jr. (Independent)  Member
Jaime C. Laya (Independent)  Member
Victoria P. Garchitorena  Member

**Nomination Committee**

Jose L. Cuisia, Jr. (Independent)  Chairman
Oscar S. Reyes (Independent)  Member
Jaime C. Laya (Independent)  Member

**Remuneration Committee**

Oscar S. Reyes (Independent)  Chairman
Jose L. Cuisia, Jr. (Independent)  Member
Sherisa P. Nuesa (Independent)  Member
Fernando Zobel de Ayala  Member

**Committee of Inspectors of Ballots and Proxies**

Chief Internal Auditor - Xerxes Noel O. Ordanaz  Chairman
Chief Legal Counsel - Atty. Jhoel P. Raquedan  Member
Representative of External Auditor  Member

**Key Officers**

Gerardo C. Ablaza, Jr.  President and Chief Executive Officer
Luis Juan B. Oreta  Chief Finance Officer and Treasurer
Compliance Officer
Group Director, Corporate Finance and Governance
Virgilio C. Rivera, Jr.  Chief Operating Officer- New Business Operations
Ferdinand M. Dela Cruz  Chief Operating Officer- Manila Water Operations
Geodino V. Carpio         Group Director, Corporate Operations
                         Manila Water Operations
Abelardo P. Basilio      Group Director, Strategic Asset Management
                         Manila Water Operations
Rodell A. Garcia        Group Director, Chief Technology Adviser
                         Information and Technology Group, Manila Water Operations
Thomas T. Mattison      Group Director, Corporate Project Management
                         Manila Water Operations
Janine T. Carreon       Group Director, Corporate Human Resources
                         Manila Water Operations
Esmeralda R. Quines     Group Director, East Zone Business Operations
                         Manila Water Operations
Solomon M. Hermosura    Corporate Secretary
Jhoel P. Raquedan       Assistant Corporate Secretary
Ma. Victoria P. Sugapong Chief Risk Officer

7.0 Immediately after the organizational meeting of the board on April 11, 2016, the non-executive members of the Board of Directors held an executive session.

8.0 The other changes in the ACGR are made to update the sections of the ACGR on programs, plans and policies as of date of this certification, which are not required to be approved by the Board or which are not required to be discussed by the Board, but which changes are either pursuant to the normal operations of the Company or are made within the authorities of the departments, and units of the Company and the corresponding managers and heads thereof.

9.0 I attest to the truth of the foregoing and that the above-quoted Resolutions have not been amended or rescinded.

IN WITNESS WHEREOF, I have hereunto set my hand and impressed the seal of the Company on this ___ day of April 2016 at Quezon City, Metro Manila, Philippines.

[Signature]

JHOEL P. RAQUEDAN
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this ___ day of April 2016 at Quezon City, Metro Manila, Philippines, affiant, Jhoel P. Raquedan, exhibited to me his Passport with Passport Number EB4733000 valid until February 16, 2017.

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Book No. 5
Series of 2016.
SECRETARY'S CERTIFICATE

I, JHOEL P. RAQUEDAN, Filipino, of legal age, and with business address at the 2nd Floor, MWSS Administration Building, No. 489 Katipunan Road, Balara, Quezon City, after having been duly sworn in accordance with law, do hereby certify that:

1.0 I am the Assistant Corporate Secretary of Manila Water Company, Inc. (the "Company"), a corporation duly organized and existing under Philippine laws, with business address at the MWSS Administration Building, No. 489 Katipunan Road, Balara, Quezon City.

2.0 This certification is being rendered in connection with the submission of the consolidated changes in the Annual Corporate Governance Report (ACGR) of the Company pursuant to the Securities and Exchange Commission Memorandum Circular No. 12, Series of 2014.

3.0 At the regular meeting of the Board of Directors held on February 20, 2015, at which meeting a quorum duly existed, the Board approved the following resolutions:

Appointment of SGV as External Auditor

Resolution No. 3 (2015)

RESOLVED, to approve the 2014 Audited Consolidated Financial Statements of the Company and to authorize the management of the Company to release the 2014 Audited Consolidated Financial Statements to the public and to submit the same to the Bureau of Internal Revenue, the Securities and Exchange Commission and other relevant government agencies.

RESOLVED, FINALLY, to approve the re-appointment of Sycip Gorres Velayo and Company as the external auditor of the Company for the fiscal year January 1, 2015 to December 31, 2015, for an audit fee of Php2,000,000.00, exclusive of Value Added Tax and out-of-pocket expenses.

Declaration of First Semester Cash Dividends

Resolution No. 7 (2015)

RESOLVED, to approve the declaration of the following cash dividends for the first semester of 2015:
(a) ₱0.4075 per share on the outstanding Common shares;
(b) ₱0.04075 per share on the outstanding Participating Preferred shares,
    payable on March 20, 2015 to stockholders of record of the Company as of March 6,
    2015.

4.0 At the Annual Stockholders Meeting held on April 7, 2015, at which meeting a quorum duly
    existed, the stockholders:

    a. Approved the election of the following as Directors of the Company:

       i. Fernando Zobel de Ayala
       ii. Jaime Augusto Zobel de Ayala
       iii. Gerardo C. Ablaza, Jr.
       iv. Antonino T. Aquino
       v. Delfin L. Lazaro
       vi. John Eric T. Francia
       vii. Victoria P. Garchitorena
       viii. Jaime C. Laya (Independent)
       ix. Jose L. Cuisia, Jr. (Independent)
       x. Oscar S. Reyes (Independent)
       xi. Sherisa P. Nuesa (Independent)

    b. Approved the re-Appointment of SyCip Gorres Velayo & Co. as external auditor and
       adopted the following resolution:

       Resolution No. 4 (2015): “RESOLVED, to approve the re-appointment of the firm of SyCip
       Gorres Velayo & Company as external auditor of the Company for the fiscal year January
       1, 2015 to December 31, 2015 for an audit fee of Pesos: Two Million (₱2,000,000.00),
       exclusive of value-added tax and out-of-pocket expenses.”

5.0 At the organizational meeting of the Board held on April 7, 2015, at which meeting all eleven
(11) directors are present, the Board unanimously approved the following appointments:

**Board Chairman and Vice Chairman**

Fernando Zobel de Ayala         Chairman
Jaime Augusto Zobel de Ayala    Vice Chairman

**Board Committee Compositions**

**Executive Committee**

Fernando Zobel de Ayala         Chairman
Gerardo C. Ablaza, Jr.           Vice Chairman
Antonino T. Aquino               Member
John Eric T. Francia             Member
Sherisa P. Nuesa                 Member
Audit and Governance Committee
Oscar S. Reyes    Chairman
Jose L. Cuisia, Jr.    Member
Victoria P. Garchitorena    Member
Jaime C. Laya    Member

Nomination Committee
Jose L. Cuisia, Jr.    Chairman
Oscar S. Reyes    Member
Jaime C. Laya    Member
Jaime Augusto Zobel de Ayala    Member

Remuneration Committee
Oscar S. Reyes    Chairman
Jose L. Cuisia, Jr.    Member
Sherisa P. Nuesa    Member
Fernando Zobel de Ayala    Member

Committee of Inspectors of Ballots and Proxies
MWC Chief Internal Auditor    Chairman
Atty. Jhoel P. Raquedan    Member
Representative of External Auditor    Member

Key Officers
Gerardo C. Ablaza, Jr.    President and Chief Executive Officer
Luis Juan B. Oreta    Chief Finance Officer and Treasurer
                   Compliance Officer
                   Group Director, Corporate Finance and Governance
Virgilio C. Rivera, Jr.    Chief Operating Officer- New Business Operations
Ferdinand M. Dela Cruz    Chief Operating Officer- Manila Water Operations
Geodino V. Carpio    Group Director
                   Corporate Operations – Manila Water Operations
Abelardo P. Basilio    Group Director
                   Strategic Asset Management – Manila Water Operations
Rodell A. Garcia    Group Director
                   Chief Technology Adviser – Manila Water Operations
Thomas T. Mattison    Group Director
                   Corporate Project Management – Manila Water Operations
Solomon M. Hermosura    Corporate Secretary
Jhoel P. Raquedan    Assistant Corporate Secretary
Ma. Victoria P. Sugapong    Chief Risk Officer

6.0 At the regular meeting of the Board of Directors of the Company held on August 11, 2015, at which meeting all eleven (11) directors are present, the Board unanimously approved the following resolutions:
Declaration of Second Semester Cash Dividends

Resolution No. 20 (2015)

RESOLVED, to approve the declaration of the following cash dividends for the second semester of 2015:
(a) ₱0.4075 per share on the outstanding Common shares;
(b) ₱0.04075 per share on the outstanding Participating Preferred shares, payable on September 9, 2015 to stockholders of record of the Company as of August 26, 2015.

Creation of a Risk Committee

Resolution No. 21 (2015)

RESOLVED, to approve the creation of a Risk Committee to exercise and perform the risk governance and management functions of the Audit and Governance Committee;

RESOLVED, FURTHER, to authorize the Committee to draft its own charter which shall provide for, among others, its power, authorities, functions and responsibilities, subject to the approval thereof by the Board in its next meeting;

RESOLVED, FINALLY, to approve the election and appointment of the following as Chairmen and members of the newly created Risk Committee to perform the duties mandated by law, the by-laws of the Company, the Committee’s Charter, and such other duties and functions as may from time to time be assigned and delegated to them by the Board.

