NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of MANILA WATER COMPANY, INC., will be held at the Ballroom 2, Fairmont Makati, 1 Raffles Drive, Makati Avenue, Makati City, on Monday, April 17, 2017, at 9:00 A.M., with the following

AGENDA

1. Call to order
2. Proof of notice of meeting and certification of quorum
3. Approval of the minutes of the annual meeting of stockholders on April 11, 2016
4. Annual Report
5. Approval of the Audited Financial Statements as of December 31, 2016
6. Election of directors, including independent directors
7. Appointment of external auditor and fixing of its remuneration
8. Consideration of such other business as may properly come before the meeting
9. Adjournment

Explanations for these agenda items and the proposed resolutions for adoption at the meeting are set forth in the next page.

In accordance with Section 8, Article II of the Company’s By Laws, the Board has fixed February 20, 2017 as the record date for the stockholders entitled to notice and vote at this meeting. The stock and transfer book of the Company will not be closed.

In accordance with Section 7, Article II of the Company’s By Laws, any stockholder who wishes to authorize a proxy to act for and in his behalf during the meeting must submit a duly accomplished proxies to the Office of the Corporate Secretary on or before April 4, 2017 at the 2nd Floor MWSS Administration Building, 489 Katipunan Road, Balara, Quezon City, Philippines. Validation of proxies is set for April 6, 2017.

The annual meeting of stockholders will be followed by an organizational meeting of the Board of Directors for the election of the officers of the Company and for the transaction of such other business as may properly come before the meeting.

Balara, Quezon City, February 6, 2017.

SOLOMON M. HERMOSURA
Corporate Secretary
EXPLANATION AND RATIONALE OF EACH ITEM IN THE AGENDA

1. Call to order

The Chairman of the Board of Directors, Mr. Fernando Zobel de Ayala, will call the meeting to order.

2. Proof of notice of meeting and certification of quorum

The Corporate Secretary will certify the date when written notice of the meeting was sent to all stockholders of record as of February 20, 2017, and the date of publication of the notice in newspapers of general circulation.

The Corporate Secretary will further certify the presence of a quorum. The shareholders representing a majority of the outstanding voting capital stock of the Company, present in person or by proxy, shall constitute a quorum for the transaction of the business.

For orderly conduct of the proceedings, the Corporate Secretary will also explain the following rules of conduct and voting procedures at the meeting:

a. A stockholder who wishes to make a remark or to ask a question shall identify himself after being acknowledged by the Chairman and shall limit his remarks and query to the item in the agenda under consideration.

b. On voting procedures, stockholders may opt for manual or electronic voting. For manual voting, each stockholder will be given a ballot upon registration to enable the stockholder to vote in writing per item in the agenda. For electronic voting, there will be computer stations placed outside the Ballroom where stockholders may cast their votes electronically. Both the paper ballot and computer platform for electronic voting will contain the proposed resolutions for consideration by the stockholders and each proposed resolution will be shown on screens in front of stockholders as the same is taken up at the meeting. Stockholders may cast their vote anytime during the meeting.

All the items in the agenda requiring approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the outstanding voting capital stock. Each outstanding share of stock entitles the registered stockholder to one vote. The votes will be tabulated by the Office of the Corporate Secretary, and the results will be validated by an independent party to be announced at the meeting.

The election of the directors shall be by plurality of votes and every stockholder shall be entitled to cumulate his votes.
3. Approval of the minutes of the meeting of stockholders on April 11, 2016

The minutes are available at the Company website, www.manilawater.com and copies thereof will also be distributed to the stockholders upon their registration for the meeting.

A motion for the approval of the following resolution will be presented:

“RESOLVED, to approve the minutes of the annual stockholders’ meeting held on April 11, 2016.”

The affirmative vote of stockholders representing at least a majority of the outstanding voting capital stock of the Corporation is necessary to approve the resolution.

4. The Annual Report

The Chairman, Mr. Fernando Zobel de Ayala, will deliver the “Chairman’s Overview”, which provides the highlights of the performance of the Company for the year 2016 and the outlook of the Company for the year 2017.

The President, Mr. Gerardo C. Ablaza, Jr., will deliver the “Report of the President and Chief Executive Officer” which provides the significant operational and financial performance as well as the milestones and achievements of the Company for the year 2016. The report will also include significant events affecting the Company’s performance for the year 2016.

A printed version of the Annual Report will also be distributed to the stockholders and posted on the Company’s website, www.manilawater.com. A resolution noting the Annual Report will be presented to the stockholders.

Below is the proposed resolution:

“RESOLVED, to note the Annual Report.”

5. Approval of the Audited Financial Statements as of December 31, 2016

The approval of the Financial Statements as of December 31, 2016 audited by Sycip Gorres Velayo & Company (“FS”), contained in the printed version of the Annual Report will be presented to the stockholders. The FS will also be embodied in the Information Statement to be sent to the stockholders at least fifteen (15) business days prior to the meeting. Prior to the meeting, the FS will be approved by the Board of Directors as recommended by the Audit and Governance Committee.
A resolution approving the FS will be presented to the stockholders, who will be given opportunity to ask questions on the Annual Report and the FS. Below is the proposed resolution:

“RESOLVED, to approve the 2016 Audited Financial Statements of the Company.”