Risk Committee Chairman and Members:

Chairman Jaime C. Laya
Member Jose L. Cuisia, Jr.
Member Victoria P. Garchitorena
Member Oscar S. Reyes

Revision to the Mission-Vision Statement

Resolution No. 24 (2015)

RESOLVED, to approve the new mission statement and the updated vision statement of the Company, to wit:

Our mission is to create an exceptional customer experience in the provision of sustainable solutions vital to health and life.
Our vision is to become a leader in the provision of water, used water and environmental services, which will empower people, protect the environment and enhance sustainable development.

7.0 At the regular meeting of the Board of Directors of the Company held on November 26, 2015, at which meeting a quorum duly existed, the Board approved the following resolutions:

Approval of the Risk Committee Charter

Resolution No. 28 (2015)

RESOLVED, to approve and ratify the following actions and resolutions of the Risk Committee adopted in its meeting held on October 28, 2015:

a. Endorsement of the Risk Committee Charter

The Committee discussed the proposed Risk Committee Charter which includes structure of the Committee, the authority, roles and responsibilities of the Committee, the meetings and schedules of the Committee, the functional and secretariat support to the Committee, reports to the Board of the Committee, performance evaluation of the Committee, annual review of the Committee Charter and access to information.

The Committee approved/endorsed the draft Committee Charter for the approval of the Board, subject to the incorporation of the amendments and comments of the Committee members.

RESOLVED, FINALLY, to approve the Charter of the Risk Committee.

Cash Dividends on Participating Preferred Shares

Resolution No. 29 (2015)

RESOLVED, to authorize the declaration of cash dividends in the amount of Php0.01 per share on the Php4 Billion outstanding Participating Preferred shares, payable on December 22, 2015 to stockholders of record of the Company as of December 10, 2015.

Schedule of 2016 Board Meetings

Resolution No. 31 (2015)

RESOLVED, to approve the following schedules of the meetings of the Board of Directors in 2016:
<table>
<thead>
<tr>
<th>Type of Meeting</th>
<th>Date of Meeting</th>
<th>Day</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Meeting</td>
<td>February 26, 2016</td>
<td>Friday</td>
<td>9:00 A.M.</td>
</tr>
<tr>
<td>Organizational Board Meeting and Meeting of Non-Executive Directors</td>
<td>April 11, 2016</td>
<td>Monday</td>
<td>Immediately after the 2016 ASM</td>
</tr>
<tr>
<td>Regular Meeting</td>
<td>June 9, 2016</td>
<td>Thursday</td>
<td>9:00 A.M.</td>
</tr>
<tr>
<td>Regular Meeting</td>
<td>August 11, 2016</td>
<td>Thursday</td>
<td>9:00 A.M.</td>
</tr>
<tr>
<td>Regular Meeting</td>
<td>October 4, 2016</td>
<td>Tuesday</td>
<td>9:00 A.M.</td>
</tr>
<tr>
<td>Regular Meeting</td>
<td>November 24, 2016</td>
<td>Thursday</td>
<td>9:00 A.M.</td>
</tr>
</tbody>
</table>

**RESOLVED, FINALLY, to authorize the Chairman of the Board to make changes to the schedules after consultation with the members of the Board.**

8.0 The other changes in the ACGR are updates to the sections of the ACGR on programs, plans and policies as of December 31, 2015, which are not required to be approved by the Board or which are not required to be discussed by the Board, but which changes are either pursuant to the regular operations of the Company or are made within the authorities of the departments and units of the Company and the corresponding managers and heads thereof.

9.0 I attest to the truth of the foregoing and that the above-quoted Resolutions have not been amended or rescinded.

**IN WITNESS WHEREOF,** I have hereunto set my hand and impressed the seal of the Company on this __th day of January 2016 at Quezon City, Metro Manila, Philippines.

\[Signature\]

JOEL P. RAQUEDAN  
Assistant Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this __th day of January 2016 at Quezon City, Metro Manila, Philippines. Affiant, Joovel P. Raquedan, exhibited to me his Philippine Passport with Passport Number EB4733000 valid until February 16, 2017.

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Book No.  
Series of 2016.
Report of the Risk Committee to the Board of Directors
For the year ended December 31, 2015

The Risk Committee was established by the Board of Directors at its August 2015 meeting in pursuit of the Board’s oversight responsibilities in relation to risk governance in Manila Water. The Risk Committee’s roles, responsibilities and authority are defined in the Risk Committee Charter approved by the Board of Directors during its November 26, 2015 meeting.

In compliance with the Risk Committee Charter, the Committee confirms that:

- An independent director chairs the Risk Committee. The Committee has three out of four members who are independent directors.
- The Committee had one meeting during the year with the following attendance rate:

<table>
<thead>
<tr>
<th>Directors</th>
<th>No. of Meetings Attended/Held</th>
<th>Percent Present</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jaime C. Laya</td>
<td>1/1</td>
<td>100%</td>
</tr>
<tr>
<td>Jose L. Cuisia, Jr.</td>
<td>1/1</td>
<td>100%</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>1/1</td>
<td>100%</td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>1/1</td>
<td>100%</td>
</tr>
</tbody>
</table>

- The Committee reviewed and endorsed the Committee Charter for the approval of the Board of Directors.
- The Committee discussed with Management the adequacy and effectiveness of the Enterprise Risk Management process, including significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans. The review was undertaken in the context that Management is primarily responsible for the risk management process.
- The Committee has reviewed the Enterprise Risk Management Process and is satisfied that sufficient risk management systems are in place in Manila Water Company, Inc.
- The Committee noted the 2016 plans and initiatives of the Enterprise Risk and Insurance Management (ERIM) Department to create a robust risk awareness and management culture and to promote good risk management practices achieving appropriate risk and reward in Manila Water’s business.

The Risk Committee was established in August 2015, its tasks having been performed by the previously responsible Committee. The present Risk Committee addressed only the matters reported above and expects to more fully exercise its functions and meet Board, Management and shareholder expectations in the coming year.
February 24, 2016

JAIME C. ALAYA
Chairman

JOSE L. CUISIA JR.
Member

VICTORIA P. GARCHITORENA
Member

OSCAR S. REYES
Member
Report of the Audit and Governance Committee to the Board of Directors
For the year ended December 31, 2015

The Audit & Governance Committee’s roles, responsibilities and authority are defined in the Audit and Governance Committee Charter approved by the Board of Directors. The Committee provides assistance to the Board of Directors in fulfilling their oversight responsibility to the shareholders relating to the:

a) integrity of the Manila Water Company, Inc.’s (“Company’s”) financial statements and the financial reporting process;
b) appointment, remuneration, independence and performance of internal audit and of the independent auditors, and integrity of the audit process
c) effectiveness of the systems of internal controls and enterprise risk management process
d) compliance with applicable legal and regulatory requirements and other reporting standards
e) performance and leadership of the internal control function
f) preparation of a year-end report of the Committee for approval of the Board and to be included in the annual report.

In compliance with the Audit and Governance Committee Charter, the Committee confirms that:

- An independent director chairs the Audit and Governance Committee. The Committee has three out of four members who are independent directors;
- The Committee had four meetings during the year with the following attendance rate:

<table>
<thead>
<tr>
<th>Directors</th>
<th>No. of Meetings Attended/Held</th>
<th>Percent Present</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oscar S. Reyes</td>
<td>5/5</td>
<td>100%</td>
</tr>
<tr>
<td>Jose L. Cuisia, Jr.</td>
<td>4/5</td>
<td>80%</td>
</tr>
<tr>
<td>Jaime C. Laya</td>
<td>4/5</td>
<td>80%</td>
</tr>
<tr>
<td>Victoria P. Garchitorena</td>
<td>5/5</td>
<td>100%</td>
</tr>
</tbody>
</table>

- The Committee reviewed and approved the quarterly unaudited consolidated financial statements and the annual Audited Consolidated Financial Statements of Manila Water Company, Inc. and subsidiaries, including Management’s Discussion and Analysis of Financial Condition and Results of Operations as of and for the year ended December 31, 2015, with the Company’s Management, internal auditors, and SGV&Co. These activities were conducted in the following context:
  
  - That, Management has the primary responsibility for the financial statements and the reporting process
- That, SGV & Co. is responsible for expressing an opinion on the conformity of the Company's audited consolidated financial statements with the Philippine Financial Reporting Standards.

- The Committee reviewed and approved the Management representation letter before submission to the Company’s independent external auditors.

- The Committee recommended to the Board of Directors the re-appointment of SGV & Co. as independent external auditors for 2015 based on its review of SGV’s performance and qualifications, including consideration of Management’s recommendation.

- The Committee reviewed and approved all audit and audit-related services provided by SGV & Co. to the Company and the related fees for such services.

- The Committee discussed and approved the overall scope and the respective audit plans of the Company’s internal auditors and of SGV & Co., the results of their audits and their assessment of the Company’s internal controls, and the overall quality of the financial reporting process.

- The Committee discussed the reports of the internal auditors, and ensured that Management is taking appropriate actions in a timely manner, including addressing internal control and compliance issues. All the activities performed by Internal Audit were conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

- The Audit and Governance Committee, through the audits conducted by SGV & Company and Internal Audit, has reviewed Management’s system of internal controls and the Committee found the internal control system to be adequate and effective.

- The Committee discussed with Management the adequacy and effectiveness of the Enterprise Risk Management process, including significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans. The review was undertaken in the context that Management is primarily responsible for the risk management process.

- The Committee reviewed and confirmed that the existing Audit and Governance and Internal Audit Charters are sufficient to accomplish the Committee’s and Internal Audit’s objectives. The A&GC Charter is in compliance with the Securities and Exchange Commission Memo Circular No. 04 (2012).

- The Committee conducted a self-assessment of its performance to confirm that the Committee continues to meet the expectations of the Board, Management and shareholders.
Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit and Governance Committee recommended to the Board of Directors the inclusion of the Company's audited consolidated financial statements in the Company's Annual Report to the Stockholders for the year ended December 31, 2015 and the filing thereof with the Securities and Exchange Commission.

February 24, 2016

OSCAR S. REYES
Chairman, Audit & Governance Committee

JOSE L. CUISIA JR.
Independent Director

JAIME G. LAYA
Independent Director

VICTORIA P. GARCHITORENA
Member
CERTIFICATION OF FULL COMPLIANCE WITH
THE MANUAL OF CORPORATE GOVERNANCE

The Manual of Corporate Governance of Manila Water Company, Inc., as revised in June 2014, adopts the leading practices and principles of good governance, and to the best of the undersigned’s knowledge and belief, full compliance therewith has been made since the adoption of the Manual.

This Certification is issued in accordance with the requirement of the Corporation’s Manual of Corporate Governance, Article V, Section 3, Paragraph (iii), and is executed to attest to the truth of the foregoing facts.

January 30, 2016, Quezon City, Metro Manila.

Attested by:

[Signature]
LUIS JUAN B. ORETA
Compliance Officer

Noted by:

[Signature]
GERARDO C. ABLAZA, JR.
President and CEO
MANILA WATER COMPANY, INC.
MWSS Administration Building
489 Katipunan Road, 1105, Balara
Quezon City

Attention: MR. JHOEL P. RAQUEDAN
Chief Legal Counsel/Assistant Corporate Secretary

Re: Request for Exemption from Attending Corporate Governance Trainings for Ambassador Jose L. Cuisia, Jr.

Gentlemen:

This refers to your letter dated 07 October 2015 requesting that Ambassador Jose L. Cuisia, Jr. be exempted from the requirement to attend corporate governance trainings/seminars, pursuant to SEC Memorandum Circular No. 20, Series of 2013.

Please be informed that the Commission, in its en banc meeting on 08 December 2015 resolved to GRANT the said request. Ambassador Cuisia is granted a permanent exemption from the training requirement.

Very truly yours,

JUSTINA F. CALLANGAN
Director
A. INTRODUCTION

This document shall be known as the Audit and Governance Committee Charter (the “Charter”) and shall prescribe the roles, responsibilities, and authority of the Audit and Governance Committee (“Committee”) of Manila Water Company, Inc. (“Manila Water” or the “Company”), including the rules of procedures necessary for the conduct of the duties and functions of the Committee, as approved by the Board of Directors (the “Board”).

The Committee is expected, through the provision of checks and balances, to bring positive results in supervising and supporting the management of the Company and shall be responsible for ensuring the development of, compliance with, and periodic review of corporate governance policies and practices of the Company.

B. THE COMMITTEE STRUCTURE, MEMBERSHIP AND QUALIFICATIONS

It is the duty of the Board to ensure the presence and adequacy of internal control mechanisms for good governance. For this purpose, the Board created the Committee composed of four (4) members at least one of whom shall be an independent director. The independent director shall chair the Committee.

The Board will appoint the Committee members and the Committee Chair. Vacancies shall be filled up by the Board within a reasonable period so as not impair the functions of the Committee subject to the qualifications requirement as herein provided. The Chairman shall be selected from among the incumbent independent directors of the Company.

The members of the Committee who are members of the Board shall have all the qualifications and none of the disqualifications provided in the Corporate Governance Manual (the “Manual”) of the Company. Any member of the Committee who is not a member of the Board shall have the following qualifications:

i. At least twenty-one (21) years of age;

ii. A college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or sufficient experience and competence in managing a business to substitute for such formal education;

iii. Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions;
iv. Possesses adequate understanding of accounting and auditing principles in general and of the Company’s financial management systems and environment in particular;

v. Possesses such qualifications and stature that would enable them to effectively participate in the deliberations of the Committee;

vi. Other relevant qualifications, such as membership in good standing in business, professional organizations or relevant industry;

vii. Possesses none of the disqualifications provided in the Manual and By-Laws of the Company as well as existing rules and regulations, if any.

The Committee members shall be prohibited from being an employee of the Company. In addition, the Committee members shall not engage in any private business transactions with the Company or receive compensation from any private entity that has material business relationship with the Company other than being a shareholder thereon.

C. MEETINGS AND SCHEDULE OF ACTIVITIES

To provide a systematic guide for the discharge of its responsibilities, the Committee shall approve the annual calendar/schedule of activities and the determined agenda for each meeting subject to adjustments and/or revisions, as needed. The Chief Audit Executive (“CAE”) will ensure that the schedule is carried out as planned.

The Committee shall meet at least quarterly. Preferably, the quarterly meetings will be held prior to meeting of the Board of Directors. In cases when there is a need for special meetings to take up any critical items that would need approval in between the quarterly meetings, the Chairman of the Committee shall call for a special meeting and determine the conduct thereof.

The agenda for the meetings will be developed by the CAE based on the agreed calendar of activities and inputs from the Committee members, subject to the approval of the Chairman. The quarterly meetings will include the review and discussion of the quarterly or year-end financial statements, the related disclosures and other reportorial requirements.

The President and the CFO may be requested to attend Committee meetings. As and when appropriate, the Committee may require other members of management to be present at the meetings. External subject experts, such as the appointed independent auditors and other consultants, may also be invited to the meetings.
The Committee shall meet with the internal and the external auditors in executive session at least once a year. The CAE must communicate and interact directly with the Committee. *(New standard – ISPPIA 1111)*

The Committee shall meet with the CAE and the Senior Management, as it may deem necessary, to discuss the Definition of Internal Auditing, the Code of Ethics, and the Standards. *(New standard-ISPPIA 1010)*

### D. FUNCTIONS AND RESPONSIBILITIES

In general, the Committee shall assist the Board in the performance of the following functions:

i. Ensure the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;

ii. Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;

iii. Institutionalizing the internal audit functions;

iv. Ensuring the presence of, and regularly reviewing, the performance and quality of external audit;

v. Provide strategic policies and guidelines to the Company on major capital expenditures and key investments. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies;

vi. Formulate a clear communication and disclosure strategy to promptly and regularly communicate with the regulators and the Company’s shareholders and other stakeholders on matters of importance;

vii. Identify the sectors in the community in which the Company operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;

viii. Adopt a system of internal checks and balances for the Board and management which systems shall be continuously and regularly reviewed and updated to ensure adequacy and effectiveness;

ix. Provide the stockholders and stakeholders with relevant and timely information about the Company’s performance, position and prospects as well as other
financial reporting and control requirements as may be issued by regulator or required by the shareholders and stakeholders from time to time.

x. Adoption, implementation and continuous monitoring of policies and procedures that will ensure the integrity and transparency of related party transactions between and among the Company and its parent company, joint ventures, subsidiaries, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board as well as other unusual or complex transactions;

xi. Recommend the appointment and removal of the external auditors;

xii. Creation of procedures for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, subject only to reasonableness of expense;

In particular, the Committee shall have the following duties and responsibilities:

i. assist the Board in its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations and secure Management’s assurance as to the state of the Company’s internal control;

ii. make a fair and balanced review of all financial reports and check against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;

iii. determine the impact of new accounting standards and interpretations in the financial standing and reports of the Company;

iv. assess annual and interim financial reports as to completeness, clarity, consistency and accuracy of disclosures including information on related party transactions;

v. perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management;

vi. be responsible for setting up an internal audit department and consider the appointment and removal of the CAE; establish and identify the reporting line of the CAE so that the reporting levels allow the internal audit activity to fulfill its responsibilities;
vii. ensure that internal auditors have free and full access to all the Company’s records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results;

viii. provide oversight of the Company’s internal and external auditors; ensure that the internal and external auditors act independently from each other; and ensure that the external auditor is given unrestricted access to all records, properties and personnel to enable it to perform its audit function;

ix. review internal audit plans, including audit scope, resources and budget necessary to implement it, to ensure its conformity with the objectives of the Company;

x. discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure cooperation where more than one audit firm is needed in order to secure proper coverage and minimize duplication of efforts;

xi. monitor and evaluate the adequacy and effectiveness of the Company’s internal control system, including financial reporting control and information technology security;

xii. ensure that accounting system of the Company adheres to internationally accepted financial reporting standards and that auditing processes, practices and methodologies are compliant with generally accepted audit standards and practices.