The affirmative vote of stockholders constituting at least a majority of the outstanding voting capital stock of the Corporation is necessary to approve the resolution.

6. Election of directors, including independent directors

In accordance with Section 2, Article II of the Company’s By Laws, all nominations to the Board of Directors must be submitted in writing to and received by the Nomination Committee on or before March 2, 2017. The Nomination Committee shall evaluate and determine if the nominees for election to the Board of Directors, including the nominees for independent directors, have all the qualifications and none of the disqualifications before submitting the nominees for election by the stockholders of the eleven (11) members of the Board of Directors including the independent directors. Copies of the curriculum vitae and profiles of the candidates to the Board of Directors will be provided in the Information Statement.

The election of the directors shall be by plurality of votes. Every stockholder may vote the number of shares owned by him for as many persons as there are directors to be elected, or cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or distribute such votes on the same principle among as many candidates as he shall see fit. The eleven (11) directors receiving the highest number of votes will be declared elected as directors of the Company.

In evaluating the nominations to the Board, the Nomination Committee will be guided by its established nomination principles and procedures set forth hereafter.

7. Appointment of external auditor and fixing of its remuneration

A resolution for the approval of the appointment (or re-appointment) of the Company’s external auditor will be presented to the stockholders. Prior to the stockholders’ meeting, the Audit and Governance Committee will recommend, and the Board will consider for approval the recommendation for the appointment of SGV & Co. as external auditor. The profile of the proposed external auditor will be provided in the Information Statement.
Below is the proposed resolution:

“RESOLVED, to approve the appointment/re-appointment of the firm of SGV & Co. as external auditor of the Company for the fiscal year January 1, 2017 to December 31, 2017.”

The affirmative vote of stockholders representing at least a majority of the outstanding voting capital stock of the Corporation is necessary to approve the resolution.

8. Consideration of such other business as may properly come before the meeting

The Chairman will open the floor for comments and questions by the stockholders. Stockholders may raise other matters or issues that may be properly taken up at the meeting.

9. Adjournment

Upon confirmation by the Corporate Secretary that there are no other matters to be considered, and on motion by a stockholder duly seconded, the Chairman will declare the meeting adjourned.
Manila Water Company, Inc. (“Manila Water” or the “Company”) encourages the selection of a mix of competent directors, each of whom can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.

The Board of Directors (the “Board”) of Manila Water shall endeavour to promote and observe diverse membership and for this reason, the Board has adopted a policy of diversity in gender, age, ethnicity, religious, political or cultural backgrounds in its Charter. Thus, the Board encourages the shareholders of Manila Water to select nominees that will promote diversity in the membership of the Board, and ensures a formal and transparent board nomination and election process.

Towards this end, the following procedure shall be observed in the nomination of candidates for election to the Board of Directors:

a. 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, through the Office of the Corporate Secretary, 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

b. Process of Endorsing Nominations

   (i) 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 disqualifications specified in the Corporation Code of the Philippines, the Manual of Corporate Governance, the Charter of the Board, the Securities Regulation Code (“SRC”) Rules, and applicable laws, rules and regulations.

   (ii) 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.

The Nomination Committee undertakes the process of identifying the quality of directors aligned with the Company's strategic directions. Towards this end, the Nomination Committee shall confirm that all nominees for election have all the qualifications and none of the disqualifications to become directors, and that they have the competence and professional background that will enable them to perform their duties as directors of a highly regulated business as that of Manila Water.
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.

A director with temporary disqualification may still be endorsed by the Nomination Committee for election at the annual stockholders’ meeting subject to the sixty (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 Section 2.4.2 of the Charter of the Board shall apply.

(iii) 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.

(iv) 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.

(v) The Chairman of the Board shall provide input to the Nomination Committee on its recommendation for approval of (i) candidates for nomination or appointment to the Board; (ii) members and chairs of Board Committees; and (iii) appointment of Executive Officers.

QUALIFICATIONS AND DISQUALIFICATIONS OF DIRECTORS

The Qualifications and Grounds for Disqualifications for Nominations to the Board of Directors include, but are not limited to:

General Qualifications

a. Ownership of at least one (1) share of the capital stock of the Company;

b. At least twenty-one (21) years of age;

c. 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;
d. Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions;

e. Other relevant qualifications, such as membership in good standing in business, professional organizations or relevant industry;

f. Non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

Specific Qualifications

a. At least one of the independent directors must have accounting expertise (accounting qualification or experience)

b. At least one non-executive director must have prior working experience in the sector that Manila Water is operating in;

c. Independent directors must have all requisite qualifications for independence under Securities and Exchange Commission (“SEC”) Memorandum Circular No. 16, Series of 2002;

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

e. 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;

f. If the beneficial ownership of an independent director in the Company or its related corporations shall exceed two percent (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 sixty (60) days from the occurrence of the ground, he may still be considered an independent director.

Permanent Disqualifications

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 SRC, 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 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 of the Philippines, 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 SRC, 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 of the Philippines, 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 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 –

i. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of ten percent (10%) or more of any outstanding class of shares of, any corporation (other than one in which the Company owns at least thirty percent (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

ii. If he is an officer, manager or controlling person, or the owner (either of record or beneficially) of ten percent (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

iii. 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.i.) or (h.ii.). 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.

Temporary Disqualifications

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.

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.