xiii. develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through a procedures and policies handbook that will be used by the entire organization;

xiv. receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies;

xv. establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. The internal auditor shall functionally report directly to the Audit and Governance Committee which committee shall ensure the internal auditor’s independence and freedom from interference by outside parties;

xvi. review the quarterly, half-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the
audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, stock exchange and other regulatory requirements;

xvii. recommend and review the appointment and removal of external auditors and their remuneration;

xviii. coordinate, monitor and facilitate compliance with laws, rules and regulations;

xix. evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company’s overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Company’s annual report;

xx. understand and evaluate disagreements between the external auditors and management and make the appropriate recommendation to the Board for redress of the matter.

xxi. conduct a yearly self-evaluation of the directors and executive officers and report the results of the same to the Board. Independent consultants may also be invited to assist the Committee in the process;

xxii. develop and recommend to the Board corporate governance principles applicable to the Company;

xxiii. monitor and assess the Company’s compliance with rules and regulations relating to corporate governance policies;

xxiv. make an assessment of the correspondence between the Company and its regulators regarding financial statement filings and disclosures;

xxv. evaluate and monitor compliance with the Company’s policy in detection of fraud and whistle-blower program;

xxvi. evaluate compliance with the Company’s Code of Conduct and Ethics.

In the fulfillment of the foregoing functions, the Committee shall maintain a free and open communication with the Company’s independent auditors, the internal auditors and the management of the Company.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention, with full access to all records, books of accounts,
facilities and personnel of the company and the power to retain outside counsel or other experts for this purpose.

Furthermore, the Committee may rely upon the expertise and knowledge of Management, the Internal Auditors and Independent Auditors in the fulfillment of its responsibilities.

The independent Auditors are responsible to the Committee in helping ensure the integrity of the financial statements while the Internal Auditors help the Committee identify the risks, control and financial reporting issues through the continuous review of the effectiveness of the organization’s risk management, financial reporting and controls, and corporate governance processes.

E. FINANCIAL REPORTING

The Committee shall:

i. Review of the financial statements and all related disclosures and reports certified by the Chief Finance Officer (CFO) and released to the public and/or submitted to the Philippine Securities and Exchange Commission for compliance with both the internal financial management handbook and existing financial accounting standards, legal and regulatory requirements.

ii. Review of the quarterly, mid-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, alternative accounting treatments and significant adjustments resulting from the audit, on-going concern assumptions, compliance with accounting standards, tax, legal, and stock exchange requirements.

iii. Ensure that a transparent financial management system is established to ensure the integrity of internal control activities throughout the organization.

iv. Maintain at international standards, the Company’s accounting and auditing processes, practices and methodologies, and ensure that:

   a. The accounting system of the Company is compliant with the current and existing financial accounting standards.

   b. An accountability statement is in place that specifically identifies officers and/or personnel directly responsible for the accomplishment of such task.

v. Review and approve management representation letter before the same is submitted to the independent auditor.
vi. Communicate with the Company’s legal officer/s or counsel/s regarding litigations, claims, contingencies or other significant legal issues that may have an impact on the financial standing of the Company.

F. INTERNAL AUDIT

The Committee shall:

i. Review and approval of the Internal Audit Charter and subsequent revisions thereto.

ii. Set up the Internal Audit Activity (“IAA”), including the appointment and removal of the CAE. The Committee shall establish and identify the reporting line of the CAE so that the reporting levels allow the IAA to fulfill its responsibilities. The Committee, having appointed the CAE, shall also concur in his/her replacement, re-assignment or dismissal.

iii. Ensure that the Internal Auditors have free and full access to all Corporation’s records, properties and personnel relevant to and required by its function and that the IAA shall be free from interference in determining its scope, performing its work and communicating its results.

iv. Approve the Annual Internal Audit Work Plan and all deviations therefrom, ensure that the audit resources are reasonably allocated to the areas of higher risk.

v. Review reports of the IAA and regulatory agencies, where applicable, ensure that management is taking appropriate and corrective actions in a timely manner, including addressing internal control and compliance issues.

vi. Review of the IAA’s periodic reports and the IAA Annual Report. Periodic reports shall highlight the status of projects in accordance with the audit plan approved by the Committee, as well any unplanned projects. Such reports shall include a summary of key findings and recommendations, including the status of implementation. The Annual Report shall discuss the IAA’s activities and performance relative to the audit plans and strategies approved by the Committee.

vii. Conduct separate meetings with the President to discuss any matter that the Committee or the auditors may deem necessary to be discussed privately.

viii. Provide inputs on the performance of the IAA and communicate/ discuss such inputs with the President who shall then translate these into a performance appraisal applicable to the CAE and the Internal Auditors taken as a whole.
|   | MANILA WATER COMPANY, INC.  
|   | AUDIT AND GOVERNANCE COMMITTEE  
|   | CHARTER  
|   | INITIAL ISSUE DATE  
|   | November 8, 2004  
| VERSION NO. 3 | REVISION NO. 4 | REVISION DATE  
|   |   | February 24, 2016  
| Page 9 of 13 |   |   |

ix. As necessary, institute special investigations and, if appropriate the hire of special counsel or experts to provide the necessary assistance.

x. Monitor the assessment of IAA in determining whether the information technology governance of the organization sustains and supports the organization’s strategies and objectives. *(New standard –ISPPIA 2110.A2)*

xi. Provide inputs on the IAA’s evaluation of the potential occurrence of material errors and fraud. IAA should inform the Committee how the organization manages fraud risk. The Committee shall determine the sufficiency of the risk controls applied in the Company for the occurrence of such material errors and fraud and provide inputs and/or guidance on how to improve the same. *(New standard–ISPPIA 2120.A2)*

xii. The Committee shall report to the Board any material error or fraud it may have found on its own or through the evaluation conducted by the IAA related to the business of the Company, particularly in financial reporting, and recommend appropriate actions to be taken by the Board to correct the same.

xiii. Provide and approve the limits of IAA’s responsibility in assisting the management in establishing and improving risk management process. IAA must refrain from assuming management responsibility by actually managing risks. *(New standard-ISPPIA 2120.C3)*

xiv. Oversee that IAA will only state that their engagements are “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing”, only if the results of the quality assurance and improvement program support the statement. *(New standard-ISPPIA 2430)*

xv. Review and evaluate IAA’s evaluation of the Company’s internal controls including Information Technology systems and functions;

xvi. Evaluate and deliberate on the weaknesses of the Company’s internal control and reporting processes and provide guidance or establish corrective measures for its improvement;

xvii. Ensure that management employs the services of internal auditors who are compliant with all qualification requirements of existing regulations, if any, and/or have sufficient experience and expertise in the performance of internal audit functions and that the performance of the internal auditor’s functions are in compliance with international standards on the Practice of Internal Auditing;

xviii. Determine the propriety of keeping an in-house audit function as compared to outsourcing. The Committee shall make the appropriate recommendation to
the Board should it determine that the internal audit function should be outsourced.

G. EXTERNAL AUDIT

The Committee shall:

i. Recommend the appointment and removal of the Independent Auditors and the fixing of their compensation to the Board and ensure that the rotation process of the auditors of the external auditors of the firm engaged is enforced.

ii. Ensure that the external auditors comply with relevant and applicable auditing standards.

iii. Review and pre-approve the Independent Auditor’s plans to understand the basis for their risk assessment and financial statement materiality including the scope and frequency of the audit, and ensure cooperation when more than one professional service firm is needed.

iv. Monitor the coordination efforts of the external and internal auditors.

v. Review the reports of the Independent Auditors and regulatory agencies, where applicable. Ensure that management is taking appropriate corrective actions in a timely manner, including addressing control and compliance issues.

vi. Conduct a separate meeting in executive session, with the external auditors to discuss any matter that the committee or auditors believe should be discussed privately, including the results of the audit, year-end financial statements, the quality of management, financial and accounting controls.

vii. Review and approve the proportion of audit versus non-audit work both in relation to their significance to the auditor and in relation to the Company’s year-end financial statements, and total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the independent auditor. The amount of non-audit work of independent auditors shall be disclosed in the annual report.

viii. Evaluate the internal control issues that have been raised by the independent auditor.

ix. Communicate with the external auditors of the Company within a reasonable period of time after the completion of the independent audit and to discuss any material findings on the Company relating to critical policy weaknesses, the external auditor’s observation on the Company’s internal controls, audit adjustments, alternative treatments, the independent auditor’s independence and limitations on the audit that may have been imposed by management and
other material issues that affect the integrity and accuracy of the Company’s financial reporting;

x. Evaluate the performance of the external auditor and to ensure that the same performs its functions in compliance with the relevant and applicable auditing standards.

I. REPORTING PROCEDURES

To keep the Board of Directors appraised on the results of the Committee’s activities, the Committee Chairman shall submit a report every quarter to the Chairman of the Board and shall report to the Board during its meeting for the quarter, if necessary.

The Committee Chairman will also submit and present an Annual Audit and Governance Committee report to the Board during its first meeting immediately following the end of the fiscal year.

J. PERFORMANCE EVALUATION AND CONTINUOUS IMPROVEMENT

To ensure that the Committee continues to fulfill its responsibilities in accordance with global best practices and in compliance with the Manual and other relevant regulatory requirements, the Committee shall conduct an assessment of its performance at least annually.

In this regard, the Committee shall:

i. As a body, evaluate its performance by filling up a self-assessment questionnaire that shall benchmark its practices against the expectations set out in this Charter.

ii. Based on the results of the self-assessment, formulate and implement plans to improve its performance. These shall include the identification of relevant training needs intended to keep the members up-to-date with corporate governance best practices, accounting and auditing standards, as well as specific areas of concern (e.g. emerging risks).

iii. Annually, review the status of implementation of such plans for improvement.

iv. In addition, the Committee shall obtain and subject itself to an independent assessment by the Board of Directors relative to its performance in accordance with expectations set out in this Charter and the discharge of its responsibilities as specified in the Committee’s Calendar of Activities.
K. FUNCTIONAL AND SECRETARIAT SUPPORT

The IAA shall support the Committee in the rendition of its functions, specifically:

i. IAA shall provide all the secretariat support to the Committee.

ii. The CAE shall attend all the Committee meetings and ensure that a legal officer records the minutes of the meetings.

iii. IAA shall keep all minutes of the meetings and make these available for inspection by any member of the Committee or the Board of Directors, as and when requested.

iv. IAA shall review all papers for submission to the Committee, including any proposals from management before these are submitted to the Committee for approval. If there are unresolved differences in opinion on any proposal between the proponent and IAA, these shall be highlighted to the Committee for consideration and decision.

L. REVIEW AND AMENDMENTS

The Committee shall review the Charter annually and any revision deemed necessary or appropriate will be endorsed by the Committee for approval of the Board.

M. APPROVAL

This revised Charter was approved by unanimous vote of the members of the Audit and Governance Committee during its Audit and Governance Committee Meeting on 24 February 2016 held at 34th Floor, Mancom Dining, Ayala Tower 1, Ayala Avenue, Makati City.

The Charter was revised to remove the roles and responsibilities on Risk Management that is contained in the Risk Committee Charter that was approved in the November 26, 2015 Board Meeting.

JOSE L. CUISIA, JR.  Jaime C. Laya  Victoria P. Garchitorena
Member  Member  Member

OSCAR S. REYES
Chairman
N. ADOPTION AND EFFECTIVITY

This Charter was adopted by the Board of Directors on November 8, 2004 and became effective on **January 1, 2005**. The Revised Charter shall be effective March 1, 2016.

Initial Issue Date: November 8, 2004

Revisions:

- November 25, 2009 - to include new Auditing Standards

- February 15, 2010 – to explicitly state and clearly define Definition of Internal Auditing and the responsibilities of IAA in consulting services

- February 14, 2011 - to include the ERM functions of the AGC that is also the function of the Board to review and endorse to the Board the adequacy and effectiveness of Manila Water’s enterprise risk management process.

- February 14, 2012 – change in Audit and Governance Committee Members. The AGC reviewed the Charter to determine its adequacy in achieving the AGC’s and Internal Audit’s objectives. Consequently, the AGC approved and signed Charter.

- August 29, 2012 – to adopt the guidelines set forth by the Securities and Exchange Commission in its Memorandum Circular No. 4 Series of 2012 on the specific functions of the Audit Committee and an assessment of its performance.

- February 24, 2016 – to reflect new roles of the Audit & Governance Committee in light of the creation of Risk Committee
March 2, 2016

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention :  MR. VICENTE GRACIONO P. FELIZMENIO, JR.
            Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention :  MS. JANET A. ENCARNACION
            Head, Disclosure Department

Subject : Updates and Amendments to the Annual Corporate Governance Report

Gentlemen:

Please be advised of the updates and amendments to the Annual Corporate Governance Report (ACGR) of Manila Water Company, Inc. The affected portions of the ACGR are attached for your reference.

The aforesaid updates and amendments were due to the revision of the Audit and Governance Committee Charter approved by the Board of Directors in its Regular Meeting held on February 26, 2016.

Very truly yours,

[Signature]

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
B. BOARD MEETINGS & ATTENDANCE

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

As a general rule, policies of the Companies are formulated by the Senior Management, subject to the approval of the Board of Directors or pursuant to previous authorizations given by the Board or provided under the By Laws of the Corporation.

In its regular meeting held on August 11, 2015, the Board approved the creation of a Risk Committee, and in its meeting held on November 26, 2015, the Board approved the Charter of the Risk Committee. Under its Charter, the Committee shall have the following authority, roles and responsibilities:

1. Promote an open discussion regarding risks faced by the Company, as well as risks faced by its subsidiaries that may have potential impact on the Company’s operations, and ensure that risk awareness culture is pervasive throughout the organization.
2. Ensure that an overall set of risk management policies and procedures exist for the Company.
3. Review the Company’s risk governance structure and the adequacy of the Company’s risk management framework / process.
4. Review and endorse to the Board changes or amendments to the Enterprise Risk Management (ERM) Policy.
5. Perform oversight functions specifically in the areas of managing strategic, financial, compliance, regulatory, operational and other risks of the Company, and crisis management.
6. In coordination with the Audit and Governance Committee, ensure that the Company’s internal audit work plan is aligned with risk management activities and that the internal control system considers all risks identified in the risk assessment process.
7. Perform other activities related to this Charter as requested by the Board.

This policy notwithstanding, Management shall remain primarily responsible for the development, implementation, monitoring and reporting of the risk management framework, process and strategies intended to address the identified risks.

In its regular meeting held on April 15, 2013, the Board ratified and approved the revisions to the Sustainability Policy and Climate Change Policy of the Company.
The Sustainability Policy of Manila Water was developed in 2005 and was first presented in the first-ever Sustainability Report of Manila Water which was released in the same year. Over the years, there have been several changes in the organization of Manila Water as well as in the business environment within which the Company is operating and there were also new international standards. Given these factors, the management revisited the Company’s Sustainability Policy and identified the gaps that need to be addressed.

On other hand, the Climate Change Policy was ratified by the Board in 2007 and Manila Water was the first company to have a formal climate change policy. This Policy predates the Philippine Climate Change Act, National Framework Strategy on Climate Change and National Climate Change Action Plan which were passed/implemented in 2009, 2010 and 2011 respectively. To align the Company’s Climate Change Policy with the Philippine government’s anchor strategy of Adaptation, Manila Water revised its existing Climate Change Policy.

In its regular meeting held on November 29, 2013, the Board approved the Charters of the Board Committees, namely, the Executive Committee, the Nomination Committee, the Remuneration Committee, and the Committee of Inspectors of Ballots and Proxies. The Audit and Governance Committee has an existing charter. **However, in its Regular Meeting held on February 26, 2016, the Board approved the amendment to the Charter of the Audit and Governance Committee which pertains to the transfer of the risk management and oversight functions to the recently established Risk Committee.**

Prior to the adoption of the Board Committee Charters, the Manual, with the exception of the Audit and Governance Committee Charter, is the only basis of the authority, functions and duties of the Board Committees. With the recent trend of empowering the Board Committees, there existed a need to codify this empowerment and to supplement the Manual with regard to the duties, functions, and composition of the Board Committees.

The primary objective of the Board Committee Charters is to establish the requirements of membership of the aforesaid Committee, the powers, duties and responsibilities of the members, the meeting and quorum requirements, and the method of adopting resolutions. With the approval of the charters, the Committees will have a clearer and more direct participation in the functioning of the Board. However, the Board Committee Charters is not intended to replace, but only to supplement, the Manual.

In its special meeting held on April 4, 2014, the Board approved the following:

a. Revised Code of Business Conduct and Ethics  
b. Policy on Related Party Transaction  
c. Charter of the Office of the Corporate Secretary and  
d. Charter of the Board of Directors
The Revised Code of Business Conduct and Ethics contains improvements in the existing policies of the Company on conflict of interest, honesty and fair dealing, disclosure, insider trading, and corporate entertainment and gifts. In addition, policies on creditor rights, anti-corruption and anti-sexual harassment have been incorporated as well. More importantly, the provisions on implementation of the Revised Code through the Compliance Officer have been made clearer and more stringent, and a corporate governance panel has been tasked to assist the Compliance Officer in the investigation of the violations of the Revised Code.

The Policy on Related Party Transactions (RPT), the Charter of the Corporate Secretary and the Charter of the Board seek to supplement the provisions of the Manual on the said relevant subjects.

The RPT Policy requires that the Company shall enter into any related-party transactions solely in the ordinary course of business, on ordinary commercial terms and on the basis of arm’s length arrangements, and subject to appropriate corporate approvals and actions of the Corporation or the Related Parties, as the case may be. More importantly, approval of the Committee (composed entirely of the independent directors of the Audit and Governance Committee) is required prior to award of Material RPTs. With respect to non-material RPTs, the approval of the Compliance Officer is required prior to award thereof. Material RPTs are those with contract price of at least Php10,000,000.00.

The Charter of the Corporate Secretary institutionalizes the Office of the Corporate Secretary as the office with the primary function of assisting the Board of Directors.

The Charter of the Board of Directors includes, among others, the process for selection, appointment, disqualification, suspension, reinstatement, and removal of directors, meeting and quorum requirements, clear delineation of the functions of the Board as a collegial body and the Chairman of the Board of Directors, and the evaluation of the Board, the Board Committees and the President of the Company. The Charter of the Board also clarifies and ingrains the policies of the Board on Business Conduct and Ethics, Diversity and Multiple Directorships.

The adoption of the above changes in or new policies are in line with the Company’s efforts to further its corporate governance practices and implementation.

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities
Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

On August 11, 2015, at its regular meeting, the Board approved the creation of the Risk Committee. On November 26, 2015, at its regular meeting, the Board approved the Charter of the Risk Committee.

<table>
<thead>
<tr>
<th>Committee</th>
<th>No. of Members</th>
<th>Functions</th>
<th>Key Responsibilities</th>
<th>Power</th>
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<tr>
<td></td>
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</tr>
<tr>
<td>Others (specify)</td>
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</tbody>
</table>

The Executive Committee

The Board shall appoint from among its members an Executive Committee composed of five (5) members. The Board shall designate the Chairman of the Executive Committee.

The Executive Committee is authorized to act, and shall act, on matters within the competence of the Board of Directors, except with respect to --

a. approval of any action for which shareholders' approval is also required;
b. the filling of vacancies on the Board or in the Executive Committee;
c. the amendment or repeal of By-Laws or the adoption of new By-Laws;
d. the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable;
e. the distribution of cash dividends;
f. the exercise of powers delegated by the Board exclusively to other committees, if any.

The attendance of at least four (4) members of the Executive Committee shall constitute a quorum but the majority vote of all members shall be necessary to carry an act or resolution of the Committee. An act of the Executive Committee which is within the scope of its powers shall not require ratification or approval by the Board for its validity and effectivity. However, any such act shall be subject to revision or alteration by the Board.

The Committee shall perform such other functions as may be properly delegated to it by the Board.
The Committee shall be guided by the Company’s mission and vision in the fulfilment of its functions.

The Audit and Governance Committee

There shall be an Audit and Governance Committee composed of four (4) members, and at least one of whom shall be an independent director. The independent director shall chair the Audit and Governance Committee.

The Audit and Governance Committee has three (3) independent directors, one of whom is the Chairman.

Each member shall have an adequate understanding of accounting and auditing principles in general and of the Company’s financial management systems and environment in particular.

The Audit and Governance Committee is expected, through the provision of checks and balances, to bring positive results in supervising and supporting the management of the Company. It shall be responsible for ensuring the development of, compliance with, and periodic review of corporate governance policies and practices in the Company.

In general, the Audit and Governance Committee shall assist the Board in the performance of the following functions:

i. Ensure the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;

ii. Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;

iii. Institutionalizing the internal audit functions;

iv. Ensuring the presence of, and regularly reviewing, the performance and quality of external audit;

v. Provide strategic policies and guidelines to the Company on major capital expenditures and key investments. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies;

vi. Formulate a clear communication and disclosure strategy to promptly and regularly communicate with the regulators and the Company’s shareholders and other stakeholders on matters of importance;
vii. Identify the sectors in the community in which the Company operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;
viii. Adopt a system of internal checks and balances for the Board and management which systems shall be continuously and regularly reviewed and updated to ensure adequacy and effectiveness;
ix. Provide the stockholders and stakeholders with relevant and timely information about the Company’s performance, position and prospects as well as other financial reporting and control requirements as may be issued by regulator or required by the shareholders and stakeholders from time to time.
x. Adoption, implementation and continuous monitoring of policies and procedures that will ensure the integrity and transparency of related party transactions between and among the Company and its parent company, joint ventures, subsidiaries, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board as well as other unusual or complex transactions;
xi. Recommend the appointment and removal of the external auditors;
xii. Creation of procedures for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, subject only to reasonableness of expense;

In particular, the Audit and Governance Committee shall have the following duties and responsibilities:
i. assist the Board in its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations and secure Management’s assurance as to the state of the Company’s internal control;
ii. make a fair and balanced review of all financial reports and check against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;
iii. determine the impact of new accounting standards and interpretations in the financial standing and reports of the Company;
iv. assess annual and interim financial reports as to completeness, clarity, consistency and accuracy of disclosures including information on related party transactions;
v. perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management;
vi. be responsible for setting up an internal audit department and consider the appointment and removal of the CAE; establish and identify the reporting line of the CAE so that the reporting levels allow the internal audit activity to fulfill its responsibilities;
vii. ensure that internal auditors have free and full access to all the Company’s records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results;

viii. provide oversight of the Company’s internal and external auditors; ensure that the internal and external auditors act independently from each other; and ensure that the external auditor is given unrestricted access to all records, properties and personnel to enable it to perform its audit function;

ix. review internal audit plans, including audit scope, resources and budget necessary to implement it, to ensure its conformity with the objectives of the Company;

x. discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure cooperation where more than one audit firm is needed in order to secure proper coverage and minimize duplication of efforts;

xi. monitor and evaluate the adequacy and effectiveness of the Company’s internal control system, including financial reporting control and information technology security;

xii. ensure that accounting system of the Company adheres to internationally accepted financial reporting standards and that auditing processes, practices and methodologies are compliant with generally accepted audit standards and practices.

xiii. develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through a procedures and policies handbook that will be used by the entire organization;

xiv. receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies;

xv. establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. The internal auditor shall functionally report directly to the Audit and Governance Committee which committee shall ensure the internal auditor’s independence and freedom from interference by outside parties;

xvi. review the quarterly, half-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, stock exchange and other regulatory requirements;

xvii. recommend and review the appointment and removal of external auditors and their remuneration;

xviii. coordinate, monitor and facilitate compliance with laws, rules and regulations;

xix. evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company’s overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Company’s annual report;
xx. understand and evaluate disagreements between the external auditors and management and make the appropriate recommendation to the Board for redress of the matter.
xxi conduct a yearly self-evaluation of the directors and executive officers and report the results of the same to the Board.
   Independent consultants may also be invited to assist the Committee in the process;
xxii develop and recommend to the Board corporate governance principles applicable to the Company;
xxiii monitor and assess the Company’s compliance with rules and regulations relating to corporate governance policies;
xxiv make an assessment of the correspondence between the Company and its regulators regarding financial statement filings and disclosures;
xxv evaluate and monitor compliance with the Company’s policy in detection of fraud and whistle-blower program;
xxvi evaluate compliance with the Company’s Code of Conduct and Ethics.

In the fulfillment of the foregoing functions, the Committee shall maintain a free and open communication with the Company’s independent auditors, the internal auditors and the management of the Company. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention, with full access to all records, books of accounts, facilities and personnel of the company and the power to retain outside counsel or other experts for this purpose.

Furthermore, the Committee may rely upon the expertise and knowledge of Management, the Internal Auditors and Independent Auditors in the fulfillment of its responsibilities. The independent Auditors are responsible to the Committee in helping ensure the integrity of the financial statements while the Internal Auditors help the Committee identify the risks, control and financial reporting issues through the continuous review of the effectiveness of the organization’s risk management, financial reporting and controls, and corporate governance processes.

With regard to Financial Reporting, the Audit and Governance Committee shall:
   i Review of the financial statements and all related disclosures and reports certified by the Chief Finance Officer (CFO) and released to the public and/or submitted to the Philippine Securities and Exchange Commission for compliance with both the internal financial management handbook and existing financial accounting standards, legal and regulatory requirements.
   ii Review of the quarterly, mid-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, alternative accounting treatments and significant adjustments resulting from the audit, on-going concern assumptions, compliance with accounting standards, tax, legal, and stock exchange requirements.
   iii Ensure that a transparent financial management system is established to ensure the integrity of internal control activities throughout the organization.
iv Maintain at international standards, the Company’s accounting and auditing processes, practices and methodologies, and ensure that: (a) The accounting system of the Company is compliant with the current and existing financial accounting standards; and (b) An accountability statement is in place that specifically identifies officers and/or personnel directly responsible for the accomplishment of such task.

v Review and approve management representation letter before the same is submitted to the independent auditor.

vi Communicate with the Company’s legal officer/s or counsel/s regarding litigations, claims, contingencies or other significant legal issues that may have an impact on the financial standing of the Company.

With regard to Internal Audit, the Audit and Governance Committee shall:

i Review and approval of the Internal Audit Charter and subsequent revisions thereto.

ii Set up the Internal Audit Activity (“IAA”), including the appointment and removal of the CAE. The Committee shall establish and identify the reporting line of the CAE so that the reporting levels allow the IAA to fulfill its responsibilities. The Committee, having appointed the CAE, shall also concur in his/her replacement, re-assignment or dismissal.

iii Ensure that the Internal Auditors have free and full access to all Corporation’s records, properties and personnel relevant to and required by its function and that the IAA shall be free from interference in determining its scope, performing its work and communicating its results.

iv Approve the Annual Internal Audit Work Plan and all deviations therefrom, ensure that the audit resources are reasonably allocated to the areas of higher risk.

v Review reports of the IAA and regulatory agencies, where applicable, ensure that management is taking appropriate and corrective actions in a timely manner, including addressing internal control and compliance issues.

vi Review of the IAA’s periodic reports and the IAA Annual Report. Periodic reports shall highlight the status of projects in accordance with the audit plan approved by the Committee, as well any unplanned projects. Such reports shall include a summary of key findings and recommendations, including the status of implementation. The Annual Report shall discuss the IAA’s activities and performance relative to the audit plans and strategies approved by the Committee.

vii Conduct separate meetings with the President to discuss any matter that the Committee or the auditors may deem necessary to be discussed privately.

viii Provide inputs on the performance of the IAA and communicate/discuss such inputs with the President who shall then translate these into a performance appraisal applicable to the CAE and the Internal Auditors taken as a whole.

ix As necessary, institute special investigations and, if appropriate, the hire of special counsel or experts to provide the necessary assistance.

x. Monitor the assessment of IAA in determining whether the information technology governance of the organization sustains and supports the organization’s strategies and objectives. (New standard –ISPPIA 2110.A2)
xi. Provide inputs on the IAA’s evaluation of the potential occurrence of material errors and fraud. IAA should inform the Committee how the organization manages fraud risk. The Committee shall determine the sufficiency of the risk controls applied in the Company for the occurrence of such material errors and fraud and provide inputs and/or guidance on how to improve the same. (New standard-ISPPIA 2120.A2)

xii. The Committee shall report to the Board any material error or fraud it may have found on its own or through the evaluation conducted by the IAA related to the business of the Company, particularly in financial reporting, and recommend appropriate actions to be taken by the Board to correct the same.

xiii. Provide and approve the limits of IAA’s responsibility in assisting the management in establishing and improving risk management process. IAA must refrain from assuming management responsibility by actually managing risks. (New standard-ISPPIA 2120.C3)

xiv. Oversee that IAA will only state that their engagements are “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing”, only if the results of the quality assurance and improvement program support the statement. (New standard-ISPPIA 2430)

xv. Review and evaluate IAA’s evaluation of the Company’s internal controls including Information Technology systems and functions;

xvi. Evaluate and deliberate on the weaknesses of the Company’s internal control and reporting processes and provide guidance or establish corrective measures for its improvement;

xvii. Ensure that management employs the services of internal auditors who are compliant with all qualification requirements of existing regulations, if any, and/or have sufficient experience and expertise in the performance of internal audit functions and that the performance of the internal auditor’s functions are in compliance with international standards on the Practice of Internal Auditing;

xviii. Determine the propriety of keeping an in-house audit function as compared to outsourcing. The Committee shall make the appropriate recommendation to the Board should it determine that the internal audit function should be outsourced.

With regard to External Audit, the Audit and Governance Committee shall:

i. Recommend the appointment and removal of the Independent Auditors and the fixing of their compensation to the Board and ensure that the rotation process of the auditors of the external auditors of the firm engaged is enforced.

ii. Ensure that the external auditors comply with relevant and applicable auditing standards.

iii. Review and pre-approve the Independent Auditor’s plans to understand the basis for their risk assessment and financial statement materiality including the scope and frequency of the audit, and ensure cooperation when more than one professional service firm is needed.

iv. Monitor the coordination efforts of the external and internal auditors.
v. Review the reports of the Independent Auditors and regulatory agencies, where applicable. Ensure that management is taking appropriate corrective actions in a timely manner, including addressing control and compliance issues.

vi. Conduct a separate meeting in executive session, with the external auditors to discuss any matter that the committee or auditors believe should be discussed privately, including the results of the audit, year-end financial statements, the quality of management, financial and accounting controls.

vii. Review and approve the proportion of audit versus non-audit work both in relation to their significance to the auditor and in relation to the Company’s year-end financial statements, and total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the independent auditor. The amount of non-audit work of independent auditors shall be disclosed in the annual report.

viii. Evaluate the internal control issues that have been raised by the independent auditor.

ix. Communicate with the external auditors of the Company within a reasonable period of time after the completion of the independent audit and to discuss any material findings on the Company relating to critical policy weaknesses, the external auditor’s observation on the Company’s internal controls, audit adjustments, alternative treatments, the independent auditor’s independence and limitations on the audit that may have been imposed by management and other material issues that affect the integrity and accuracy of the Company’s financial reporting;

x. Evaluate the performance of the external auditor and to ensure that the same performs its functions in compliance with the relevant and applicable auditing standards.

The Nomination Committee
The Nomination Committee shall be composed of at least three (3) members, majority of whom shall be independent directors. The Board will designate the Chairman of the Committee who must be an independent director.

At present, the Nomination Committee of Manila Water has four (4) members, three (3) of whom are independent directors. The Chairman is an independent Director.

The Committee shall have the following functions:
a. Install and maintain a process to ensure that all directors to be nominated for election at the next Annual General Stockholders’ Meeting have the qualifications and none of the disqualifications stated above;
b. Encourage the selection of a mix of competent directors, each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies;
c. Review and evaluate the qualifications of all persons nominated to positions in the Company which require appointment by the Board and provide guidance and advice as necessary for the appointment of persons nominated to other positions;
d. Review and revise if necessary, the succession plans for members of the Board and officers from Group Directors to the President/CEO;
e. Provide assessment on the Board’s effectiveness in directing the process of renewing and replacing Board members and in appointing officers or advisors and develop, update as necessary and recommend to the Board policies for considering nominees for directors, officers or advisors;
f. Discharge any other duties and responsibilities delegated to the Committee by the Board from time to time.

The Committee shall be guided by the Corporation’s vision and mission in the fulfilment of its functions.

**The Remuneration Committee**

The Remuneration Committee shall be composed of at least three (3) members, a majority of whom shall be independent director. The Board will designate the Chairman of the Committee who must be an independent director.

At present, the Nomination Committee of Manila Water has four (4) members, three (3) of whom are independent directors. The Chairman is an independent Director.

The Committee shall have the following functions:
a. Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company’s culture, strategy and the business environment in which it operates;
b. Determine and approve all matters relating to the remuneration and benefits of the Board and the Company’s officers;
c. Evaluate and recommend for Board approval the pertinent guidelines on executive compensation, including non-monetary remuneration;
d. Periodically review and evaluate the policy on remuneration in order that it be in a sufficient level to attract and retain directors and officers of the Company;
e. Provide in the Company’s Required Reportorial Requirements, a clear, concise and understandable disclosure of all compensation that may be paid to its directors and key officers during the preceding fiscal year;
f. Review and revise, if necessary, the existing Company policies to strengthen provisions on conflict of interest, compensation and benefit policies, promotion and career advancement and compliance with all regulatory policies.

No member of the Committee will act to fix his or her own compensation except for uniform compensation to directors for their services as a director.

**The Related Party Transaction Committee**
The Related Party Transactions Committee consists of all of the independent directors of the Audit and Governance Committee, provided that there are at least three (3) independent directors in the Committee. As such, the RPT Committee is considered a subset of the Audit and Governance Committee. Hence, except on matters relating specifically to their functions as members of the RPT Committee, the members are subject to the charter of the Audit and Governance Committee.

Prior to entering into any Material RPT, the Company shall submit the same for the review of the RPT Committee to confirm that it has undergone the same process as an ordinary transaction and to determine that the Material RPT under review is in the best interest of the Corporation. A Material RPT means any RPT with a stated value of at least Ten Million Pesos (Php10,000,000.00).

The Risk Committee

The Risk Committee shall be comprised of at least four (4) members of the Board, majority of whom shall be independent directors of the Company. The Board shall designate one member, who must be an independent director, to serve as the Committee Chairman.

The Board shall appoint the Committee members at its annual organizational meeting. Membership shall be reviewed annually, subject to the approval of the Board.

The Committee shall have the following authority, roles and responsibilities;

a. Promote an open discussion regarding risks faced by the Company, as well as risks faced by its subsidiaries that may have potential impact on the Company’s operations, and ensure that risk awareness culture is pervasive throughout the organization.

b. Ensure that an overall set of risk management policies and procedures exist for the Company.

c. Review the Company’s risk governance structure and the adequacy of the Company’s risk management framework/process.

d. Review and endorse to the Board changes or amendments to the Enterprise Risk Management (ERM) Policy.

e. Perform oversight functions specifically in the areas of managing strategic, financial, compliance, regulatory, operational and other risks of the Company, and crisis management.

f. In coordination with the Audit and Governance Committee, ensure that the Company’s internal audit work plan is aligned with risk management activities and that the internal control system considers all risks identified in the risk assessment process.

g. Perform other activities related to this Charter as requested by the Board.

The Committee shall meet at least twice a year, or more frequently as needed. All meetings shall be presided by the Committee Chairman and attended by all committee members, whether in person or via teleconference or videoconference. Meetings shall not proceed in the absence of a quorum; that is, more than half of the total number of committee members.
Separate executive sessions may be conducted by the Committee with the Chief Risk Officer (CRO), Chief Finance Officer (CFO), Chief Audit Executive (CAE), other members of the Management team and/or external auditors to foster open communication and discuss any matter that the Committee believes as needed to be discussed in private.

The Committee Chairman shall submit and present a report to the Board, containing updates on all actions taken by the Committee at the Board meeting following the Committee meeting.
March 2, 2016

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention : MR. VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention : MS. JANET A. ENCARNACION
Head, Disclosure Department

Subject : Updates and Amendments to the Annual Corporate Governance Report

Gentlemen :

Please be advised of the updates and amendments to the Annual Corporate Governance Report (ACGR) of Manila Water Company, Inc. The affected portions of the ACGR are attached for your reference.

The aforesaid updates and amendments were pursuant to the 2015 Annual Reports of the Audit and Governance Committee and the Risk Committee presented to the Board of Directors at its Regular Meeting held on February 26, 2016. The Reports of the said Board Committees confirm the adequacy and sufficiency of the internal controls and risk management systems of the Company.

Very truly yours,

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

xxx xxx xxx

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The 2015 Annual Report of the Risk Committee to the Board of Directors reads in part:

- The Committee discussed with Management the adequacy and effectiveness of the Enterprise Risk Management Process, including significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans. The review was undertaken in the context that Management is primarily responsible for the risk management process.

- The Committee has reviewed the Enterprise Risk Management Process and is satisfied that sufficient risk management systems are in place in the Company.

- The Committee noted the 2016 plans and initiatives of the Enterprise Risk and Insurance Management (ERIM) Department to create a robust risk awareness and management culture and to promote good risk management practices achieving appropriate risk and reward in Manila Water’s business.

The Internal Audit Department assessed the state of the ERM framework of Manila Water and the results of the assessment was reported to the Risk Committee (RC) and the Board of Directors (BOD). The assessment of the ERM framework covered the following components, namely:

- Governance and Organization;
- Risk Management Strategy;
- Reporting and Communication;
- Tools and Technology; and
- Culture and Capability.
The RC and the BOD reviewed and approved the top enterprise risks of the Company and reviewed the progress of the action plans to manage these risks. In addition, the risk management programs are reviewed and approved by RC which make a report to the BOD. The comments and recommendations of the RC and BOD were incorporated in the programs for 2015.

For 2015, the following are the improvements in the Risk Management System:

- Creation of Risk Committee of the BOD
- Conduct of Black Swan Workshop attended by Senior Leadership Team and Management Committee
- Inclusion of Manila Water subsidiaries in the Risk Management Excellence Awards program
- Inclusion of ERM maturity in corporate and group targets

In addition, an external assessment of Manila Water’s ERM maturity was conducted by Aon Philippines. Manila Water achieved a rating of 4.5 which means Manila Water is between the operational and advanced levels of ERM implementation. The 4.5 score is also above the global average for all industries (3.0) and global average for utility companies (2.5). The assessment covered the following components of ERM:

- Board Understanding and Commitment to Risk Management
- Executive Level Risk Management Stewardship
- Risk Communication
- Risk Culture: Engagement & Accountability
- Risk Identification
- Stakeholder Participation in Risk Management
- Risk Information and Decision Making Processes
- Integrating Risk Management & Human Capital Processes
- Risk Analysis & Quantification to Understand Risk and Demonstrate Value
- Risk Management Focus on Value Creation
G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

XXX XXX XXX

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The 2015 Annual Report of the Audit and Governance Committee to the Board of Directors reads in part:

• The Committee discussed and approved the overall scope and the respective audit plans of the Company’s internal auditors and of SGV & Co., the results of their audits and their assessment of the Company’s internal controls, and the overall quality of the financial reporting process.

• The Committee discussed the reports of the internal auditors, and ensured that Management is taking appropriate actions in a timely manner, including addressing internal control and compliance issues. All the activities performed by Internal Audit were conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

• The Audit and Governance Committee, through the audits conducted by SGV & Company and Internal Audit, has reviewed Management’s system of internal controls and the Committee found the internal control system to be adequate and effective.

• The Committee discussed with Management the adequacy and effectiveness of the Enterprise Risk Management process, including significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans. The review was undertaken in the context that Management is primarily responsible for the risk management process.
A. Introduction

In line with best corporate governance practices and to ensure effective management of strategic, operational, financial and compliance-related risks, the Board of Directors (the “Board”) of Manila Water Company, Inc. (the “Company”) created the Risk Committee (the “Committee”) to provide assistance in fulfilling the Board’s oversight responsibilities in relation to risk governance in the Company.

B. Committee Structure

The Committee shall be comprised of four (4) members of the Board, majority of whom shall be independent directors of the Company. The Board shall designate one member, who must be an independent director, to serve as the Committee Chairman.

The Board shall appoint the Committee members at its annual organizational meeting. Membership shall be reviewed annually, subject to the approval of the Board.

C. Authority, Roles and Responsibilities of the Committee

The Committee shall have the following authority, roles and responsibilities:

1. Promote an open discussion regarding risks faced by the Company, as well as risks faced by its subsidiaries that may have potential impact on the Company’ operations, and ensure that risk awareness culture is pervasive throughout the organization.

2. Ensure that an overall set of risk management policies and procedures exist for the Company.

3. Review the Company’s risk governance structure and the adequacy of the Company’s risk management framework / process.

4. Review and endorse to the Board changes or amendments to the Enterprise Risk Management (ERM) Policy.

5. Perform oversight functions specifically in the areas of managing strategic, financial, compliance, operational and other risks of the Company, and crisis management.
6. In coordination with the Audit and Governance Committee, ensure that the Company’s internal audit work plan is aligned with risk management activities and that the internal control system considers all risks identified in the risk assessment process.

7. Perform other activities related to this Charter as requested by the Board.

This policy notwithstanding, Management shall remain primarily responsible for the development, implementation, monitoring and reporting of the risk management framework, process and strategies intended to address the identified risks.

D. Meetings and Schedule of Activities

The Committee shall meet at least twice a year, or more frequently as needed. All meetings shall be presided by the Committee Chairman and attended by all committee members, whether in person or via teleconference or videoconference. Meetings shall not proceed in the absence of a quorum; that is, three (3) committee members.

Separate executive sessions may be conducted by the Committee with the Chief Risk Officer (CRO), Chief Finance Officer (CFO), Chief Audit Executive (CAE), other members of the Management team and/or external auditors to foster open communication and discuss any matter that the Committee believes as needed to be discussed in private.

The minutes of the Committee meeting shall be recorded and maintained by the Enterprise Risk and Insurance Management (ERIM) Department and presented to the Committee at the next meeting for approval.

Aside from regular meetings, the Committee shall also construct and agree on an annual calendar, which will lay down the schedule of activities for the year. This shall provide a systematic guide for the discharge of the Committee’s responsibilities. Accordingly, the Chief Risk Officer shall ensure that the schedule is followed as planned.

E. Functional and Secretariat Support

The Enterprise Risk and Insurance Management (ERIM) Department shall support the Committee in the performance of its functions, specifically:

1. The ERIM Department shall provide all the secretariat support to the Committee.
2. The Chief Risk Officer shall attend all the Committee meetings and ensure that the minutes of the meetings are properly recorded by a representative from the Office of the Corporate Secretary.

3. The ERIM Department shall keep all minutes of the meetings, recorded and prepared by the Office of the Corporate Secretary and make these available for inspection by any member of the Committee or the Board, as and when requested.

4. The ERIM Department shall review all papers for submission to the Committee, including any proposals from management before these are submitted to the Committee for approval. If there are unresolved differences in opinion on any proposal between the proponent and ERIM Department, these shall be highlighted to the Committee for consideration and decision.

F. Other Matters

1. Reports to the Board

   The Committee Chairman shall submit and present a report to the Board, containing updates on all actions taken by the Committee at the Board meeting following the Committee meeting.

   Similarly, the Committee Chairman shall also submit and present an annual report to the Board during its first meeting following the immediate calendar year. The annual report shall include a summary of the Committee’s activities during the year, an over-all assessment of its performance and recommendations for improvement.

2. Performance Evaluation

   The Committee shall review its performance annually with respect to the fulfillment of its functions and responsibilities as mandated in this Charter. The Board may conduct an independent annual assessment of the Committee’s performance.

3. Annual Charter Review

   This Charter shall be reviewed annually by the Committee to ensure its continuing adequacy and consistency with the Board’s objectives and responsibilities. Any proposed changes shall be approved by the Board.
4. Access to Information

The Committee shall have reasonably free and full access to the Company’s data, records and properties, as well as information from employees, officers, directors or external parties that may be relevant in monitoring and assessing risk exposures and their implications to the Company.

Endorsed for Approval:

(Original Signed)
Jaime C. Laya
Chairman

(Original Signed)
Oscar S. Reyes
Member

(Original Signed)
Jose L. Cuisia, Jr.
Member

(Original Signed)
Victoria P. Garchitorena
Member

Approved by:

(Original Signed)
FERNANDO ZOBEL DE AYALA
MWCI Chairman of the Board

Date Approved: