COVER SHEET

S.E.C. Registration Number
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MANILA WATER COMPANY INC
(Company’s Full Name)

MWSS ADMINISTRATION BUILDING

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA
(Business Address: No. Street City / Town / Province)

Atty. JHOEL P. RAQUEDAN
Contact Person

981-8122
Company Telephone Number

New Manual of Corporate Governance pursuant to
the Code of Corporate Governance for PLCs

Month Day
1 2 3 1 Fiscal Year

STOCK FORM TYPE

Month Day
0 4 Any Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Domestic Foreign

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
May 31, 2017

Securities and Exchange Commission
Secretariat Building, PICC Complex, Roxas Boulevard, Pasay 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 :  Mr. Jose Valeriano B. Zuño III
OIC – Head, Disclosure Department

Subject :  New Manual of Corporate Governance pursuant to the
Code of Corporate Governance for Publicly-Listed Companies

Gentlemen :

Pursuant to SEC Memorandum Circular No. 19, Series of 2016 - Code of Corporate Governance for Publicly-Listed Companies and SEC Memorandum Circular No. 8, Series of 2017 - Signatories and Penalty for Non/Late Submission of the Manual of Corporate Governance, we are submitting herewith our New Manual of Corporate Governance together as attachments the revised charters and policies affected by the new Manual.

Very truly yours,

JHOEL P. BAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
MANILA WATER
CARE IN EVERY DROP

MANUAL OF CORPORATE GOVERNANCE 2017

Pursuant to SEC Memorandum Circular No. 19 Series of 2016 on the Code of Corporate Governance for Publicly-Listed Companies
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PREAMBLE

Manila Water is committed to provide the highest quality of service to all its customers. In the process of delivering its services, the Company consciously and continuously seeks to improve the well-being of every community it serves, as well as that of the natural environment in which it operates.

As the Company moves towards the accomplishment of its corporate goals and ultimately to create and sustain increased value for all its shareholders, the Board of Directors, the Management, officers and employees of Manila Water believe that sound and effective corporate governance is fundamental to the Company’s continued success and long-term existence.

This Manual aims to improve, systematize, and make the Company’s governance transparent, and demonstrate the Company’s commitment to good governance, by developing and furthering:

- Responsible, accountable, and value-based performance management;
- Effective Board oversight, with Board Committees that act in the best interests of the Company and its stakeholders, including minority shareholders, and seek to enhance shareholder value in a sustainable manner; and
- Adequate information disclosure and transparency, as well as effective system of compliance, risk management and internal control.

This Manual principally contains the corporate governance structure of the Company, recognizes and safeguards the rights of every shareholder, and promotes shareholders’ rights, particularly the rights to information and to participate in the governance process. It supplements and complements the Articles of Incorporation and By-Laws of the Company.
CORPORATE GOVERNANCE FRAMEWORK

Corporate Governance is the framework of rules, systems and processes in the Company that governs the performance of the Board and Management of their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, creditors, government and the communities in which it operates. It is the system of stewardship and control adopted by the Company to guide the Company in fulfilling its long-term economic, moral, legal and social obligations towards its stakeholders.\(^1\)

The Company’s corporate governance framework is based primarily on the following fundamental principles\(^2\):

**A. Board’s Governance Responsibilities**

1. The Company should be headed by a competent, working board to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long term best interests of its shareholders and other stakeholders.

2. The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the Company’s Articles of Incorporation and By-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.

3. Board Committees are set up to support the effective performance of the Board’s functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.

4. To show full commitment to the Company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the Company’s business.

5. The Board should endeavor to exercise objective and independent judgment on all corporate affairs.

6. The best measure of the Board’s effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

7. Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

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\(^1\) Code of Corporate Governance for Publicly-Listed Companies issued by the Securities and Exchange Commission through SEC Memorandum Circular No. 19 Series of 2016 (the “CG Code for PLCs”).

\(^2\) *Id.*
B. Disclosure and Transparency

8. The Company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.

9. The Company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor’s independence and enhance audit quality.

10. The Company should ensure that material and reportable non-financial and sustainability issues are disclosed.

11. The Company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

C. Internal Control System and Risk Management Framework

12. To ensure the integrity, transparency and proper governance in the conduct of its affairs, the Company should have a strong and effective internal control system and enterprise risk management framework.

D. Cultivating a Synergic Relationship with Shareholders

13. The Company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

E. Duties to Stakeholders

14. The Company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

15. A mechanism for employee participation should be developed to create a symbiotic environment, realize the Company’s goals and participate in its corporate governance processes.

16. The Company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.
DEFINITION OF TERMS

In this Manual, the following capitalized terms shall have the following definitions:

(a) “Articles of Incorporation” – means the Articles of Incorporation of the Company and its amendments duly filed with and approved by the SEC.

(b) “Board” or “Board of Directors” – the governing body elected by the stockholders that exercises the corporate powers of the Company, conducts all its business and controls its properties.

(c) “By Laws” – means the By Laws of the Company and its amendments duly filed with and approved by the SEC.

(d) “Company” or “Manila Water” – shall mean Manila Water Company, Inc..

(e) “[“Conglomerate” – a group of corporations that has diversified business activities in varied industries, whereby the operations of such businesses are controlled and managed by a parent corporate entity.]”

(f) “Corporate Governance” - a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior – reconciling long term customer satisfaction with shareholder value – to the benefit of all stakeholders and society.

   Its purpose is to maximize the organization’s long-term success, creating sustainable value for its shareholders, stakeholders and the nation.

(g) “Corporation Code” – means Batas Pambansa Bilang 68 or the Corporation Code of the Philippines.

(h) “Enterprise Risk Management” – a process effected by the Board of Directors, Management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the Company, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of Company objectives.

(i) “Executive Director” – a member of the Board who has executive responsibility of day-to-day operations of a part or the whole of the organization.

(j) “Group” – means with respect to the Company, a group of companies composed of the parent, subsidiaries, associates and incorporated joint ventures of the Company.

(k) “Independent Director” – a person who is independent of management and the controlling shareholder, and is free from any business or other relationship which could, or could

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3 Most of the terms defined were lifted from the definitions of the aforesaid terms in the SEC CG Code for PLCs.
reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

(l) “Internal Control” – a process designed and effected by the board of directors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization’s policies and procedures.

(m) “IRR” – means Implementing Rules and Regulations

(n) “Management” – a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the Company.

(o) “Manual” – means this Manual of Corporate Governance.

(p) “Non-Executive Director” or “NED” – a member of the Board who has no executive responsibility and does not perform any work related to the operations of the Company.

(q) “PSE” – means the Philippine Stock Exchange, Inc.

(r) “Related Party” – shall cover the Company’s subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the Company exerts direct or indirect control over or that exerts direct or indirect control over the Company; the Company’s directors; officers; shareholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the company.

(s) “SEC” – means the Securities and Exchange Commission.

(t) “SRC” – means the Securities Regulations Code or Republic Act No. 8799.

(u) “Stakeholders” – any individual, organization or society at large who can either affect and/or be affected by the Company’s strategies, policies, business decisions and operations, in general. The term includes, among others, customers, creditors, employees, suppliers, investors, as well as the government, and the community in which the Company operates.
PART A
THE CORPORATE GOVERNANCE FRAMEWORK
ARTICLE I
THE BOARD OF DIRECTORS

1.1 The Board of Directors

(a) 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.

(b) The Board shall be composed of Directors with a collective working knowledge, experience or expertise that is relevant to the Company’s industry or sector. The Board shall always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

(c) The Board shall be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

(d) The Board of Directors of the Company shall have eleven (11) members who shall be elected by the Company’s stockholders entitled to vote at the annual meeting, and shall hold office for one (1) year and until their successors are elected and qualified in accordance with the By-Laws of the Company.

1.2 Principles and Procedures for Nomination and Election of Candidates to the Board of Directors

Manila Water 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 shall endeavor 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 the Company 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 principles and procedures set forth in Appendix “1” of this Manual shall be observed in the nomination and evaluation of candidates for election to the Board of Directors.
The qualifications and the (permanent and temporary) disqualifications of directors are set forth in Appendices “2”, “3”, and “4” of this Manual.

1.3 Board Meetings and Quorum Requirements

(a) The directors should attend and actively participate in all meetings of the Board, Committees, and Shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the SEC, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Board Committee meetings, the director should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

(b) To promote transparency, the presence of at least one (1) independent director in all meetings of the Board is required. However, the absence of an independent director shall not affect the quorum requirements if he is duly notified of the meeting but notwithstanding such notice fails to attend.

(c) At least two-thirds (2/3) of the members of Board (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 when a higher quorum is required in contracts binding on the Company.

In the absence of a quorum, a majority of the directors present may adjourn any meeting from time to time until a quorum is obtained.

(d) The non-executive directors (NEDs) should have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the Company. These meetings shall be chaired by the Lead Independent Director.

1.4 The Board’s Governance Responsibilities

(a) The Board members shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and all shareholders.

(b) The Board shall oversee the development of and approve the Company’s business objectives and strategy, and monitor their implementation, in order to sustain the Company’s long-term viability and strength.

(b) The Board shall be responsible for ensuring and adopting an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders’ value. This includes adopting a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the Company.
(c) The Board should align the remuneration of key officers and board members with the long-term interests of the Company. In doing so, it should formulate and adopt a policy specifying the relationship between remuneration and performance. Further, no Director should participate in discussions or deliberations involving his own remuneration.

(d) The Board should have the overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy should include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy should encompass all entities within the Group, taking into account their size, structure, risk profile and complexity of operations.

(e) The Board should be primarily responsible for approving the selection and assessing the performance of the Management led by the Chief Executive Officer (CEO), and control functions led by their respective heads (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive).

(f) The Board should ensure the establishment of an effective performance management framework that will ensure that the Management, including the Chief Executive Officer, and personnel’s performance is at par with the standards set by the Board and Senior Management.

(g) The Board should oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and shareholders. The Board should also approve the Internal Audit Charter.

(h) The Board should oversee that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework should guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

(i) The Board should adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code should be properly disseminated to the Board, senior management and employees. It should also be disclosed and made available to the public through the Company website.

1.9 The Charter of the Board

The Board shall have a Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board
Charter should serve as a guide to the directors in the performance of their functions and should be publicly available and posted on the Company’s website.

The Charter of the Board is attached to this Manual as Annex “A”.

1.10 Training of Directors

The Company shall provide a comprehensive orientation program for new directors, including an understanding of the contribution that the Director is expected to make, an explanation of the Board and its committees, and an explanation of the Company’s business, including corporate governance and other issues that will assist them in discharging their duties. Attendance in a corporate governance seminar conducted by a duly-recognized private or governmental institution is also a mandatory requirement prior to their assumption of office and during their term of office.

The Directors are also required to keep abreast with industry developments and business trends in order that they may promote the Company’s competitiveness and sustainability. The members of the Board are required to regularly attend seminars and conferences to continuously update themselves on the developments in policy, regulations and standards on good corporate governance. The members of the Board shall also be provided with such resources, trainings and continuing education to enable each member to actively, independently and judiciously participate in Board and Committee meetings. The Board and the Board Committees may also hire independent legal counsel, accounting consultants, or other consultants to advise them when necessary.

At every board meeting, directors shall be provided with a management update on the operational and financial status of, and other relevant matters, about the Company to ensure that the directors are continuously informed of new developments and the performance of the Company.

Upon assumption of office, a director appointed for the first time undergoes a corporate orientation program conducted by the Office of the Corporate Secretary in coordination with the Compliance Officer. The corporate orientation program includes modules on the operations of the Company, as well as relevant and material contracts of the Company. The orientation also covers existing policies, rules and regulations of the Company. The curriculum of the orientation program may be revised as often as necessary to include other relevant subjects and matters relating to the Company. In addition to the corporate orientation program for new directors, the Office of the Corporate Secretary and the Compliance Officer shall inform the Board of any updates on the matters covered by the orientation program.
1.11 Board Policies

(a) Policy on Diversity

Manila Water 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 Company values the inputs and opinions of each director, ensuring that a Director shall not be discriminated upon by reason of gender, age, ethnicity, or political, religious or cultural beliefs. Towards this end, the Board has adopted a policy of diversity in skills, competence, gender, age and ethnicity, as well as religious, political or cultural background.

(b) Policy on Multiple Board Seats

(i) A director should notify the Board before accepting a directorship in another company.

(ii) A director shall exercise due discretion in accepting and holding directorships outside of the Company.

(iii) A director may hold directorships outside of the Company provided that these other positions do not detract from the director’s capacity to diligently perform his duties as a director of the Company.

(iv) The non-executive directors of the Board can concurrently serve as directors to a maximum of five (5) publicly listed companies outside of the Company’s Group to ensure that they have sufficient time to fully prepare for meetings, challenge Management’s proposals/views, and oversee the long-term strategy of the Company.

(v) In the implementation of this policy, the Board considers several directorships in related companies or companies (i.e. in a Group) as one.

(c) Conflict of Interest

(i) The positions of Chairman of the Board and Chief Executive Officer should be held by separate individuals and each should have clearly defined responsibilities.

(ii) A director with a material interest in any transaction affecting the Company should abstain from taking part in the deliberations for the same.

(iii) Directors who willfully and knowingly vote 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 such directors, shall be liable jointly and severally for all damages resulting therefrom suffered by the Company, its stockholders and other persons.

(iv) When a director 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.

(d) Disclosure and Transparency

The Board should establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of the Company’s financial condition, results and business operations.

The Board may set forth such other policies in its Charter for appropriate implementation.

1.12 Performance Evaluation and Feedback Mechanism

(a) The Board should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three (3) years, the assessment should be supported by an external facilitator.

(b) The Board should have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system should allow for a feedback mechanism from the shareholders.

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ARTICLE II
THE CHAIRMAN OF THE BOARD

2.1 The Chairman of the Board

The Board shall be headed by a competent and qualified chairperson. The Directors shall choose a member from among them who shall be the Chairman of the Board. The Board of Directors may, in its discretion and in accordance with the By-Laws, elect a Vice-Chairman of the Board from among its members.

The roles of the Chairman and the President/CEO shall be separate to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making. The Company shall disclose the relationship between the Chairman and the President, if any.

If the positions of Chair and President are unified, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives.

2.2 Roles of the Chairman of the Board

(a) The Chairman of the Board shall preside at all meetings of the Board and shall render advice and counsel to the President. In the absence of the Chairman of the Board, the Vice-Chairman shall preside at the meetings of the Board.

(b) The Chairman shall:

(i) Make certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Company, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;

(ii) Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;

(iii) Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;

(iv) Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;

(v) Assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and

Additional roles of the Chairman are set forth in the Charter of the Board (Annex “A” of this Manual)
(vi) Make sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

(c) The Chairman shall have such other responsibilities as may be provided in the By-Laws or as may be imposed by the Board from time to time, or as may be provided in the Charter of the Board.
ARTICLE III
THE INDEPENDENT DIRECTORS
AND THE LEAD INDEPENDENT DIRECTOR

3.1 The Independent Directors

(a) The Board should have at least three (3) independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher.

(b) The Board should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.

(c) The Company shall, as appropriate, provide independent directors with technical support staff to assist them in performing their duties. Independent directors may, when necessary, also request and receive support from executives, employees or external professional consultants such as auditors, advisers and counsel to perform such duties. The Company shall cover the reasonable expenses of providing such support.

3.2 Principle of Independence

The Board shall ensure the independence of its Independent Directors.

Independence 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. Thus, 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. An independent director shall, within thirty (30) days from his election or appointment, including any re-election or re-appointment, submit to the Corporate Secretary a letter of confirmation stating that he holds no interests affiliated with the Company, its management or controlling shareholder.

3.3 Qualifications of the Independent Director

(a) The Board should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position. The qualifications and the (permanent and temporary) disqualifications of directors are set forth in Appendices “2”, “3”, and “4” of this Manual.

(b) In addition, an Independent Director shall have the mandatory qualifications prescribed by existing laws, rules and regulations, including those imposed by relevant circulars and issuances of the SEC.
(c) Officers, executives and employees of the Company may be elected as directors but cannot and shall not be characterized as independent directors. If a director elected or appointed as an independent director subsequently becomes an officer, employee or consultant of the Company, the Company shall forthwith cease to consider him as an independent director.

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 also 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.

3.4 The Lead Independent Director

(a) The Board should designate a lead director among the independent directors if the Chairman of the Board is not independent, or if the positions of the Chairman of the Board and Chief Executive Officer are held by one person.

(b) The functions of the lead director include, among others, the following:

(i) Serves as an intermediary between the Chairman and the other directors when necessary;

(ii) Convenes and chairs meetings of the non-executive directors; and

(iii) Contributes to the performance evaluation of the Chairman, as required.

3.5 Term of Office

The Board’s independent directors should serve for a maximum cumulative term of nine (9) years. After which, the independent director should be perpetually barred from re-election as such in the Company, but may continue to qualify for nomination and election as a non-independent director.

In the instance that the Company decides to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders’ approval during the annual shareholders’ meeting.

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6 Reckoning of the cumulative nine-year term is from 2012 in connection with SEC Memorandum Circular No. 4, Series of 2017.
ARTICLE IV
THE BOARD COMMITTEES

4.1 The Board Committees

The Board of Directors shall establish committees that will focus on specific board functions necessary to support the Board in the effective and optimal performance of its functions and to aid in good governance.

The Board shall be supported by the following Board committees:

(a) Executive Committee
(b) Audit Committee
(c) Corporate Governance Committee
(d) Related Party Transactions Committee
(e) Board Risk Oversight Committee
(f) Nomination Committee
(g) Remuneration Committee
(h) Committee of Inspectors of Ballots and Proxies

The Board shall appoint the committee members at its annual organizational meeting or at any time thereafter, whenever any vacancy occurs in the committees. Membership of the committees shall be reviewed annually, subject to the approval of the Board.

Each Board Committee shall have and be guided by its own charter, to be approved by the Board, and shall be supported by the Office of the Corporate Secretary in the performance of its functions.

An act of a Board Committee which is within the scope of its powers shall be valid and effective. However, all actions of the committees shall be reported to the Board at the meeting thereof following such actions and shall be subject to revision or alteration by the Board, provided that no rights or acts of third parties shall be affected by any such revision or alteration.

The Board may establish such other committees as may be deemed necessary for the efficient and effective performance of its functions.

4.2 Executive Committee

The Board shall appoint from among its members an Executive Committee composed of five (5) members, a majority of whom shall be citizens of the Philippines, and shall designate one of such members as Chairman of the Executive Committee.

The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by majority vote of all its members on such specific 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; and
(f) the exercise of powers delegated by the Board exclusively to other committees, if
any.

4.3 Audit Committee

There shall be an Audit Committee to enhance the oversight capability of the Board over
the Company’s financial reporting, internal control system, internal and external audit
processes, and compliance with applicable laws and regulations.

The Committee shall be composed of four (4) non-executive directors as members, the
majority of whom shall be independent directors, and shall be chaired by an
independent director.

The Chairman of the Audit Committee shall not be the Chairman of the Board or of any
other committee.

All members of the committee must have relevant background, knowledge, skills,
and/or experience in the areas of accounting, auditing and finance.

The Audit Committee shall have the following duties and responsibilities, among other
functions as may be delegated by the Board from time to time:

(a) Responsible for overseeing the senior management in establishing and
maintaining an adequate, effective and efficient internal control framework. It
ensures that systems and processes are designed to provide assurance in areas
including reporting, monitoring compliance with laws, regulations and internal
policies, efficiency and effectiveness of operations, and safeguarding of assets;

(b) Recommends the approval of the Internal Audit Charter (IA Charter), which
formally defines the role of Internal Audit and the audit plan as well as oversees
the implementation of the IA Charter;

(b) Through the IA Department, monitors and evaluates the adequacy and
effectiveness of the Company’s internal control system, integrity of financial
reporting, and security of physical and information assets. Well-designed
internal control procedures and processes that will provide a system of checks
and balances should be in place in order to (i) safeguard the Company’s
resources and ensure their effective utilization, (ii) prevent occurrence of fraud
and other irregularities, (iii) protect the accuracy and reliability of the

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7 The Internal Audit of the Company currently has its own Charter.
Company’s financial data, and (iv) ensure compliance with applicable laws and regulations;

(c) Oversees the IA Department, and recommends the appointment and/or grounds for removal of an internal audit head or Chief Audit Executive (CAE). The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;

(d) Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;

(e) Reviews and monitors Management’s responsiveness to the Internal Auditor’s findings and recommendations;

(f) Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;

(g) Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Company’s overall consultancy expenses. The committee should 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, should be disclosed in the appropriate reports to the regulatory bodies and agencies (e.g. Company’s Annual Report and Annual Corporate Governance Report, among others);

(h) Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:

(i) Any change/s in accounting policies and practices
(ii) Areas where a significant amount of judgment has been exercised
(iii) Significant adjustments resulting from the audit
(iv) Going concern assumptions
(v) Compliance with accounting standards
(vi) Compliance with tax, legal and regulatory requirements

(i) Reviews the disposition of the recommendations in the External Auditor’s management letter;

(j) Performs oversight functions over the Company’s Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
(k) Coordinates, monitors and facilitates compliance with laws, rules and regulations; and

(l) Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the SEC, who undertakes an independent audit of the Company, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders.

Additional duties and responsibilities of the Audit Committee shall be set forth in its charter.

The Internal Audit Department, and the Office of the Compliance Officer of the Company, in coordination with the Office of the Corporate Secretary, shall support the Audit Committee in the performance of its functions.

4.4 The Corporate Governance Committee

The Corporate Governance Committee (CG Committee) is tasked with ensuring compliance with and proper observance of corporate governance principles and practices.

The CG Committee shall be composed of three (3) members, all of whom shall be independent directors, including the Chairman.

The CG Committee has the following duties and functions, among other functions as may be delegated by the Board from time to time:

(a) Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the Company’s size, complexity and business strategy, as well as its business and regulatory environments;

(b) Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;

(c) Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;

(d) Recommends continuing education/training programs for directors, and assignment of tasks/projects to Board committees;

(e) Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance; and
(f) Proposes and plans relevant trainings for the members of the Board.

Additional duties and responsibilities of the CG Committee shall be set forth in its charter.

The Compliance Officer, in coordination with the Corporate Secretary, shall support the CG Committee in the performance of its functions.

4.5 The Related Party Transactions Committee

The Related Party Transactions (RPT) Committee is composed of at least three (3) non-executive directors, two (2) of whom [or majority of the members] shall be independent directors.

The RPT Committee is primarily tasked with the duty of enforcing and implementing the Related Party Transactions Policy of the Company. Thus, the committee’s guidance will be sought to ensure that material related party transactions of the Company are entered into solely in the ordinary course of business, on ordinary commercial terms and on the basis of arm’s length arrangements, in addition to the requirement of appropriate corporate approvals and actions of the Related Parties, as the case may be.

The RPT Committee shall have the following functions, among other functions as may be delegated by the Board from time to time:

(a) Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;

(b) Evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.

In evaluating RPTs, the RPT Committee takes into account, among others, the following:

(i) The related party’s relationship to the Company and interest in the transaction;
(ii) The material facts of the proposed RPT, including the proposed aggregate value of such transaction;

(iii) The benefits to the Company of the proposed RPT;

(iv) The availability of other sources of comparable products or services; and

(v) An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;

(c) Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company’s RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Company’s affiliation or transactions with other related parties;

(d) Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;

(e) Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and

(f) Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

Additional duties and responsibilities of the RPT Committee shall be set forth in its charter.

The Compliance Officer, in coordination with the Corporate Secretary, shall support the RPT Committee in the performance of its functions.

4.6 Nomination Committee

The Nomination Committee shall be primarily tasked with the duty of implementing a formal and transparent board nomination and election policy that should include how it accepts nominations from the shareholders, including minority and non-controlling, and how it reviews the qualifications of nominated candidates.
The Nomination Committee shall also have the duty of evaluating qualifications of the nominees to the key Executive Officers positions, and those whose appointments are submitted to the Board for approval.

The Nomination Committee shall be composed of at least three (3) non-executive directors as members, all of whom shall be independent directors, including the Chairman.

The Nomination Committee shall have the following duties and functions, among other functions as may be delegated by the Board from time to time:

(a) Determines and improves the nomination and election process for the Company’s directors and has the special duty of defining the general profile of board members that the Company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board;

(b) Installs and maintains 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 to be nominated and elected as director.

The Nomination Committee shall ensure that the process of identifying nominees to the Board should always be consistent and aligned with the strategic directions of the Company;

(c) Encourages 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) Reviews and evaluates the qualifications of all persons nominated to positions in the Company which require appointment by the Board.

Additional duties and responsibilities of the Nomination Committee shall be set forth in its charter.

The Compliance Officer and the Corporate Secretary shall provide support to the Nomination Committee.

4.7 Remuneration Committee

The Remuneration Committee shall be composed of at least three (3) members, majority of whom are independent directors, and shall be chaired by an independent director.

The Remuneration Committee is primarily tasked with the establishment and implementation of a formal and transparent procedure and policy for determining the
remuneration of directors and officers that is consistent with the Company’s culture and strategy as well as the business environment in which it operates.

The Remuneration Committee shall have the following functions, among other functions as may be delegated by the Board from time to time:

(a) Develops and improves the 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) Determines and approves all matters relating to the remuneration and benefits of the Board and the Company’s key officers;

(c) Recommends succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;

(d) Evaluates and recommends for Board approval the pertinent guidelines on executive compensation, including non-monetary remuneration;

(e) Periodically reviews and evaluates the policy on remuneration in order that it be in a sufficient level to attract and retain directors and key officers of the Company;

(f) Ensures that any director shall not decide his own remuneration during his incumbent term;

(g) 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; and

(h) Reviews and provide guidelines on the existing employee policies to strengthen provisions on conflict of interest, compensation and benefit policies, promotion and career advancement and compliance with all regulatory policies.

Additional duties and responsibilities of the Remuneration Committee shall be set forth in its charter.

The Compliance Officer and the Corporate Secretary shall provide support to the Nomination Committee.

4.8 Board Risk Oversight Committee

In line with best corporate governance practices and to ensure effective management of strategic, operational, financial and compliance-related risks, there shall be Board Risk Oversight Committee (BROC) to provide assistance in fulfilling the Board’s oversight responsibilities in relation to risk governance in the Company.
The BROC shall be comprised of at least three (3) 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 Chairman should not be the Chairman of the Board or of any other committee.

At least one member of the BROC must have relevant thorough knowledge and experience on risk and risk management.

The BROC should be responsible for the oversight of the Company’s Enterprise Risk Management system to ensure its functionality and effectiveness.

The BROC shall have the following duties and functions, among others as may be delegated by the Board from time to time:

(a) Develops a formal enterprise risk management plan which contains the following elements: (i) common language or register of risks, (ii) well-defined risk management goals, objectives and oversight, (iii) uniform processes of assessing risks and developing strategies to manage prioritized risks, (iv) designing and implementing risk management strategies, and (v) continuing assessments to improve risk strategies, processes and measures;

(b) Oversees the implementation of the enterprise risk management plan through a Management Risk Oversight Committee\(^8\). The BROC conducts regular discussions on the Company’s prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;

(c) Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness;

(d) Revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;

(e) Advises the Board on its risk appetite levels and risk tolerance limits;

(f) Reviews at least annually the Company’s risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Company;

(g) Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence.

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\(^8\) The equivalent management committee in Manila Water is the Risk Management Executive Committee.
Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Company and its stakeholders;

(h) Provides oversight over Management’s activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Company. This function includes regularly receiving information on risk exposures and risk management activities from Management; and

(i) Reports to the Board on a regular basis, or as deemed necessary, the Company’s material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

Additional duties and responsibilities of the BROC shall be set forth in its charter.

The Chief Risk Officer, and the Compliance Officer of the Company, in coordination with the Office of the Corporate Secretary, shall support the BROC in the performance of its functions.

4.9 Committee of Inspectors of Ballots and Proxies

The Board shall appoint three (3) persons (who need not be stockholders) to act as the Committee of Inspectors of Ballots and Proxies which shall be empowered to pass on the validity of proxies.

The Committee of Inspectors of Ballots and Proxies shall be guided by existing laws, and rules and regulations of the SEC regarding proxies. The term of office of the Committee members shall be fixed by the Board. In the event of vacancy in the Committee membership, the Board may appoint another member to fill such vacancy.

Additional duties and responsibilities of the Committee of Inspectors of Ballots and Proxies shall be set forth in its charter.

4.10 Charters of the Committees

All established committees should be required to have Committee Charters stating their respective purposes, memberships, structures, operations, reporting, processes, required resources and support, performance evaluation and other relevant information. The Charters should provide the standards for evaluating the performance of the Committees.

The charters of the Board Committees are attached to this Manual as Annexes “B” to “I” and shall be disclosed on the Company website.

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9 Formerly known as the Proxy Validation Committee
ARTICLE V
THE CORPORATE SECRETARY

5.1 The Corporate Secretary

The Board shall be assisted in its duties by a Corporate Secretary, who should be a separate individual from the Compliance Officer.

The Corporate Secretary should not be a member of the Board of Directors and should annually attend a training on corporate governance.

The Board and the Board Committees shall have separate and independent access to the Corporate Secretary.

5.2 Qualifications

In addition to the requirements under existing laws, rules and regulations, the Corporate Secretary shall possess the following qualifications:

(a) Must be resident and citizen of the Philippines;
(b) Must possess organizational, administrative, and interpersonal skills and the legal skills of a chief legal officer;
(c) Must be loyal to the mission, vision and objectives of the Company; must have a working knowledge of the operations of the Company; must not at the same time be the Company’s legal counsel, and must be aware of laws, rules and regulations necessary in the performance of his duties and responsibilities.

5.3 Functions of the Corporate Secretary

The Corporate Secretary ensures that the Board and Management follow internal and external rules and regulations, and facilitates clear communications between the Board and management. He also informs Management of latest corporate governance developments.

The Corporate Secretary is primarily responsible to the Company and its shareholders, and not to the Chairman or President of the Company and has, among others, the following duties and responsibilities:

(a) Assists the Board and the Board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
(b) Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Company;
(c) Keeps abreast on relevant laws, regulations, all governance issuances,
relevant industry developments and operations of the Company, and advises the Board and the Chairman on all relevant issues as they arise;

(d) Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and Management, the Board and its committees, and the Board and its stakeholders, including shareholders;

(e) Advises on the establishment of Board committees and their terms of reference;

(g) Informs members of the Board, in accordance with the By-laws, of the agenda of their meetings at least five (5) working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

(h) Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;

(i) Performs required administrative functions;

(j) Oversees the drafting of the Articles of Incorporation and the By-laws and ensures that they conform with regulatory requirements; and

(k) Performs such other duties and responsibilities as may be provided by the SEC.

5.4 Charter of the Office of the Corporate Secretary

The Corporate Secretary shall be supported by a competent staff to enable it to effectively perform the functions of the office.

The Office of the Corporate Secretary shall have its own charter, which shall include its functions and responsibilities, and required resources, among others.

The Charter of the Office of the Corporate Secretary is hereto attached as Annex “J” and shall be posted on the website of the Company.
ARTICLE VI
THE COMPLIANCE OFFICER

6.1 The Compliance Officer

The Board shall be assisted in its duties by a Compliance Officer, who should have a rank of a Senior Vice President or an equivalent position with adequate stature and authority in the Company.

The Compliance Officer should not be a member of the Board of Directors, and should not at the same time be the Corporate Secretary. He or she should annually attend a training on corporate governance.

The Board should be primarily responsible for approving the selection and assessing the performance of the Compliance Officer.

6.2 Functions of the Compliance Officer

The Compliance Officer is a member of the Company’s management team in charge of the compliance function. Similar to the Corporate Secretary, he/she is primarily liable to the Company and its shareholders, and not to the Chairman or President of the Company.

The Compliance Officer has, among others, the following duties and responsibilities:

(a) Ensures proper onboarding of new directors (i.e., orientation on the Company’s business, charter, articles of incorporation and by-laws, among others);

(b) Monitors, reviews, evaluates and ensures the compliance by the Company, its officers and directors with the relevant laws, this Manual, rules and regulations and all governance issuances of regulatory agencies;

(c) Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action;

(d) Ensures the integrity and accuracy of all documentary submissions to regulators;

(e) Appears before the SEC when summoned in relation to compliance with this Manual;

(f) Collaborates with other departments to properly address compliance issues, which may be subject to investigation;

(g) Identifies possible areas of compliance issues and works towards the resolution of the same;
(h) Ensures the attendance of board members and key officers to relevant trainings; and

(i) Performs such other duties and responsibilities as may be provided by the SEC.

6.3 Implementation of this Manual

The Compliance Officer shall operationalize this Manual by putting in place the appropriate policies in coordination with the Corporate Secretary and the relevant Board Committees, and monitor compliance with the provisions and requirements of this Manual and the Company policies on corporate governance, as well as the rules and regulations of the regulatory agencies.
ARTICLE VII
THE INTERNAL CONTROL SYSTEM AND
RISK MANAGEMENT FRAMEWORK

7.1 General Principles

The Company should have an adequate and effective internal control system and an enterprise risk management framework in the conduct of its business, taking into account its size, risk profile and complexity of operations.

THE INTERNAL CONTROL SYSTEM

7.2 Internal Control System

The Board should oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, Board members, and shareholders.

7.3 The Chief Audit Executive

The Company shall have a qualified Chief Audit Executive (CAE) who shall oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.

The Internal Audit Department shall be headed by the CAE who shall preferably be a Certified Public Accountant and/or a Chief Internal Auditor and shall report periodically and as required by the Audit Committee on its performance, including the status of audit and consulting engagements, compliance with the Annual Audit Plan, significant interim changes, and the sufficiency and proficiency of Internal Audit resources.

The Board should be primarily responsible for approving the selection and assessing the performance of the CAE.

7.4 Functions of the Chief Audit Executive

The CAE, in order to achieve the necessary independence to fulfill his/her responsibilities, directly reports functionally to the Audit Committee and administratively to the Chief Finance Officer of the Company. The following are the responsibilities of the CAE, among others:

(a) Periodically reviews the Internal Audit charter and presents it to senior management and the Audit Committee for approval;

(b) Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the Company’s goals;
(c) Communicates the Internal Audit activity’s plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;

(d) Spearheads the performance of the Internal Audit activity to ensure it adds value to the Company;

(e) Reports periodically to the Audit Committee on the Internal Audit activity’s performance relative to its plan; and

(f) Presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes.

7.5 The Internal Audit

The Company should have in place an independent Internal Audit (IA) function that provides an independent and objective assurance, and consulting services designed to add value and improve the Company’s operations.

The IA shall provide the Board, Management and the stockholders with reasonable assurance that the Company’s key organizational and operational controls are effective, appropriate, and faithfully complied with. It shall review, audit and report on, among others, the effectiveness of the system of organizational controls, taking into account the nature and complexity of the business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance. It shall perform its auditing functions faithfully by maintaining independence from the management and controlling shareholders.

A separate IA function is essential to monitor and guide the implementation of Company policies. It helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the Company’s governance, risk management and control functions.

The following are the functions of the IA, among others as may be required under internal auditing rules and regulations:

(a) Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
(b) Performs regular and special audit as contained in the annual audit plan and/or based on the Company’s risk assessment;

(c) Performs consulting and advisory services related to governance and control as appropriate for the organization;

(d) Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;

(e) Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the Company;

(f) Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;

(g) Evaluates specific operations at the request of the Board or Management, as appropriate; and

(h) Monitors and evaluates governance processes.

The Internal Audit Department shall have its own charter which shall be approved by the Board. The Internal Audit Charter is made part of this Manual as Annex “K” and shall be posted on the Company website.

7.6 The External Auditor

The Audit Committee should have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal, and fees of the external auditor should be recommended by the Audit Committee, approved by the Board and ratified by the shareholders. For removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the Company website and required disclosures.

The Audit Committee shall assess the integrity and independence of external auditors and exercise effective oversight to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Audit Committee shall also review and monitor the external auditor’s suitability and effectiveness on an annual basis.

The Company should disclose the nature of non-audit services performed by its external auditor to deal with the potential conflict of interest. The Audit Committee should be alert for any potential conflict of interest situations, given the guidelines or policies on
non-audit services, which could be viewed as impairing the external auditor's objectivity.

The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Company’s annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which if not resolved to the satisfaction of the former auditor, would have caused making reference to the subject matter of the disagreement in connection with its report.

The External Auditor shall –

(a) perform fair audits independently from the Company, its management and controlling shareholders, so that shareholders and other users may maintain confidence in the Company’s accounting information;

(b) check whether any fact conflicts with the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;

(c) attend the annual stockholders meeting and answer any questions on audit reports and on themselves, their work and their remuneration; and

(d) perform such other functions as may be approved by the Audit Committee in the engagement of the external auditor, provided, however, that non-audit work shall not be in conflict with its functions as external auditor.

If an external auditor believes that the statements made in an annual report, information statement or proxy statement filed during his engagement are incorrect or incomplete, he shall also present his views in said reports.

THE RISK MANAGEMENT FRAMEWORK

7.7 The Risk Management System

The Board should oversee that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework should guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.
The Company should have a separate risk management function to identify, assess and monitor key risk exposures. The risk management function involves the following activities, among others:

(a) Defining a risk management strategy;

(b) Identifying and analyzing key risks exposure relating to economic, environmental, social and governance (EESG) factors and the achievement of the organization’s strategic objectives;

(c) Evaluating and categorizing each identified risk using the Company’s predefined risk categories and parameters;

(d) Establishing a risk register with clearly defined, prioritized and residual risks;

(e) Developing a risk mitigation plan for the most important risks to the Company, as defined by the risk management strategy;

(f) Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Board Risk Oversight Committee; and

(g) Monitoring and evaluating the effectiveness of the organization's risk management processes.

7.8 The Chief Risk Officer

In managing the Company’s Risk Management System, the Company shall have a Chief Risk Officer (CRO) who is the ultimate champion of Enterprise Risk Management (ERM). The CRO shall have adequate authority, stature, resources and support to fulfill his/her responsibilities, in accordance with the Company’s size, risk profile and complexity of operations.

The CRO shall provide support to the Board Risk Oversight Committee. For this purpose, there shall be a clear communication line between the Board Risk Oversight Committee and the CRO.

The Board should be primarily responsible for approving the selection and assessing the performance of the Chief Risk Officer.

7.9 Functions of the Chief Risk Officer

The CRO has the following functions, among others:

(a) Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
(b) Communicates the top risks and the status of implementation of risk management strategies and action plans to the Board Risk Oversight Committee;

(c) Collaborates with the CEO in updating and making recommendations to the Board Risk Oversight Committee;

(d) Suggests ERM policies and related guidance, as may be needed; and

(e) Provides insights on the following:

(i) Risk management processes are performing as intended;
(ii) Risk measures reported are continuously reviewed by risk owners for effectiveness; and
(iii) Established risk policies and procedures are being complied with.
ARTICLE VIII
THE MANAGEMENT

8.1 The Board and the Management

It is the responsibility of the Board to appoint a competent Management team at all times, monitor and assess the performance of the Management team based on established performance standards that are consistent with the Company’s strategic objectives, and conduct a regular review of the Company’s policies with the Management team. In the selection process, fit and proper standards are to be applied on key personnel and due consideration shall be given to integrity, technical expertise and experience in the Company’s business, either current or planned.

8.2 General Responsibilities of Management

The Management is primarily responsible in deciding and implementing the day-to-day affairs of the Company. It determines the Company’s activities by putting the Company’s targets in concrete terms and by formulating the basic strategies for achieving these targets.

The Management also puts in place the infrastructure for the Company’s success by establishing the following mechanisms in its organization, among others:

(a) purposeful legal and organizational structures that work effectively and efficiently in attaining the goals of the Company;

(b) useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach;

(c) information systems that are defined and aligned with the strategy and the business goals of the Company;

(d) a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the Company.

The Management is primarily accountable to the Board for the operations of the Company. As part of its accountability, it is also obligated to provide the Board with complete, adequate and timely information on the operations and affairs of the Company.

Reliance on information volunteered by Management may not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the Board should be given independent access to the Management, the Compliance Officer, the Chief Risk Officer, the Internal Audit, External Auditor and the Corporate Secretary.
8.3 The Executive Officers of the Company

The Executive Officers of the Company are the President and/or Chief Executive Officer (CEO), the Vice-Presidents (or their equivalent roles in the Company structure), the Treasurer and/or the Chief Finance Officer (CFO), and the Corporate Secretary. The Executive Officers shall be appointed by the Board of Directors.

The roles of the Chairman and the President/CEO are separate to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making. The Company shall disclose the relationship between the Chairman and the President, if any, in the appropriate reports to the regulatory bodies and agencies (e.g. Annual Report and Annual Corporate Governance Report, among others).

If the positions of Chairman and President/CEO are unified, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives.

The Executive Officers of the Company shall provide assistance to the CEO in the performance of his functions, and shall perform their duties set forth in the By Laws, and such other duties and functions as may be delegated to them by the Board.

8.4 The Chief Executive Officer

The CEO shall be ultimately accountable for the Company’s organizational and procedural controls.

The CEO has the following roles and responsibilities, among others:

(a) Determines the Company’s strategic direction and formulates and implements its strategic plan on the direction of the business;

(b) Communicates and implements the Company’s vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;

(c) Oversees the operations of the Company and manages human and financial resources in accordance with the strategic plan;

(d) Has a good working knowledge of the Company’s industry and market and keeps up-to-date with its core business purpose;

(e) Directs, evaluates and guides the work of the key officers of the Company;

(f) Manages the Company’s resources prudently and ensures a proper balance of the same;
(g) Provides the Board with timely information and interfaces between the Board and the employees;

(h) Builds the corporate culture and motivates the employees of the Company; and

(i) Serves as the link between internal operations and external stakeholders.

The CEO shall have such other responsibilities as may be provided in the By-Laws or as the Board may impose upon him.

8.5 The Vice Presidents

The Company shall have such number of Vice Presidents as may be required by the operational requirements of the Company. The Vice Presidents shall assist the CEO in the performance of his functions, and shall exercise such other functions as may be provided in the By-Laws or delegated by the Board.

8.6 The Treasurer

The Treasurer of the Company shall have charge of the funds, securities, receipts and disbursements of the Company. He/she shall have the following functions:

(a) Deposit or cause to be deposited all moneys and other valuable effects in the name and to the credit of the Company in such banks or trust companies or with such bankers or other depositaries as the Board may from time to time designate;

(b) Regularly and at least every quarter render to the CEO or to the Board an account of the fund condition of the Company and of all his transactions as such;

(c) Ensure funds availability on a timely basis and at the most economical means;

(d) Optimize yields in temporary excess funds;

(e) Provide relevant and timely capital market information;
   i. Ensure appropriate coverage and management of risk to resources.

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

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10 In Manila Water, the Vice Presidents are referred to as “Group Directors”.

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8.7 The Chief Finance Officer (CFO)

The Chief Finance Officer shall be the appointed by the Board. The CFO, who may also be the Treasurer of the Company shall be responsible for the following:

(a) provide management with accurate, relevant, and timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitor actual implementation of budgets, plans and programs towards the achievement of corporate goals;

(b) maintain the integrity of accounting records as the basis of financial statements and reports provided to Management for decision-making and to government regulatory bodies in compliance with statutory requirements;

(c) promote investor confidence in the Company by addressing the various information requirements of the investing public and ensuring that all other legal reportorial obligations to various entities are complied with;

(d) strengthen internal controls by monitoring compliance with policies; recommend to management appropriate actions and changes in systems and procedures as necessitated by circumstances.

The CFO shall have such other responsibilities as the Board may impose upon him.
PART B
DUTIES TO STOCKHOLDERS
AND STAKEHOLDERS
ARTICLE IX
STOCKHOLDERS’ RIGHTS

9.1 Duty of the Board to Promote Stockholders’ Rights

It is the duty of the Board to promote stockholder rights, remove impediments to the exercise of stockholder rights and provide effective redress for violation of their rights.

The Board 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.

9.2 The Board shall be committed to protect and uphold the following stockholders’ rights:

(a) Right to Notice of Meetings and Right to Attend Meetings

To promote transparency and goodwill, it is a Company policy to encourage the attendance of all its stockholders, including minority and non-controlling, and institutional investors, at the stockholders’ meeting of the Company. The Board should encourage active shareholder participation by sending the Notice of Annual and Special Shareholders’ Meeting with sufficient and relevant information at least twenty eight (28) days before the scheduled meeting.

Unless otherwise provided by law or the By-laws, stockholders as of Record Date constituting at least a majority of the outstanding voting capital stock of the Company is necessary to constitute a quorum. The stockholders may be present in person or represented by proxy.

(b) Right to Appoint a Proxy

The stockholders shall be apprised ahead of time of their right to appoint a proxy if they cannot attend their meetings in person. 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.

(c) Right to Propose the Holding of Meetings and to Propose Agenda Items

All stockholders including minority and non-controlling, have the right to propose the holding of a meeting as well as the right to propose items in the agenda of the meeting, provided that the items proposed are for legitimate business purposes, all in accordance with the By Laws and the existing laws.

With regard to the right of stockholders to propose agenda items, the Company shall ensure the exercise of the right including in the notice and agenda of
stockholders meeting an item for the consideration of such other business as may properly come before the meeting.

(d) Right to Make Nominations to the Board of Directors

Every stockholder, including non-controlling and minority, has a right to submit a nomination for election to the Board. The stockholders, in making their nominations, or the Company, are encouraged to make use of professional search firms or external sources of candidates when searching for candidates to the Board.

(e) Voting Right and Right to Participate at Stockholders Meetings

(i) In all items for approval, each share of stock entitles its registered owner as of the record date to one vote. The Company has two classes of shares, common and participating preferred shares. Both classes of shares have equal voting rights.

Voting shall be by poll and the Company shall provide the mechanism to implement the same at every stockholders meeting.

(ii) Under the Company’s By-Laws, the affirmative vote of stockholders as of the record date constituting at least a majority of the outstanding voting capital stock of the Company is necessary to approve matters requiring stockholders’ action, unless otherwise provided for under existing laws, with the exception of the following corporate acts and measures which must be ratified and/or approved by the stockholders representing or constituting at least two thirds (2/3) of the outstanding capital stock of the Company:

- Amendment of the Articles of Incorporation;
- Adoption and/or amendment of the By-Laws (unless the power to amend By Laws have been delegated to the Board by the stockholders);
- Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the corporate property;
- Incurring, creating or increasing bonded indebtedness; Increase or decrease of capital stock;
- Merger or consolidation of the Company with another company; Investment of corporate funds in another corporation or business for any purpose other than the primary purpose for which it was organized; and
- Dissolution of the Company, among others.

(iv) For the election for directors, every stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to 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 by distributing such votes on the same principle among any number of candidates.

(v) The stockholders shall also have an opportunity during the stockholders’ meeting to ask questions and raise their issues relevant to the agenda items. The minutes of the meeting record the shareholder questions and corresponding answers given by the directors and officers of the Company.

(vi) The Board should encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders’ Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders’ Meeting should be available on the Company website within five (5) business days from the end of the meeting.

(f) Dividend Rights

The Company continues its practice of offering its shareholders an equitable share of the Company’s profits. Stockholders have the right to receive dividends subject to the requirements of existing laws and contractual covenants on dividend declaration, and the dividend payout policy of the Company.

(g) Pre-Emptive Right

All stockholders have pre-emptive rights or the right to subscribe to new shares of the Company, unless there is a specific denial of this right in the Articles of Incorporation or any amendment thereto in relation to the feature of a particular class of share.

The Articles of Incorporation may provide the specific rights and powers of shareholders with respect to the particular shares they hold, all of which are protected by law so long as they are not in conflict with the Corporation Code.

(i) Right to Information and Inspection

In addition to regular posting and disclosures of material information at the Company website, a shareholder shall be provided with periodic reports on relevant information about the Company upon written request for a legitimate purpose. Shareholders shall be allowed to inspect corporate books and records in accordance with the Corporation Code and shall be provided an annual report, including financial statements.
(j) **Appraisal Right**

In accordance with the Corporation Code, shareholders may exercise appraisal rights under the following circumstances:

(i) In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

(ii) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and

(iii) In case of merger or consolidation.

9.3 **Remedies for Infringement of Shareholder Rights**

The Board can establish and maintain an alternative dispute resolution system in the Company that can amicably settle intra-corporate disputes such as arbitration, mediation and conciliation. This is without prejudice to the legal remedies of the parties under existing laws and the parties’ ability to avail of their legal rights to address or resolve conflicts or differences in the proper venue as may be appropriate or warranted.
ARTICLE X
DUTY TO STAKEHOLDERS AND EMPLOYEES AND PROMOTION OF SUSTAINABILITY AND SOCIAL RESPONSIBILITY

10.1 Duty to Promote Stakeholders’ Rights

(a) The Board should identify the Company’s various stakeholders and promote cooperation between them and the Company in creating wealth, growth and sustainability.

(b) The Board should establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.

(c) The Board should adopt a transparent framework and process that allow stakeholders to communicate with the Company and to obtain redress for the violation of their rights.

10.2 Duty to Encourage Employee Participation

(a) The Board should establish policies, programs and procedures that encourage employees to actively participate in the realization of the Company’s goals and in its governance.

(b) The Board should set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. Further, the Board should disseminate the policy and program to employees across the organization through trainings to embed them in the Company’s culture.

(c) The Board should establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board should be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

10.3 Duty to Promote Sustainability and Social Responsibility

The Company should recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Company to grow its business, while contributing to the advancement of the society where it operates.

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11 The duty to promote stakeholders’ rights are confirmed and implemented under the Code of Business Conduct and Ethics of the Company which is attached to this Manual as Appendix “5”.

12 The duty to encourage employee participation is confirmed and implemented under the Code of Business Conduct and Ethics of the Company which is attached to this Manual as Appendix “5”.

13 The duty to promote sustainability and social responsibility is confirmed and implemented under the Safety, Health, and Welfare Policy which is attached to this Manual as Appendix “11”.

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PART C
IMPLEMENTATION OF THE GOVERNANCE FRAMEWORK
ARTICLE XI
GOVERNANCE POLICIES

11.1 Statements of Commitment to Good Governance Principles

This Manual shall be supplemented by the corporate governance policies of the Company. The aforesaid governance policies shall implement the following principles and shall be posted and made available on the Company’s website:

(a) The Board should have the overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy should include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy should encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations.

The material or significant RPTs reviewed and approved during the year should be sufficiently disclosed in the appropriate reports to the regulatory bodies and agencies (e.g. Annual Report and Annual Corporate Governance Report, among others).

(b) The Board should adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code should be properly disseminated to the Board, senior management and employees. It should also be disclosed and made available to the public through the Company website.

The Board should ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.

(c) The Board should establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of the Company’s financial condition, results and business operations.

(d) The Company should have a policy requiring all directors and officers to disclose/report to the Company any dealings in the Company’s shares within three business days.

The Board should fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.
(e) The Company should provide a clear disclosure of its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same, including termination and retirement provisions.

(f) The Company should make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. Moreover, the Board of the offeree company should appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.

(g) The Board should have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability. The Company shall adopt a globally recognized standard/framework in reporting sustainability and non-financial issues.

11.2 The Code of Business Conduct and Ethics

(a) The Company’s commitment to the highest standards of ethics, good governance, competence and integrity was institutionalized through the Code of Business Conduct and Ethics (the “Code”). The Code sets forth the standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the Company. The Code should be properly disseminated to the Board, senior management and employees, and should also be disclosed and made available to the public through the company website.

(b) The Code addresses the issues and relationships between and among the Company’s directors, officers and employees, and its customers, suppliers, business partners, government offices and other stakeholders. The Code includes policies on: Honesty and Fair Dealing; Conflict of Interest; Corporate Entertainment and Gifts; Insider Trading; Disclosure; Creditor Rights; Anti-Corruption; and Anti-Sexual Harassment.

The Code is attached to this Manual as Appendix “5”.

11.3 The Whistle Blower Policy

The Whistle Blower Policy aims to allow employees and third parties to freely communicate their concerns about illegal or unethical practices, without fear of retaliation, and provides mechanisms on supervising and ensuring its enforcement.

The Whistle Blower Policy supports and implements the policy on Honesty and Fair Dealing contained in the Code.

The Whistle Blower Policy is attached to this Manual as Appendix “6”.
11.4 The Related Party Transactions Policy

The Board ensures that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality.

To further instill the Company’s policies on related party transactions, the Board adopted the Policy on Related Party Transactions (the “RPT Policy”). The policy includes the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions.

The RPT Policy confirms that the Company and its subsidiaries 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, which shall be subject to appropriate corporate approvals and actions of the Company or the related parties, as the case may be.

The RPT Policy is attached to this Manual as Appendix “7”.

11.5 The Procurement Policies

The objectives of the Procurement Policies are to promote transparency in the procurement process, and to afford vendors equal access to business opportunity with Manila Water, with the end view of enhancing vendor participation and protecting the interest of the Company. Officers and employees of the Company involved in the procurement process for services, materials, supplies and equipment for the Company are required strictly to comply with its Procurement Policies.

The Procurement Policies are attached to this Manual as Appendix “8”.

11.6 The Vendors’ Code of Conduct

The Vendors’ Code of Conduct sets out the rules that will guide the Company’s vendors in the performance of their obligations and/or in transacting business with the Company, thus avoiding acts contrary to standards, policies, laws and morals. As business partners of the Company, its vendors are expected to act with utmost integrity, efficiency, and competence in performing awarded contracts and/or delivering ordered products. Moreover, they should demonstrate a strong sense of responsibility for public safety and interest that will ultimately promote and protect the good name of the Company. The Vendors’ Code of Conduct is deemed incorporated in the contracts of Manila Water with its suppliers, vendors and contractors.

The Vendors’ Code of Conduct is attached to this Manual as Appendix “9”.
11.7 The Enterprise Risk Management Policy

The Board should oversee that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework should guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

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, the Company shall appropriately respond to risks and manage them in order to increase shareholder value and enhance its competitive advantage.

The ERM Policy is attached to this Manual as Appendix “10”.

11.8 Safety, Health and Welfare Policy

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.

The Safety, Health and Welfare Policy is attached to this Manual as Appendix “11”.
PART D
PROMOTING A COMPREHENSIVE
AND COST-EFFICIENT ACCESS
TO RELEVANT INFORMATION
ARTICLE XII
COMMUNICATION AND INFORMATION

12.1 General Policy

It is essential that all material information that could potentially affect Manila Water’s share price and viability, or the interest of its stockholders and other stakeholders, and such other information that are required to be disclosed pursuant to the SRC and its IRR as well as other relevant laws should be publicly and timely disclosed. These information include but are not limited to earnings results, acquisition or disposal of significant assets, off balance sheet transactions, changes in Board membership as well changes in shareholdings of directors and officers, and remuneration of directors and officers and related party transactions.

The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.

The Board should have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability. The Company shall adopt a globally recognized standard/framework in reporting sustainability and non-financial issues.

The Company shall disclose its corporate governance practices, corporate events calendar, and other material information on its website in a timely manner.

The Company should include media and analysts’ briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.

12.2 Management’s Responsibility for Information

(a) Management is primarily responsible to the Board for financial reporting and control, and to this extent, shall:

(i) Present a balanced and understandable assessment of the Company’s position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;

(ii) Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;
(iii) Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;

(iv) Maintain a sound system of internal control to safeguard stakeholders’ investment and the Company’s assets;

(v) Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization’s governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts;

(vi) Require the Chief Audit Executive to render to the Audit and Governance Committee an annual report on the internal audit department’s activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit and Governance Committee of the Board. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management.

(b) Management should formulate under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

(i) The extent of its responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;

(ii) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company should be maintained for the benefit of all stockholders and other stakeholders;

(iii) On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company’s governance, operations and information systems, including reliability and integrity of financial and operational information, effectiveness and efficiency of the operations, protection of assets, and compliance with contracts, laws, rules and regulations;

(iv) The Company should consistently comply with the financial reporting requirements of the SEC;
(v) The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Company, should be changed with the same frequency. The Internal Auditor should submit to the Audit and Governance Committee and Management an annual report on the internal audit department’s activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit and Governance Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

(c) Management shall be primarily responsible for the adequate flow of information to the Board. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and documents, budgets, forecasts and monthly internal financial statements. Any variance between projections and actual results should also be disclosed and explained by Management to the Board.

12.3 The Company’s Investor Relations Office

There shall be an Investor Relations Office (IRO) to ensure constant engagement with the shareholders. The IRO should be present at every shareholders’ meeting.

The IRO shall have the following functions, among others:

(a) Creation and implementation of an investor relations program that reaches out to all shareholders and fully informs them of corporate activities;

(b) Formulation of a clear policy on communicating or relating relevant information to Company stakeholders and to the broader investor community accurately, effectively and sufficiently;

(c) Preparation of disclosure documents to the SEC and the PSE, in coordination with the Office of the Corporate Secretary and the Compliance Officer, and

(d) Dissemination of this Manual, and the conduct of an orientation program for the Board and Management, in coordination with the Corporate Secretary and the Compliance Officer.

The IRO shall be easily reachable through the contact details provided on the Company website or relevant Company literatures and issuances.
Communication and Dissemination of this Manual

This Manual shall be submitted to and made available at the SEC. It shall also be available for inspection by any stockholder of the Company at its principal office during reasonable hours on a business day.

The Board and the Management shall ensure complete dissemination of this Manual to all employees and enjoin compliance in the process through trainings and orientation programs or workshops to embed the corporate governance principles in the Company’s culture.

This Manual and its amendments, shall be posted on the website of the Company.

ARTICLE XIII
REVIEW AND AMENDMENT OF MANUAL

13.1 The provisions of this Manual and the enforcement thereof shall be subject to annual review by the Office of the Compliance Officer in coordination with the Corporate Governance Committee.

13.2 This Manual is subject to review and amendment by the Board to continuously improve the Company’s corporate governance practices by assessing their effectiveness and comparing them with evolving best practices, standards identified by leading governance authorities and the Company’s changing circumstances and needs.
ARTICLE XIV
ADOPTION AND EFFECTIVITY

This Manual was approved and adopted by the Company on May 18, 2017 pursuant to SEC Memorandum Circular No. 19 Series of 2016.

Signed on May 18, 2017 by:

Fernando Zobel de Ayala
Chairman of the Board of Directors

Luis Juan B. Oreta
Chief Finance Officer and Treasurer
Compliance Officer
APPENDIX “1”

PROCEDURES AND PRINCIPLES FOR SUBMISSION AND EVALUATION OF NOMINATIONS 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 in writing and 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 in accordance with the By-Laws.

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.

The nominating stockholder must indicate his or her complete name and address and/or other contact details, number of Company shares registered in his own name, and stock certificate number.

(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, the Manual, the Charter of the Board, the SRC Rules, and applicable laws, rules and regulations).

The General and Specific Qualifications for Directors are set forth in Appendix “2” of this Manual, while the Permanent Disqualifications and Temporary Disqualifications are set forth in Appendices “3” and “4” respectively, of this Manual.

(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 shall undertake the process of identifying the quality of directors aligned with the Company’s strategic directions. Towards this end, the 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 Charter of the Board and the Corporation Code on removal of directors 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.
APPENDIX “2”

GENERAL AND SPECIFIC QUALIFICATIONS OF DIRECTORS

General Qualifications:

A Director of the Company shall have the following 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; and
(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:

In addition to the general qualifications, the following specific qualifications shall be required, as may be applicable:

(a) Non-executive directors should possess such qualifications and stature to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.
(b) Directors who are members of Board Committees shall have such additional qualifications necessary to effectively discharge the functions of the relevant Board Committee.
(c) At least one of the independent directors must have accounting expertise (accounting qualification or experience).
(d) At least one non-executive director must have prior working experience in the sector that Manila Water is operating in.
(e) Independent directors must have all requisite qualifications for independence under Securities and Exchange Commission (“SEC”) Memorandum Circular No. 16, Series of 2002.
(f) Officers, executives and employees of the Company may be elected as directors but cannot and shall not be characterized as independent directors.
(f) 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.

(g) 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 OF DIRECTORS

A Director with the following disqualifications shall never be nominated and/or elected to the Board, or if nominated and elected, shall be removed from office:

(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 ("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 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, 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 found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated previously;

(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 --

(i) 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

(ii) 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

(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 (i) or (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.

(i) Other grounds as the SEC may prescribe.
TEMPORARY DISQUALIFICATION OF DIRECTORS

The following are 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 IRR. 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 or termination for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the SEC. The disqualification should be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;

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

(e) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an independent director is lifted if the limit is later complied with.

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

A finding of existence of temporary disqualification shall be at the discretion of the Board and shall require a resolution of a majority of the Board.

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.
THE REVISED CODE OF BUSINESS CONDUCT AND ETHICS

1. Preamble

The Manual provides that:

“The Board should adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code should be properly disseminated to the Board, senior management and employees. It should also be disclosed and made available to the public through the Company website.

The Board should ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.”

This Code of Business Conduct and Ethics shall be the guiding principle of the directors, officers and employees when transacting business on behalf of the Company.

The directors, officers and employees shall be accountable to the Company, discharge their duties with utmost honesty, integrity and competence, and at all times, follow the highest standards of business conduct and ethics.

2. Definitions

Board means the Board of Directors of the Company

By Laws means the By Laws of the Company and any amendment thereof

Code means this Code of Business Conduct and Ethics

Company means Manila Water Company, Inc.

Complainant means any person filing any complaint for violation of the Code

Compliance Officer means the officer designated and appointed by the Board to exercise the functions of the office specified in the Manual and who is empowered under this Policy to receive, investigate and respond to complaints.

Directors means the members of the Board

**Officers** means those performing executive functions and enumerated under or appointed pursuant to the Company’s By Laws

**PSE** means the Philippine Stock Exchange

**Respondent** means the person being charged for violation of the Code

**SEC** means the Securities and Exchange Commission

3. **Persons Covered**

This Code shall apply to all Directors, Officers and employees of the Company.

4. **Honesty and Fair Dealing**

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

4.2 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 Company.

4.3 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.

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

4.5 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 Company shall promptly identify and investigate any suspected fraudulent or dishonest acts. Without prejudice to applicable administrative sanctions, the Company may pursue civil and/or criminal actions against directors, officers and employees as may be warranted.

The Implementing Guidelines on the Reporting of Fraudulent or Dishonest Acts are contained in the Whistle Blower Policy of the Company.
5. **Conflict of Interest**

5.1 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 Company. 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.

5.2 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.

5.3 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.

A copy of the Conflict of Interest Form is attached hereto as Annex A.

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

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

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

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

6. **Corporate Entertainment / Gifts**

6.1 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.
6.2 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.

A copy of the form for the Report on Corporate Entertainment and Gifts is attached hereto as Annex B.

7. Insider Trading

7.1 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 Company, which have not been disclosed to the public, including any information likely to affect the market price of the Company’s shares, are restricted to buy or sell Manila Water shares during the following period:

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

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

7.2 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.

A copy of the Report of Trades is attached hereto as Annex C.

7.3 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 Company or any changes thereof shall do so promptly and accurately. Notwithstanding anything to the contrary, the directors shall report their dealings in Company shares one (1) business day before the dealing and within three (3) business days after the dealing.

8. Disclosure

8.1 The Company hereby adopts a policy of prompt and adequate disclosure of all material facts or changes in the affairs of the Company including any information likely to affect the market price of the Company’s shares to give a fair and complete picture of the Company’s financial condition, results and business operations.
8.2 The Company 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.

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

8.4 Directors, Officers and employees shall not knowingly misrepresent or cause others to misrepresent information relating to the Company to government and regulatory agencies, independent auditors, the media or any other person.

8.5 No Director, Officer or employee shall disclose any confidential information obtained from the Company 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 Company.

9. Creditor Rights

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

9.2 No distribution or disposal of assets of the Company shall be made except:

(a) When allowed by the law; or
(b) By decrease of capital stock; or
(c) Upon lawful dissolution and after payment of all its debts and liabilities;
(d) When allowed by the material agreements of the Company, but without prejudice to vested rights.

10. Anti-Corruption

10.1 The Company 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 Company must ensure that it and its directors, officers and employees fully comply with the laws governing bribes, unlawful payments and other corrupt practices.

11. Anti-Sexual Harassment

11.1 The Company 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.
Hence, the Company 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.

Sexual Harassment means unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature.

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 Chief Legal Counsel shall be the ex-officio chairman of the Panel, while the Heads of the Internal Audit Department and the Employee Engagement Department of the Company 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. If the decision involves a director, it will constitute a permanent disqualified for nomination and election to the Board.

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 Company 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 Company, 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 or by the Board, as the case may be, 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, and the basis for the grant thereof.

13.5 In case of doubt regarding the interpretation and application of this Code, the matter should be referred to the Office of the Compliance Officer, except when the individual involved is a director, in which case, the matter shall be referred to the Board of Directors.
13.6 The provisions of this Code shall be without prejudice to the provisions of existing and relevant laws, rules and regulations.

14. Effectivity

The Code or any amendments thereof shall become effective when approved by the Board.
# CONFLICT OF INTEREST FORM

<table>
<thead>
<tr>
<th>Name:</th>
<th>Date of Report:</th>
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<tr>
<td>Position:</td>
<td>Department/Group:</td>
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<td>Brief Description of the Conflict:</td>
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**Signature**

-To Be Filled Up by the Office of the Compliance Officer-

Register No.

| Recommendation: | |
| Recommended by: | |

Date:_______________________

Final Action Taken by the Office of the Compliance Officer:

Date:_______________________
# CORPORATE ENTERTAINMENT/GIFT FORM

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<th>Name of Giver of Gift/Entertainment</th>
<th>Type of Gift/Entertainment</th>
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Submitted by:

_______________________
Name
Position

_______________________
Date
TRADE REPORT

I, [name of Director/Officer/employee], hereby report that I made the following trades on the shares of Manila Water Company, Inc. for the [first/second/third/fourth] quarter of 20__:

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<thead>
<tr>
<th>Date</th>
<th>Number of Shares Sold</th>
<th>Number of Shares Purchased</th>
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________________________
Name
Position

________________________
Date
THE WHISTLE BLOWING POLICY

1. Prefatory Statement:

The Manual of Corporate Governance of the Company provides that:

“The Board should establish a suitable framework for whistle blowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistle blowing concerns. The Board should be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.”

Section 4.5 of the Code of Business Conduct and Ethics of the Company provides that:

“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 Compliance Officer in case of Officers and employees. The Company shall promptly identify and investigate any suspected fraudulent or dishonest acts. Without prejudice to applicable administrative sanctions, the Company may pursue civil and/or criminal actions against Directors, Officers and employees as may be warranted.”

This Policy provides the guidelines for the implementation of the foregoing provisions.

2. Objectives of the Policy

The objectives of this Policy are as follows:

(a) To protect Directors, Officers and employees who in good faith report wrongdoings from retaliation or discrimination;

(b) To encourage Directors, Officers and employees to raise concerns internally so that wrongdoings may be resolved at the earliest possible stage;

(c) To ensure management accountability and commitment to good governance;

(d) To discourage Directors, Officers and employees from making untrue and malicious allegations and;
(e) To make it as a duty to all Directors, Officers and employees to disclose information on such fraudulent and dishonest acts.

3. Coverage of the Policy

All Directors, Officers and employees and third parties covered by the Code of Business Conduct and Ethics are covered by this Policy.

4. Definition of Terms

Board means the Board of Directors of the Company

By Laws means the By Laws of the Company and any amendment thereof

Code means the Code of Business Conduct and Ethics of Manila Water

Company means Manila Water Company, Inc.

Complaint refers to the spoken or written disclosure or a complaint regarding illegal or unethical conduct or conduct that violates corporate governance policies of the Company, including the Company’s Code.

Compliance Officer the officer designated and appointed by the Board to exercise the functions of the Office specified in the Manual and who is empowered under this Policy to receive, investigate and respond to complaints.

Directors means the members of the Board

Employee refers to any person employed in service of Manila Water Company, Inc. and its subsidiaries under an express or implied contract of hire


Non-employee Witness means any third party other than a whistle blower who participates or cooperates in the investigations or proceedings pertaining to a whistle blower complaint.

Officers means those performing executive functions and enumerated under or appointed pursuant to the Company’s By Laws

PSE means the Philippine Stock Exchange

Respondent means the person being charged for violation of the Code
Retaliation pertains to an act of reprisal, discrimination, harassment, intimidation or adverse personnel action by Company directors, officers, or employees against a Whistle blower or a non-employee witness.

SEC means the Securities and Exchange Commission.

Whistle Blower refers to an employee, group of employees or external parties who in good faith, makes a disclosure or file a complaint regarding illegal activities, unethical conduct or act of retaliation.

Whistle Blower (WB) Committee refers to the Committee commissioned and empowered under this Policy to receive, process and resolve whistle blower reports and complaints.

5. Obligation to Report

5.1 All covered persons 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 include, but are not limited to, the following:

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

6. The Whistle Blower Committee

6.1 There is hereby created a Whistle Blower Committee composed of the following: Compliance Officer as the Chairman, and the Chief Audit Executive, the Chief Legal Counsel and a senior ranking manager from the Corporate Human Resources Group (CHRG).

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<tr>
<th>Member</th>
<th>Responsibility</th>
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<tr>
<td>Compliance Officer</td>
<td>Chairman of the Committee</td>
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<tr>
<td>Chief Audit Executive</td>
<td>Participates in the implementation of preliminary and full investigations, provides recommendations on the output of any investigation</td>
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Chief Legal Counsel  Provides legal advice to the Committee to ensure the investigation process adheres to applicable legal and procedural requirements

Senior Manager of the CHRG  Ensures that the decisions of the Committee are in accordance with applicable Human Resources and labor policies

Ensures the decision of the Committee is implemented

6.2  The Committee shall ensure that whistle blower reports are acted upon through validation of the weight and sufficiency of the evidence and endorsement of the case to an investigating team.

6.3  The Committee shall hold regular meetings to layout plans and activities in relation to the implementation of this Policy and the conduct of investigations of any whistle blower Complaint.

6.4  The Committee shall render regular reports to the Corporate Governance Committee of the Board on the best practices, required internal controls and activities in relation to the implementation of this Policy. The Committee shall also seek guidance from the Corporate Governance Committee in relation to the conduct of any pending investigation pursuant to the Policy.

7.  Procedures and Guidelines

7.1  Reporting Channels

Whistle blowers can initiate reports and complaints through in-person meetings or through any of the following channels: electronic mail; registered or regular mails, website of the Company, telephone call, and facsimile, as may be made available from time to time.

The Committee shall ensure the accessibility of the Reporting Channels when made available.
The Whistle Blowers can communicate with the WB Committee through the following:

<table>
<thead>
<tr>
<th>Channel</th>
<th>Particulars</th>
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<tr>
<td>Telephone</td>
<td>+632 981 8179</td>
</tr>
<tr>
<td>Electronic Mail</td>
<td><a href="mailto:whistleblower@manilawater.com">whistleblower@manilawater.com</a></td>
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| Regular Mail       | Whistle Blower Committee  
Manila Water Company, Inc.  
Legal and Corporate Governance Department  
2/F MWSS Administration Building,  
489 Katipunan Road, Balara, Quezon City, Philippines |

7.2 Form of Reports

The Committee will accept reports in any form and regardless of the channels used, as long as the information provided by the Whistle blower are adequate and sufficient pursuant to Section 7.6 Action on Complaints and Reports. However, the Whistle blower should be accessible to the Committee through a communication channel which may include but shall not be limited to, electronic mail, telephone, short messaging service, online chats, and other similar means.

The Whistle blower has the option to identify a particular member of the Committee with whom to communicate with regard to the reports and the complaint.

7.3 Acting in good faith

Anyone filing a complaint or report concerning a wrongdoing or suspected wrongdoing must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense if committed by a director, officer or employee and shall be a ground for dismissal of the complaint or report ³.

Good faith means that the Whistle blower has a reasonable suspicion that a fraudulent or dishonest act has occurred, is occurring or is likely to occur.

7.4 Protection from Retaliation

The Whistle blower shall be protected from any form of retaliation or discrimination by the concerned person, his co-employees or superiors.
7.5 Confidentiality

All Whistle blower complaints and reports including the identity of the whistle blower, witnesses and employees named in the Complaint and the report, as well as the activities and investigations undertaken pursuant to this Policy, will be treated in a confidential and sensitive manner, unless the Company is otherwise required or compelled by law or order of competent authority to release the information.

7.6 Action on Complaints and Reports

(a) The reports and the complaints shall be received by the Committee through any of the available reporting channels. Any channel the Whistle blower may choose will require a minimum level of information.

(b) The minimum information required for a report or complaint shall include:

(i) Communication channel to the Whistle blower (e.g. e-mail address, contact number, chat name, etc.)

(ii) Charges are specified, including the relevant material facts (e.g., nature of incident, time and places of the incident, process involved, evidence, and other important matters necessary to establish a case)

(iii) The report should pertain to a matter relevant to the business of Manila Water. It must contain sufficient details and include supporting documents if available, to enable the Committee to properly investigate the incident reported and take the necessary action

(iv) Urgency of the complaint

(c) Preliminary Investigations

Based on the reports of the Whistle blower, if sufficient, the Committee may cause the CAE, by himself, or through his duly authorized representatives/delegates, to conduct a discreet, preliminary audit or fact finding procedures to test the credibility of the information.

In case that the CAE finds the information lacking or not clear, the CAE shall, with the approval of the Committee, communicate with the Whistle blower using the communication channel the Whistle blower provided.

The CAE shall submit a report to the Committee on the results of the preliminary investigation. The report will include recommendation to pursue or terminate
the investigation depending on the sufficiency of evidence and results of preliminary investigation. After the preliminary investigation has been completed and the Whistle blower report is verified, the Committee shall present to its members the report for appropriate action. Based on the preliminary investigation, the Committee shall decide whether to terminate or elevate the Whistle blower report to full investigation.

(d) Full Investigation

Upon determination by the Committee after the preliminary investigation, the investigation may proceed further. The Committee shall select the composition of the investigative team to conduct a thorough investigation of the report or compliant. The Committee shall ensure that the members of the investigative team has the appropriate capacity to investigate the concern.

In case of concerns assessed to be out of the expertise of the Committee members, an external service provider may be called upon to do the investigation.

(e) After the full investigation has been completed the Committee shall present to its members the report for appropriate action. Based on the results of the full investigation, the Committee shall decide whether to terminate the complaint or prosecute any offense or violation in accordance with the procedures laid down in the relevant policy of the Company. The Committee shall ensure all offenses and violation identified are penalized and dealt with according to its respective disciplinary/corrective action. Copies of the resolutions will be included in the CHRG personnel records if it involves an employee.

(f) All cases within the scope of the Committee must be resolved within a reasonable time as determined from the time all relevant documents have been obtained.

(g) In case of imminent risks, the Compliance Officer shall be permitted to mobilize sufficient resources and departments/units of the Company to address and mitigate the same. Imminent risk shall be situations that require immediate attention as they pose significant risk to public health or safety, or a danger to the environment.

The Compliance Officer may also directly investigate any matter involving imminent risks, or delegate the conduct of investigation to any member of the Committee.
8. **Reporting and Monitoring**

8.1 The Committee shall report quarterly to the Senior Leadership Team (SLT) of the Company and semi-annually to the Corporate Governance Committee of the Board. In extraordinary circumstances, including in cases of imminent risks to the Company, the Committee may request urgent meetings with the SLT and/or the Corporate Governance Committee.

8.2 The Committee shall report on the following statistics and other relevant matters:

- Number of whistle blower report received
- Number of resolved whistle blower reports
- Status of the open whistle blower reports
- Summary of final resolutions

Additional information may be included in the report as may be necessary based on the request of the SLT and/or the Corporate Governance Committee.

8.3 Custodian

The CHRG shall be the custodian of the reports and the resolved whistle blower cases. The CHRG shall ensure that the access to the reports shall be fully restricted and exclusive only to the members of the Committee.

The reports and resolutions shall be retained for five (5) years from date of termination of the investigation or the date of resolution of the case. The custodian shall ensure that reports are kept restricted until and during the disposal. Reports and cases for disposal shall be destroyed without means of recovery.

9. **Adoption and Effectivity**

This Policy shall take effect when approved by the Board.
POLICY ON RELATED PARTY TRANSACTIONS

1. Prefatory Statement:

The Manual provides that:

“The Board should have the overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy should include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy should encompass all entities within the Group, taking into account their size, structure, risk profile and complexity of operations.”

“This Board ensures that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality.”

This Policy provides the guidelines for the implementation of the foregoing provision.

2. Statement of Policy

As a general rule, the Company shall avoid Related Party Transactions (RPT). In instances where RPTs cannot be avoided, the Company shall disclose all relevant information on the same, including information on the related or affiliated parties and the affiliation of directors and principal officers.

The Company and its subsidiaries 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 Company or the Related Parties, as the case may be. Any related-party transactions entered into by the Company or its Affiliates shall be in accordance with applicable law, rules and regulations and this Policy.

3. 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 Related Party Transactions has been undertaken; and
(d) To ensure compliance with the Disclosure Policy of the Company and disclosure requirements of Financial Statement Reporting
3. **Scope**

All Related Parties as defined herein.

4. **Definition of Terms**

**Affiliate** means, with respect to a party, a Person which is directly or indirectly controlling, controlled by or under common control with such party.

**BIR** means the Bureau of Internal Revenue.

**Board** means the Board of Directors of the Company.

**Code** means the Code of Business Conduct and Ethics.

**Committee** means the Related Party Transactions (RPT) Committee of the Board.

**Company** means Manila Water Company, Inc.

**Conflict of Interest** means a situation when a Related Party 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 Company. It is not required that there be an actual conflict, it is sufficient that conflict be seen to exists by an impartial observer.

**Control** means ownership of at least fifty percent (50%) of the total issued and outstanding capital stock of, or the right to elect at least fifty percent (50%) of the number of directors in such Person, or the right to cause the direction of the management and policies of such Person whether through the ownership of shares, directorships, management, community of interest, or contract.

**Director** means a member of the Board of Directors of the Company.

**Group Director** means an executive officer of the Company having the rank of a Vice President or higher.

**External Auditor** means the auditor of the Company for the ensuing year appointed during the latest Annual Stockholders’ Meeting of the Company.

**Executive Officer** means a person occupying executive position in the Company as defined in the By Laws of the Company or appointed as such by the Board of Directors.

**Financial Statements** means the financial statements required to be submitted to the BIR and the SEC or other relevant government administrative or regulatory agency.
**Immediate Family Member** means with respect to any Person, the relative of such Person up to the second degree of consanguinity or affinity

**Key Management** means persons having authority and responsibility for planning, directing, controlling or implementing the activities or transactions of the Company, directly or indirectly

**Management Committee** means the governing body of the Company composed of the President and the Group Directors of the Company

**Manual** means the Manual of Corporate Governance of the Company adopted pursuant to SEC Memorandum Circular No. 19, Series of 2016 issued on November 22, 2016

**Material RPT** means any RPT with a total contract value of at least Fifty Million Pesos (Php50,000,000.00).

**Person** means an individual, Company, partnership, joint venture, unincorporated association, trust or other juridical entity or any Governmental Authority

**PSE** means the Philippine Stock Exchange

**Related Party** means with respect to the Company:

- (a) Person/s that has or have control or joint control over the Company;
- (b) Person/s that has or have significant influence over the Company;
- (c) Person/s that is or are controlled by or under common control with the Company; and
- (d) The directors and executive officers or members of the Key Management of the Company; and
- (e) Any Immediate Family Member of a director or executive officer or Key Management of the Company

**Reporting Entity** means a person or Company preparing the financial statements. For purposes of this Policy, the Reporting Entity shall be the Company

**Related Party Transactions or RPTs** means transactions whether commercial or otherwise by and between or among Related Parties, involving a transfer of resources, services or obligations

**SEC** means the Securities and Exchange Commission

**Subsidiary** means, with respect to any Person, an Affiliate more than fifty percent (50%) of the total issued and outstanding capital stock of which is directly or indirectly owned by said Person.
5. **Disclosure Requirements:**

5.1 The Company must comply with all disclosure requirements of RPT mandated under the Manual, and the applicable laws, 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 Company.

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 inquires 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 Company.

6.2 The approval, award, processing and payment of RPTs shall follow the same procedures as the other transactions and contracts of the Company. 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 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 Company.
6.4 Prior to the award of any Material RPT, the Company 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 Company.

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**

7.1 The following transactions, even if with a Related Party, are not subject to this Policy:

   (a) Compensation of directors and employment of executive officers;

   (b) Transactions with similar terms available to all employees generally;

   (c) Banking, finance or insurance-related services and transactions with a Related Party, if the terms are generally the same as or similar to offers of other banks in the ordinary course of business;

   (d) Share transactions such as dividends, repurchase, rights offerings, available to all shareholders on a pro-rata ownership basis;

   (e) Any transaction with a Related Party involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority;

   (f) Any transaction with a Related Party involving system cost recoveries, agreements or intercompany advances in exchange for rendering of services such as construction, construction management, procurement, engineering, property management, technical services, and other services in the ordinary course of doing business;

   (g) Transfer of resources between wholly-owned subsidiaries of a common parent company.

7.2 The Compliance Officer 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 Company, 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 Company who has knowledge of any violation of this
Policy shall report the same to the Office of the Compliance Officer.

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 Company 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.

11. **Effectivity**

This Charter shall take effect upon approval by the Board.
PROCUREMENT POLICIES
A. GENERAL PRINCIPLE

In order to establish a system in facilitating purchase requests, a policy is hereby issued to give further details regarding the procedure in accepting documentary requirements.

B. SCOPE

This is applicable to International Competitive Bidding (ICB) Projects and requirements that are considered strategic due to its significant level of expenditure.

C. GUIDELINES

1. Documentary requirements are classified for the following purposes:
   - For establishing eligibility
   - For facilitating bids

2. For establishing eligibility, prospective bidders are to submit their written Letter of Intent (LOI) and Application for Eligibility within the specified period.

3. The Contracts and Vendor Management Department representative will then acknowledge the receipt for processing.

4. The eligibility of a prospective bidder is determined based on merits of the submitted mandatory requirements which includes:
   - DTI business name registration for Single Proprietorship and SEC registration certificate for Partnerships and Corporations
   - Valid and current Mayor’s permit/ municipal license to operate a business
   - Tax Clearance Certificate issued by the BIR Main Office and Income Tax Returns

5. The eligibility form must be released to the prospective bidder immediately upon the receipt of the LOI and AFE.

6. For facilitating bid requirements, the Program Manager shall forward a copy of the following documents:
   - Approved Business Case (Capital Expenditure Items)
   - Approved Material/ Service Request (Operating Expense Items)

This document is proprietary and confidential. No part of this document may be reproduced or transmitted to an unauthorized party without the prior consent of Manila Water Company Incorporated.
7. The Business Case and Material/Service Requisition (M/SR) should also be accompanied with the following supplemental documents before acceptance:
   - Terms of Reference (Consultancy)
   - Scope of Work (Construction Works)
   - Bill of Quantities
   - Technical Drawings
   - Internal Reference Number (Project System and Purchase Requisition)

8. If and when a particular purchase request has already been delivered/served before the Business Case or M/SR was even prepared, the Program or Facilities Manager would need to provide a justification letter and attach it together with the original set of bidding documents.

9. Should there be any missing documents from the set of bid documents received from the proponent, this will be returned to the proponent with the proper markings and notation.

10. Under no circumstances shall a buyer process a purchase request that does not meet the requisites and standards of MWCI.
A. GENERAL PRINCIPLE

To illustrate the details of conducting preliminary groundwork in identifying potential vendors for MWCI's bid requirements.

B. SCOPE

This is applicable to International Competitive Bidding (ICB) Projects and requirements that are considered strategic due to its wide availability of supply.

C. GUIDELINES

1. Advertisements and letter of invitations must contain the following:
   - The project background and other relevant information regarding the proposed contract, including the brief description of the type, size and other features of the works
   - The date, time, and place for the submission and receipt of the Letter of Intent
   - The period of availability of the eligibility documents, the place and time for securing the eligibility documents and where applicable, the price of the eligibility documents
   - Bid details (Pre-bid conference schedule, submission of proposals, opening and evaluation mechanics)

2. The Contracts and Vendor Management Department shall prepare the content of the advertisement and letter of invitation based on the initial bid documents that were provided by the Program Manager.

3. For MWCI Funded Projects, only the following recognized media partners are to publish the said materials:
   - Manila Standards
   - Philippine Star
   - Philippine Daily Inquirer

4. For IBRD Funded Projects, posting advertisement and invitation are as follows:
   - Advertised at least two (2) newspapers of general nationwide circulation which have been regularly published for at least two (2) years.
   - Continuously on the UNDB website
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**Subject:** BIDDING PROCESS  
**Prepared by:** MAGNO S. GAMBO, JR., SECTION MANAGER, CVMD  
**Reviewed by:** CRISTINA ESTANDARTE, HEAD, CVMD  
**Approved by:** LUIS JUAN B. ORETA, CFO

### A. GENERAL PRINCIPLE

To establish the general rules and conditions in awarding contracts.

### B. SCOPE

All OPEX and CAPEX (Facilities, Water Supply and Waster Water) projects with a minimum value of PhP3.5 Million shall be subject to the following implementing guidelines.

### C. GUIDELINES

1. The contract shall be awarded to the bidder with the lowest complying bid.
2. Upon the determination of the winning bidder, the Contracts and Vendor Management Department shall send a notification to inform said bidder that their bid has been accepted.
3. A Notice of Award (NOA) shall then be forwarded to the winning bidder to formalize the awarding of the project.
4. Subsequently, the buyer shall send a thank you letter to those who were unsuccessful in the bidding event.
5. Where necessary and applicable, the Project Team will conduct a debriefing of those who have requested for clarification of the result of the bidding event.
6. A pre-commencement meeting will then ensue to discuss the implementation details of the project.
7. The Contracts and Vendor Management Department shall draft a contract based on the merits of the bid documents and their final proposal.
8. The vendor should be able to complete the review and approval of the contract within the agreed schedule.
9. Upon receipt of the signed and notarized contract, the buyer will proceed by lobbying the approval of MWCI signatories.
10. The buyer will then prepare the corresponding Job Order and provide a copy of the same to the winning bidder along with a copy of the signed contract.

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**MWCI**  
**CONTRACTS & VENDOR MGT. DEPT.**  
**CONTROLLED COPY**  
**ISSUED TO:**  
**ISSUED BY:**
A. GENERAL PRINCIPLE

In order to accelerate awarding of services from the accredited contractors and suppliers, Manila Water is issuing updated policy on awarding projects thru allocation.

B. SCOPE

This policy covers all Capital Expenditure (CAPEX) Projects procured under the new Project Development Life Cycle (PDLC) worth Php 10M and below in Civil Works.

C. GUIDELINES

1. For Pipe-laying projects considered as priority by the Headline Program Manager (HPM), contractors shall be pre-selected before the approval Capex and Investment Committee (CIC).

2. Initial reports on projects that are to be allocated shall be presented by the HPM to the CIC. Once the cost estimate supported by a Bill of Quantities (BOQ) / Bill of Materials (BOM) is ready, the HPM shall return to CIC for budget approval.

3. As reference in short-listing contractors, the Territory Service Manager (TSM) / Project Delivery Manager (PDM) of each Business Area (BA) shall give shortlist of their best-performing contractors to the Contracts & Vendor Management Department (C&VMD).

4. C&VMD shall review the profile of each short-listed contractors and proceed with the selection process using a set of pre-defined parameters.

5. Parameters for selecting the contractor shall include a review of their previous performance and a validation of relevant information such as capacity / loading, specialization and availability of required equipments.

6. The Allocation and Bid Committee (A&BC), composed of Department Managers from FPSCD, Audit and Business Support as headed by the Senior Manager of the C&VMD shall be in-charge of awarding the project to the pre-selected contractor.

7. The A&BC shall allocate projects to contractors included in the short-list. Allocation shall be the sole responsibility of the said committee, not the end-user.

8. Any poor performance or violations done by the short-listed contractors during the year shall be documented and reported to the Senior of the C&VMD. The Safety & Quality Department shall likewise regularly submit reports regarding safety violation and quality issues.
A. GENERAL PRINCIPLE

To establish the general rules and conditions in awarding contracts.

B. SCOPE

All OPEX and CAPEX (Facilities, Water Supply and Waster Water) projects with a minimum value of PhP3.5 Million shall be subject to the following implementing guidelines.

C. GUIDELINES

1. The contract shall be awarded to the bidder with the lowest complying bid.

2. Upon the determination of the winning bidder, the Contracts and Vendor Management Department shall send a notification to inform said bidder that their bid has been accepted.

3. A Notice of Award (NOA) shall then be forwarded to the winning bidder to formalize the awarding of the project.

4. Subsequently, the buyer shall send a thank you letter to those who were unsuccessful in the bidding event.

5. Where necessary and applicable, the Project Team will conduct a debriefing of those who have requested for clarification of the result of the bidding event.

6. A pre-commencement meeting will then ensue to discuss the implementation details of the project.

7. The Contracts and Vendor Management Department shall draft a contract based on the merits of the bid documents and their final proposal.

8. The vendor should be able to complete the review and approval of the contract within the agreed schedule.

9. Upon receipt of the signed and notarized contract, the buyer will proceed by lobbying the approval of MWCI signatories.

10. The buyer will then prepare the corresponding Job Order and provide a copy of the same to the winning bidder along with a copy of the signed contract.
A. GENERAL PRINCIPLE

To facilitate bidding and awarding of projects and to further improve safeguard and control measures, Manila Water Company Inc. (MWCI) has updated its policy regarding the subject.

B. SCOPE

All Operating Expenditures (OPEX) and Capital Expenditures (CAPEX) projects budgeted at Php3.5 million and above, approved by the Technical Working Group (TWG) and Capex & Investment Committee (CIC) except pipe-laying projects awarded through allocation (Policy Ref. No. PR5-09) shall go through the sealed bidding process.

C. GUIDELINES

1. The bidders shall submit their Technical and Financial Proposals in the prescribed form at the designated location and within the agreed schedule.

2. The bids shall be submitted in an envelope wherein the Technical and Financial Proposals are separately sealed with the proper identifications/ markings.

3. The Technical Proposal should contain the required information/ attachments as specified in the Invitation to Bid (ITB) and/or Terms of Reference (TOR).

4. For Construction Works, the Financial Proposals should contain a detailed bid breakdown following the Bill of Quantity (BOQ) format as provided by the MWCI Project Team.

5. For Consultancy Services, Financial Proposals shall include, among others, the corresponding cost in undertaking the works, broken down into man-hours per discipline.

6. Failure to follow any of the above-mentioned conditions may result to non-compliance and nullification of the submitted proposals subject to review and approval of the bidding committee.

7. In some cases, MWCI may require bidders to include the eligibility requirements in their sealed bids as this shall become part of the post-qualification assessment.
A. GENERAL PRINCIPLE

This policy's objective is to prescribe a uniform process that would ensure transparency and good governance in procurement and award of Common Purpose Facility (CPF) projects undertaken by Manila Water Company, Inc. (MWCI) and Maynilad Water Services, Inc. (MWSI).

B. SCOPE

This policy covers all Common Purpose Facilities (CPF) Projects, regardless of project cost, between MWCI and MWSI.

C. GUIDELINES

1. Procurement for CPF projects shall follow a 50 - 50 cost sharing scheme.

2. The procurement shall be facilitated by MWCI though the Contract's and Vendor Management Department in coordination with the CPF and MWSI proponents.

3. Project review and approval shall be conducted by the CPF Management Team.

4. The MS/R should be signed and approved by the CPF EXCO.

5. MWSI may at their own discretion nominate potential bidders to participate in any CPF bid packages by providing MWCI a copy of the approved LOB.

6. MWSI shall be invited to attend coordination meetings such as, but not limited to, Pre-Bid Conference, Bid Opening, Technical and Financial Evaluation, Clarification and Pre-commencement meeting. The involved parties shall be notified two (2) days prior the scheduled meeting.

7. Copies of the Technical and Financial evaluation results shall be furnished to the CPF Management Team, MWCI, and MWSI.

8. All requisitions, regardless of the project cost, shall be executed with a Contract in addition to the Job order.

   • MWCI Job Order (JO) shall only indicate 50% of the total project cost.

   • Contracts for CPF projects shall be executed between MWCI, MWSI, and contractor. It shall indicate the total project cost, and should possess the MWCI and MWSI logo.

9. The Senior Manager of the Contracts and Vendor Management Department may sign the JO for awarded projects with a value of PhP100 Thousand but not higher than PhP1 Million.
10. For awarded projects with a value above PhP1 Million but not higher than PhP5 Million, the JO shall be signed by the MWCI CFO.

11. For awarded projects with a value of PhP5 Million and above, the MWCI President shall sign the JO.

12. The issuing office for all CPF contracts shall be the COMMON PURPOSE FACILITIES located at La Mesa Dam compound, Novaliches, QC.

13. Authorized signatories on the contract shall be the Chairman and Vice Chairman of the CPF Management Team.

- Contracts should be initialed by the MWCI and MWSI CPF Managers

14. Original Contract documents shall be provided to: Contracts and Vendor Management Dept (1); Contractor (1); Finance (1); MWSI (2); meanwhile, Certified true copy of the contract shall be given to: MWCI HCO (1); MWCI CPF manager (1); MWSI CPF manager (1); and Project Manager (1)

15. For project close-out, standard procedures apply under the guidance of policies on Project close-out.

16. Variation Order (VO) shall be for approval of both MWCI and MWSI.

- Recommendation of the VO shall be initiated by the MWCI Project Managers, MWSI and CPF Management Team.

- V.O. up to ± 15% of the total project cost, regardless the amount, shall be for the approval of the CPF EXCO.

- For more than ± 15% of the total project cost, it shall be presented to higher authority (Group Directors or President of MWCI and MWSI).

- The amended contract shall be signed by the Chairman of the CPF.

17. In processing of claims and billings, the contractor shall submit separate billing documents corresponding to 50% of the billing to MWCI and MWSI. Both companies should appoint a person-in-charge to ensure efficient and streamline processing of their claims.

- For MWCI, contractor should submit required documents for processing of claims and billings.

- For MWSI, please refer to MWSI procedures for claims and billings.
A. GENERAL PRINCIPLE

To apply a competitive process that enables the Contracts & Vendor Management Department (C&VMD) to leverage on potential sources with the most favorable business term.

B. SCOPE

All Operating Expenditures (OPEX) and Capital Expenditures (CAPEX) except Pipe-laying Projects awarded through allocation (Policy Ref. No. PR5-09) shall be covered by this policy.

C. GUIDELINES

1. Competitive bidding consists of the following key activities:
   - Advertisement
   - Eligibility Check
   - Pre-bid Conference
   - Receipt of Bids
   - Opening of Bids
   - Evaluation of Bids
   - Post-Qualification
   - Award of Contract

2. Obtaining proposals through competitive bidding shall be facilitated by the Contracts & Vendor Management Department.

3. Only requirements with complete attachments as follows shall be processed for bidding.
   - Bill of Quantities
   - Scope of Work
   - Detailed Drawings
   - Project Evaluation Sheet (PES)/ Business Case - CAPEX
   - Materials/Service Request (MSR) - OPEX

4. The Procurement Strategy to be applied for a specific purchase requirement shall depend on the value of the project and/or the funding source.

5. The timeline for the key activities shall be agreed upon with the proponent through an approved procurement schedule.

6. The C&VMD may opt to postpone, extend or cancel a bidding event on a case to case basis depending on the issues at hand.
A. GENERAL PRINCIPLE

In line with Contract's thrust of accelerating business cycle time while enhancing true market-price discovery in procuring materials and services, a policy is hereby issued to augment current procurement practices with the use of an electronic bidding facility.

B. SCOPE

Applicable to the common type of purchase requirement that are also considered leverage items in terms of expenditure and supply availability.

C. GUIDELINES

1. To maximize the benefits of the hosted BT-Source (Electronic Bid Management), MWCI may opt to use the said service for certain bid packages.

2. The buyer would need to forward a copy of the approved Bid Structure to Bayantrade along with pertinent bid documents such as:
   - Invitation to Bid
   - Terms of Reference
   - Scope of Work
   - Bill of Quantities (BOQ)
   - List of Bidders

3. Scheduling of bid events would require a minimum of three (3) working days from the receipt of all bid documents.

4. MWCI may at their discretion apply the appropriate type of bid for specific purchase requirements. As follows:
   - eTender (Price only)
   - Multi-variable Bid (Price & non-price parameters)

5. Under no circumstance will a bid event be rescheduled, re-opened, extended without the prior approval of MWCI.

6. A representative from HCO may remotely view the bid event by using a dedicated interface login/ User ID or by personally visiting the office of BayanTrade.
ISO Document Change Notice Form

Department/Unit: CVMD
Document Title: Evaluation of Bids
Document ISO Ref. No.: MW-CVM-ISM-22
Old Rev No.: 3
New Rev No.: 4
Effective Date: Upon approval

I. Amendment Details:
From:

    Item no. 3 which states that..’ For projects involving pipelaying works (water and sewer)..’

To:

    Revised Item no. 3 which shall state that..’ For projects involving pipelaying works (water and sewer) as well as other types of projects with internal estimate of PhP 50 Million and below..’

II. Reasons for change:

    a. Streamlining of procurement process for 1-stage bidding

Prepared by: BEA MASANGRAY
Date: 03/30/17

Approved by: CRISTINA F. ESTANDARTE
Date: 4/4/17
A. GENERAL PRINCIPLE

In order to obtain the best value for the acquisition of services from accredited contractors and suppliers and to observe transparency and good governance in award and implementation of CAPEX projects, Manila Water is issuing an updated policy with regards to bidding and awarding of projects.

B. SCOPE

All CAPEX projects duly approved by the TWG and CIC shall undergo an evaluation process.

C. GUIDELINES

1. For MWC-prescribed quantities, evaluation is divided into pre-qualification, technical and financial and shall acquire a pass or fail method.
   
   1.1 Pre-qualification of contractors shall be done prior to Technical and Financial Bid submission.
   
   1.2 Pre-qualification parameters shall be set by the Project Team or its assigned Consultants.
   
   1.3 MWC may forego pre-qualification for standard requirements wherein a pool of potential bidders may be readily identified. In place of pre-qualification, CVMD checks the list of previous similar project completed by a potential bidder as well as its current contracting capacity and the status of current projects with MWC, if any, to check for any compliance issue. Qualified bidders determined against these criteria will then be notified to participate in the tendering process.
   
   1.4 Only those who are pre-qualified or have been shortlisted based on the above can be invited to submit technical and financial bids.
   
   1.5 Technical and financial evaluation parameters shall be based on the submitted Terms of Reference.
   
   1.6 Pre-qualification standards, preferences as to brands, materials, or process, if any, shall be made known to Procurement prior to submission of technical bids or prior to invitation. The same shall apply to any preferences or disqualifications. Any undocumented complaints versus a contractor shall not be entertained.

2. For design-and-build projects, three evaluation steps shall be followed:
   
   2.1 1st step: Pre-qualification shall be based on a pass or fail method. Those qualified shall be invited to submit technical and financial bids.
   
   2.2 2nd step: Technical Evaluation shall be conducted based on a pre-determined evaluation rating system established by the project team. These criteria normally involved
the assessment of the proposed design scheme, methodology, personnel and equipment of the bidder. How proposals will be rated shall be communicated to the bidders prior to submission of bids. A passing mark out of the over-all point system will also be established. Only those bids that pass Technical Evaluation shall proceed to Financial Evaluation.

2.3 3rd step: Financial Evaluation shall be conducted following the opening of the commercial proposals of the technically complying bids. Based on the established evaluation criteria, the financial rating of each bid will be determined and corresponding points will be assigned. The lowest bidder shall NOT automatically be judged the winner. This is to give a premium on the technical expertise offered by the bidders. MWCC will also consider the whole life cost of the proposals and as such, may not look at the lowest Capital Cost alone, but the whole life cost of the project.

3. For projects involving pipe-laying works (water & sewer) as well as other types of projects with internal estimate of Ph50M and below, technical evaluation may not be conducted prior to opening the financial proposals. This is due to the established standards, specifications and drawings involved for these kinds of works. This does not cover pipe-laying works for major system projects.

4. Any variation from Guideline #2 of this policy is subject to TWG and CIC approval.

5. Bidding documents shall always include a statement of Exceptions and Deviations.

6. The project proponent in coordination with CVMD shall be responsible for nominating a panel of evaluators which will assess the completeness and correctness of the technical proposal as submitted by the bidders.

7. The CVMD shall be responsible for evaluating the content of the bidder's financial proposal.

8. Results of the financial evaluation shall remain confidential until the declaration of the most responsive bidder by CVMD.

9. After finalizing the technical and financial evaluation, the CVMD shall consolidate all related documents for reference purposes.

10. Award of services (with previously approved business case), need not pass the Capex Investment Committee (CIC) provided bidding was conducted, the award is made to the lowest complying bidder and the budget is not exceeded. If the amount versus budget is within the allowable increase of 10% or Php200,000.00, whichever is lower, a Group Director may approve the budget excess. Otherwise, award shall need the confirmation of CIC.
A. GENERAL PRINCIPLE

The objective of this policy is to provide adequate control over health, safety and welfare risks in accordance with corporate and government policies.

B. SCOPE

This policy applies to all vendors who are involved in the implementation of MWCI’s projects and are exposed to potential accidents, injuries, occupational illness and damage to properties.

C. GUIDELINES

1. Vendors should have a suitable Construction Safety and Health Program, which must be in accordance with the rules and conditions approved by MWCI. The program shall comply with the provisions of Department Order No. 13 of Department of Labor and Employment (DOLE).

2. To ensure that a Construction Safety and Health Program is duly followed and enforced, each construction project site is required to have a Safety & Quality Officer who will directly report to the MWCI Project Manager.

3. Construction of Safety Signages must be provided to warn the workers and the public of hazards existing in the workplace.

4. Vendors are to provide competent emergency health personnel and/or trained first aider within the worksite duly complemented by adequate medical supplies, equipment and facilities.

5. Provision of Personnel Protective Equipment (PPE) shall be issued by the vendor to all construction workers who are either authorized or allowed to be at the construction site.

6. All heavy equipment operators assigned at the project site must be tested and certified in accordance with the standard trade test prescribed by the Technical Education and Skills Development Authority.

7. All heavy equipment must be tested and certified in accordance with the standards prescribed by MWCI and approved by the DOLE or its recognized organization/s prior to the commissioning of the said equipment.

8. No personnel shall be deployed in a construction site unless he has undergone a safety and health awareness seminar conducted by MWCI.

9. Every worker shall receive instruction and training regarding the general safety and health measures common to construction sites which shall include:
   - Basic rights and duties of workers at the construction site
   - Means of access and egress both during normal work and emergency situations

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<td>MAGNO S. GAMBOA, SR., SECTION MANAGER, CVMOD</td>
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<td>Reviewed by:</td>
<td>CRISTINA F. ESTANDARTE, HEAD, CVMOD</td>
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<td>HEALTH AND SAFETY</td>
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<td>Approved by:</td>
<td>GECONDIO V. CARPIO, PEO</td>
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<td>LUIS JUAN B. ORETA, CFD</td>
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- Location and proper use of welfare amenities and first-aid facilities
- Requirements of relevant health and safety rules and regulations

10. In the interest of accident prevention, Project Delivery Manager together with the assigned Safety and Quality Officer shall conduct a routine inspection and shall convene on a regular basis to efficiently monitor the implementation of the Safety and Health Program.

11. Vendors must immediately report all incidents to any competent MWCI employee. It is their responsibility to take appropriate action on any safety-related matter.
ISO Document Change Notice Form

Department / Unit: Contracts & Vendor Management Department
Document Title: Request for Quotation
Document ISO Ref No.: MW-CVM-ISM-10
Old Rev No.: 1
New Rev No.: 2
Effective Date: Upon approval

I. Amendment Details:

From:
   a. Guidelines Number 3 – only quotations received through the designated fax number/e-mail address shall be considered.
   b. Guidelines Number 5 – The opening of the quotations will ensue an hour after the closing period.
   c. Guidelines Number 6 – A representative from HCO will witness the said opening and sign-off on the quotations.

To:
   a. Guidelines Number 3 – All quotations received through designated fax number, buyer’s email account, and/or conventional mail delivery of quotation shall be considered.
   b. Guidelines Number 5 – For deletion.
   c. Guidelines Number 6 – For deletion.

II. Reasons for change:

   a. This allows flexibility on the manner by which the buyer may be able to receive the quotations.
   b. Guidelines Number 5 is recommended for deletion since quotations received through facsimile and email are “open quotations”. Hence setting of opening of quotations is unwarranted.
   c. Since CVMD will receive open quotations, a representative from HCO is unnecessary. Also, HCO's signature on each proposal (as in bidding practice) validates that the proposal was sealed and was not tampered prior to opening. Hence this is no longer applicable for open quotation.

Prepared by: [Signature]
Date: [Date]

Checked by: [Signature]
Date: [Date]
A. GENERAL PRINCIPLE

In line with Contract's thrust of streamlining its current practice, a policy update shall be enforced to accelerate awarding of services related to the procurement of project requirements.

B. SCOPE

All OPEX and CAPEX (Facilities, Water Supply and Waster Water) projects shall be subject to the following implementing guidelines:

C. GUIDELINES

1. Request for Quotation (RFQ) procedure shall be applied for procurement requirements meeting all of the following criteria:
   - Budget is below PhP3.5 Million
   - With well-defined scope of works
   - Standardized specification
   - With approved technical drawings
   - Bill of quantities is firm and determined final
   - Price consideration only

2. The buyer will prepare and forward the RFQ to a minimum of three (3) pre-selected suppliers for quotation purposes.

3. Only quotations received through the designated fax number, buyer's official e-mail account, and/or conventional mail delivery of quotation shall be considered.

4. All quotations must be submitted within the specified timeline.

5. Negotiation shall only be allowed in cases where the lowest complying quotation is more than the approved budget.

6. After determining the winning supplier, the corresponding Job Order will then be issued accordingly.

7. Said supplier shall be endorsed by the Buyer to the proponent prior start of Project.

8. A summary report using a cost-analysis shall be prepared and maintained by the buyer for audit purposes.

9. The RFQ procedure may be declared a failure when:
   - Only one supplier submitted a quotation
   - Suppliers failed to complete the details of the specification
   - Quotation does not meet the technical requirement

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- Quotation is more than 15% of the budget

10. In such eventualities, the buyer, with the explicit approval of the proponent/ end-user may repeat the RFQ process when:

- New set of suppliers were pre-selected to submit a quotation
- There are significant changes in its terms of reference
- An adjustment in the approved budget was made
A. GENERAL PRINCIPLE

In line with the company's policy of promoting corporate social responsibility and helping build sustainable communities through the provision of clean, potable water, MWCI is setting guidelines in the selection, planning and implementation of its Lingap Eskwela projects.

B. SCOPE

All public schools located within the concession area of MWCI are covered by this policy

C. GUIDELINES

1. The Lingap Eskwela Program is tied with the Adopt-A-School Program of the Department of Education.

2. Lingap Eskwela Projects shall be taken up as a capital expenditure. Maximum allowable budget for each Lingap Eskwela Project is PHP150,000.00.

3. The Senior Territory Manager (STM)/ Territory Manager (TM) shall be the project owner and shall be responsible in the planning, implementation, and maintenance of the project.

4. The STM/ TM shall select and prioritize schools that will be covered by the program. List of identified schools shall be given by the Corporate Program Coordinator (CPC) for Lingap Eskwela.

5. The CPC shall forward the list to the Headline Program Manager (HPGM) for Overhead Capex and to the Contract and Vendor Management Department for pre-selection of contractors.

6. The Contract and Vendor Management Department (C&VMD) shall issue a temporary Notice of Award to the pre-selected contractor.

7. The pre-selected contractor and the STM/ TM shall do the ocular inspection. The project may include any of the following components:
   - Improvement of the reticulation system
   - Installation of wash area
   - Installation of drinking fountain
   - Renovation of comfort room, or a portion of it
   - Improvement of the drainage system

8. After ocular inspection, the STM/ TM shall prepare a Business Case to be submitted to the CPC.

9. The CPC shall ensure that each project proposal has been approved by the Property Management Group and/or the Engineering Department for compliance with the set standards and objectivity in costing non-standardized items.
10. Once initialized, the CPC shall get budget from the HPgM for Overhead Capex and then seek approval from the Group Director of Regulation and Corporate Development.

11. Once the Business Case is approved, the C&VMD shall generate the Job Order.

12. In the event that the project cost is more than Php150,000.00, the CPC for Lingap Eskwela shall seek approval from the Technical Working Group (TWG) and the Capex and Investment Committee (CIC).

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ISO Document Change Notice Form

Department / Unit: Waste Water
Document Title: List Of Bidders
Document ISO Ref No.: MWC-CVM-ISM-18 / MWC-CVM-ISP-18.1
Old Rev No: 1
New Rev No: 2
Effective Date: Upon Approval

I. Amendment Details:

From:
a.
b.
c.

To: Add the Following.

a. 13. For Projects with estimated budget of 50M and above the LOB shall be routed to the PDG Group Director for approval.

b. 14. For IT Projects, Review and approval of LOB from the IT Department Head shall be required.

c.

II. Reasons for change:

a. To ensure proper assessment of LOB.
b.
c.

Prepared by: Jazzy A. Prudente
Date: July 26, 2011

Checked by: Jojo Gamboa
Date: [Signature]

Approved by: Cristina F. Estandarte
Date: 7/26/11

MWCI
CONTRACTS & VENDOR MGT. DEPT.
CONTROLLED COPY
ISUED TO: [Signature] D. Colonia
ISSUED BY: [Signature] DATE: 2/11/11
A. GENERAL PRINCIPLE

This policy aims to structure the process of selecting pre-qualified vendors and establishing a system that would match the requirement of a particular project with that of the vendor's capability.

B. SCOPE

All CAPEX duly approved by the CIC shall undergo this procedure.

C. GUIDELINES

1. The Contracts and Vendor Management Department (CVMD) shall prepare and finalize the List of Bidders (LOB) based on the following considerations:
   - D&B Accreditation
   - Relative experience
   - Area of specialization
   - Contracting capacity
   - Performance history

2. Depending on the complexity of the requirement, relative experience should be one (1) year at a minimum.

3. Vendor's area of specialization should be directly commensurate to a pre-defined performance specification.

4. Contracting capacity refers to the vendor's financial capability in implementing and completing a particular requirement.

5. Financial capability shall be measured as follows:
   - Annual NFCC (Total Awarded Projects)
   - Net Worth (Total Assets - Total Liabilities)

6. The percentage equivalent of each indicator in compliance with the approved budget should not be lower than 80%.

7. In case a vendor falls short of the required financial percentage, a credit line or bank guarantee shall be required as part of their bid submission.

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8. To ensure that there are no pending issues or incidents of poor quality or workmanship, the LOB shall be screened by the CVMD before it is routed to the Quality Control Department for approval.

9. For supply and installation of major equipment, a supplemental approval from the Reliability Maintenance Services shall be required.

10. In the event vendors fail to pass the initial assessment, the CVMD shall prepare and resubmit a List of Bidders taking into account the comments that were reflected on the said list.

11. Only vendors that have met the minimum requirements as indicated above shall become part of the vendor short-list.

12. Under no circumstance shall a vendor be included in a pre-bid/ bidding event without becoming part of the approved LOB.

13. For projects with estimated budget of PhP50M and above, the LOB shall be routed to the PDG Group Director for approval.

14. For IT Projects, review and approval of LOB from the IT Department Head shall be required.
A. GENERAL PRINCIPLE

To effectively apply adequate negotiating procedures and instill appropriate techniques in converting business conflicts to mutual opportunity.

B. SCOPE

This policy covers all requirements that may have concerns pertaining to the commercial term and condition of a potential contract agreement.

C. GUIDELINES

Negotiation for allocating projects:

1. Said procedure may be applied to expedite the procurement of a particular requirement such as:
   - Emergency cases
   - Single source capacity
   - Continuation of previous work
   - Patented Design

2. Negotiation shall be coursed through the Negotiation Team directed by the Head of the Contracts and Vendor Management Department (C&VMD) together with the core team members composed of managers from Legal and Financial Planning Departments.

3. As support to the Negotiation Team, the Project Proponent and representatives from the Design and Standard Departments may join the negotiation procedure to provide technical background information.

4. The Terms of Reference (TOR) and internal cost of the project shall be finalized prior to negotiation.

5. Approval to negotiate shall be at all times be sought from CIC/ Mancom for all Projects regardless of the amount

Negotiation for clarifying Bid Proposals:

1. The C&VMD shall initiate the pre-negotiation planning, based on the issues that are to be negotiated.

2. All other information that has strong bearing on negotiations shall be gathered and properly evaluated. This includes:
   - Records of previous negotiations
   - Market information
   - Performance and business history of the vendor
3. Negotiation procedure shall commence with the lowest complying bidder and shall continue to progress until the objective is met.

4. The buyer shall apply the appropriate negotiation principles, techniques, strategies and tactics.

5. In the event of a deadlock, the C&VMD will immediately inform the Project Procurement and shall provide recommendations on how to proceed with the procurement of the requirement.
ISO Document Change Notice Form

Department / Unit : CVMD
Document Title : Opening of Bids
Document ISO Ref No. : MW-CVM-ISM-21
Old Rev No : 1
New Rev No : 2
Effective Date : Upon Approval

I. Amendment Details :

From:
Projects valued at Php50 Million and above

a. No. 1
   "... Internal Audit Department (IAD)"

b. No. 6
   "The Technical Proposal shall then be turned-over to the
   assigned Consultant or Design Department for evaluation
   purposes."

c. No. 12
   "12.2 Bids are more than 10% of the budget"

To:

a. "... Internal Audit Department (IAD) - optional"

b. The Technical Proposal shall then be turned-over to the
   assigned Consultant or Technical Evaluation Team for evaluation
   purposes.

c. 12.2 For any reason, buyer has observed irregularities in the
   conduct of bidding that may result to undue influence by any
   party on the outcome of the bids.
ISO Document Change Notice Form

From:

Projects valued below PhP50 Million

1. The C&VMD buyer shall start with the opening of technical proposals as witnessed by the FPSCD HCO.

2. All documents related to the Technical Proposal shall bear the signature/initial of the FPSCD HCO.

3. Furthermore, the FPSCD HCO shall sign on the sealed financial proposal to signify that its content has not been tampered with.

4. The Technical Proposal shall then be turned-over to the Designs Department for evaluation.

5. After receipt of the technical evaluation results, C&VMD shall proceed with the opening of the Financial Proposal.

6. Winning bidder shall be determined after consolidating the results of both technical and financial evaluation.

7. Failure of bidding shall be stated if:
   7.1 Number of bidders is only one (1)
   7.2 Bids are more than 10% of the budget

To:

1. The C&VMD buyer shall start with the opening of technical and financial proposals as witnessed by the FPSCD HCO.

2. All documents shall bear the signature/initial of the FPSCD HCO.

3. The Technical Proposal shall then be turned-over to the assigned Consultant or Technical Evaluation Team for evaluation purposes.

4. The financial proposals shall be reviewed by C&VMD.

5. C&VMD may require the bidders to attend the technical/financial clarification meeting.

6. Most responsive bids shall be determined after consolidating the results of both technical and financial evaluation.

7. C&VMD may proceed to negotiate with the most responsive bid only after the technical evaluation results have been finalized

8. Failure of bidding shall be stated if:
   8.1 Number of bidders is only one (1)
   8.2 For any reason, buyer has observed irregularities in the conduct of bidding that may result to undue influence by any party on the outcome of the bids.
II. Reason for change:

a. To address internal audit findings/recommendation for CVMD WW AI.

b. For deletion of “Bids that are more than 10% of the budget” item 12.2 of Projects valued at Php50 Million and above and for deletion of item 7.2 of Projects valued below Php50 million below, certain conditions where the bids received are all over the approved budget may not be grounds for automatically declaring a bid failure. A detailed financial evaluation needs to be conducted in order to identify the causes of variances. The buyer may also conduct negotiation with the lowest complying bidder in order to meet the estimated budget. In the event that the negotiated price fails to meet the budget despite efforts, the buyer may recommend to the project proponent to secure additional budget requirement. (Please see MV-CVM-ISM-22 policies title “Evaluation of bids” under guideline No. 10.

c. Streamlining of procurement process for 1-stage bidding

Prepared by: JAZZYL PRUDENCIO/BEA MASANGKAY
Date: January 18, 2012

Checked by: JOJO S. GAMBOA
Date: [Signature]

Approved by: CRISTINA F. ESTANDARTE
Date: [Signature]
A. GENERAL PRINCIPLE

To facilitate bidding and award of products and to further improve control measures, Manila Water has updated its policy regarding the opening of sealed proposals.

B. SCOPE

This covers the opening of bids for Consultancy Services, Maintenance and Construction Works.

C. GUIDELINES

Projects valued at PhP50 Million and above

1. A Bid Opening Committee shall be formed and shall be represented by the following Business Units:
   - Internal Audit Department (IAD) - optional
   - Financial Planning Systems & Control Department (FPS&CD)
   - Contracts & Vendor Management (C&VMD)
     - Chairperson
     - Buyer/ Bid Secretariat

2. The Bid Opening Committee Chairperson shall be the Head of the C&VMD.

3. The C&VMD buyer shall send invitations to all concerned parties to witness the opening of bids.

4. Participants shall proceed in witnessing the opening of the Technical Proposals.

5. The Committee shall determine compliance of the said proposal based on instructions specified in the Invitation to Bid (ITB) documents.

6. The Technical Proposal shall then be turned-over to the assigned Consultant or Technical Evaluation Team for evaluation purposes.

7. The Financial Proposals shall be signed-off by the Committee and eventually be turned-over to C&VMD for safekeeping.

8. After the receipt of the technical evaluation results, C&VMD shall send-out invitations to all technically complying bidders to witness the opening of the Financial Proposals.

9. Participants shall check and verify the submittals for any alterations.

10. If found to be in order, the C&VMD buyer and the FPSCD Headline Control Officer (HCO) may proceed with the opening of the Financial Proposal with the Internal Audit Department (IAD) representative as observer.

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11. The Bid Secretariat shall note the details of the proceedings and require the participants to accomplish the Bid Summary Turn-out Form.

12. Failure of bidding shall be stated if:
   12.1 Number of bidders is only one (1)
   12.2 For any reason, buyer has observed irregularities in the conduct of bidding that may result to undue influence by any party on the outcome of bids.

Projects valued below PhP50 Million

1. The C&VMD buyer shall start with the opening of technical and financial proposals as witnessed by the FPSCD HCO.
2. All documents shall bear the signature/initial of the FPSCD HCO.
3. The Technical Proposal shall then be turned-over to the assigned Consultant or Technical Evaluation Team for evaluation purposes.
4. The financial proposals shall be reviewed by C&VMD.
5. C&VMD may require the bidders to attend the technical/financial clarification meeting.
6. Most responsive bid shall be determined after consolidating the results of both technical and financial evaluation.
7. C&VMD may proceed to negotiate with the most responsive bid only after the technical evaluation results have been finalized
8. Failure of bidding shall be stated if:
   8.1 Number of bidders is only one (1)
   8.2 For any reason, buyer has observed irregularities in the conduct of bidding that may result to undue influence by any party on the outcome of the bids.
A. GENERAL PRINCIPLE

This policy's objective is to prescribe a uniform process in appraising applicants for a bidding event. This also sets forth a strategic procurement method in selecting potential bidders for Manila Water Company Inc. (MWCI).

B. SCOPE

This policy applies to all conducted bids that are being considered for award pending the validation of key information as specified in the Post-qualification Requirements.

C. GUIDELINES

1. All bidders who have submitted their respective proposals and are being considered for awarding of a project shall be subjected to a Post-qualification Procedure by the Contracts & Vendor Management Department (C&VMD).

2. The bidder's Technical and Financial Capabilities shall be assessed based on a set of pre-defined criteria as set by the MWCI Project Team.
   a. Project Proponent
   b. Engineering & Design Department
   c. Contracts & Vendor Management Department

3. Pre-defined criteria are considered final and should not in any way be amended to fit with the bidder's submitted post-qualification requirements.

4. Assessment of the bidder's eligibility against the pre-defined criteria shall be a pass or fail method.

5. Only bidders who have completed and passed the Post-qualification Procedure shall be considered eligible to proceed to the next stage.

6. In case of failure to pass the assessment, the C&VMD shall prepare a Letter of Non-qualification to the bidder/s within one (1) working day.
ISO Document Change Notice Form

Department / Unit: Contracts and Vendor Management Department
Document Title: Pre-bid Conference
Document ISO Ref No.: MW-CVM-ISM-19
Old Rev No.: 1
New Rev No.: 2
Effective Date: Upon Approval

I. Amendment Details:

From:

a. Scope – Only projects with an approved budget above Php3.5M and approved by the TWG and CIC shall go through this process.
b. Guidelines Number 6 – Attendance of the bidders shall be documented by the buyer. As a general rule, bidders who did not attend this meeting shall be automatically disqualified.

To:

a. Scope - Only projects with an approved budget above Php3.5M and approved by the PCG and CIC shall go through this process, except for water network projects through allocation.
b. Guidelines Number 6 – Attendance of the bidders shall be documented by the buyer. As a general rule, all shortlisted bidders shall be given an equal opportunity to continue to participate in the bidding whether or not they attended the pre-bid meeting. Also, minutes of the pre-bid meeting shall be sent to all shortlisted bidders present or not during the said meeting. However, conduct of another pre-bid meeting in favor of those who failed to attend the previous one is prohibited.

II. Reasons for change:

a. To promote successful bidding process by decreasing the chances of bid failure merely by failure of bidders to attend the pre-bid meeting.

Prepared by: Dennis A. Sta. Maria
Date: 1/21/11

Checked by: Marigo S. Gamboa
Date: 4/26/11

Approved by: Cristina F. Estandarte
Date: 4/4/12
A. GENERAL PRINCIPLE

To define relative ground rules in conducting a pre-bid conference and identify responsible parties who will participate in the process of communicating the requirement to invited bidders.

B. SCOPE

Only projects with an approved budget above Php3.5 M and approved by the PCG and CIC shall go through this process, except for water network projects through allocation.

C. GUIDELINES

1. Upon the determination of the final list of bidders, the Contracts and Vendor Management Department shall immediately schedule a pre-bid conference.

2. The assigned buyer shall be responsible in issuing the Invitation to Bid (ITB) along with the corresponding bid documents to all invited bidders by fax or eMail.

3. Invited bidders shall confirm participation to bid through phone, e-mail or decline participation. Feedback shall be made not later than a day after receipt of invitation.

4. During the pre-bid conference, important guidelines that include rules on bidding, scope of work and technical specifications should be well-discussed with vendors. Bidders shall be informed of the schedule of site visit and downloading of the scope of work and technical specifications wherein they are required to bring USB or CD.

5. Said conference shall be facilitated by the Contracts and Vendor Management Department and shall also be attended by the End User/Project Proponent and representatives from the Standards, Design and Project Delivery Management.

6. Attendance of the bidders shall be documented by the buyer. As a general rule, all shortlisted bidders shall be given an equal opportunity to continue to participate in the bidding whether or not they attended the pre-bid meeting. Also, minutes of the pre-bid meeting shall be sent to all shortlisted bidders present or not during the said meeting. However, conduct of another pre-bid meeting in favor of those who failed to attend the previous one is prohibited.
ISO Document Change Notice Form

Department / Unit : CVMD
Document Title : Preparing the Bid Documents
Document ISO Ref No. : MW-CVM-ISM-13
Old Rev No : 1
New Rev No : 2
Effective Date : Upon Approval

I. Amendment Details :

From :
   a. Item 1 of C. Guidelines
      "1. The Program Manager together with...

To :
   a. Item 1 of C. Guidelines
      "1. The project proponent together with...

II. Reason for change :

a. To address the issue on CPAR-02-12 (Refer to Audit Findings CVMD WW AI).

Prepared by : JAZZLYN A. PRUDENCIO
Date : February 24, 2012

Checked by : JOJO S. GAMBOA
Date : 2/24/12

Approved by : CRISTINA F. ESTANDARTE
Date : 2/29/12
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**Subject:** BIDDING PROCESS  
Prepared by: MAGNO S. GAMBA JR., SECTION MANAGER, CVMC  
Reviewed by: CRISTINA F. ESTANDARTE, HEAD, CVMC  
Approved by: LUIS JUAN S. ORETA, CFO  
3/13/12

**A. GENERAL PRINCIPLE**

This policy aims to provide a structured approach in preparing needed information for the facilitation of various bid packages.

**B. SCOPE**

All purchase requirements duly approved by the CIC that are valued at PhP3.5 Million and above shall undergo said procedure.

**C. GUIDELINES**

1. The project proponent together with the assistance of the Design, Standards and Contracts and Vendor Management Department (C&VMD), shall prepare the bidding documents following the prescribed forms which includes the following information:
   - Date, place and time of the pre-bid conference, submission and opening of bids
   - Eligibility requirement (If applicable)
   - Invitation to Applicant/ Bidders
   - Scope of Works (SOW)
   - Bill of Quantities
   - Technical Drawings
   - Form, amount and validity of Bid Bond

2. The C&VMD may require additional documentary requirements, where applicable and necessary.

3. The specifications and other terms in the bidding documents shall reflect the minimum requirement.

4. Bidding documents should clearly and adequately define, among others:
   - The objectives, scope and expected outputs and/or results of the proposed contract
   - The obligations, duties and/or functions of the winning bidder
   - The expected contract duration

5. Bidding documents shall be prepared before the advertisement/or posting of invitation and shall be finalized in time for the presentation at the pre-bid conference.

6. All prospective bidders shall be provided with the same set of documents either in paper or in electronic format.

This document is proprietary and confidential. No part of this document may be disclosed in any manner to an unauthorized party without the prior consent of Manila Water Company Incorporated.
7. Any additional information, clarification, correction of errors, or modification should be sent to each recipient of the original bidding documents in sufficient time before the given deadline.
A. GENERAL PRINCIPLE

This policy prescribes a uniform process in appraising and short-listing of applicants for a particular bidding requirement.

B. SCOPE

Applicable for International Competitive Bidding (ICB) Projects and requirements that are considered critical due to its high level of expenditure and limited availability of supply.

C. GUIDELINES

1. The Project Team together with the assistance of the Contract and Vendor Management Department will set the qualification criteria for a specific project/requirement.

2. The appraisal of these qualification criteria are non-discretionary and will be developed on the basis of their importance and its over-all implications to MWCI.

3. Vendors, contractors and other service providers who may wish to apply for pre-qualification would need to meet the minimum mandatory requirements as reflected in the eligibility checklist.

4. Assessment of the applicant’s eligibility against the pre-defined criteria shall be a pass or fail method.

5. MWCI reserves the right to accept, reject or change the applicant’s pre-qualification status.

6. Opening of eligibility requirements will be witnessed by a PPSCD Headline Control Officer with the corresponding notation.

7. Completion of the pre-qualification procedure is within twenty six (26) working days.

8. In case of failure to pass the assessment, the Contract and Vendor Management Department shall immediately send a Letter of Non-qualification to the applicant/s.
A. GENERAL PRINCIPLE

To set the framework in establishing good governance and transparency while providing the ground rules in handling situations that are conflicting with MWCI’s moral foundation.

B. SCOPE

This applies to any company ethics-related issue that may compromise MWCI’s integrity, its principles and over-all well being.

C. GUIDELINES

1. A buyer should not enter into a contract that will consequently be disadvantageous to the company. In determining such contracts, any or all of the following stipulations may be present:
   - Unfavorable terms and conditions
   - Overpriced materials and services
   - Non-compliance to company standards

2. Under no circumstance shall a buyer accept commissions or gifts whether it is in cash or in kind from vendors.

3. Any form of gratuities such as cash, loans, gifts, entertainment, favors, pre-judicial discounts or any act that that may be perceived to influence purchasing decisions is severely prohibited.

4. A buyer should immediately disclose any information or situation that may be in conflict with the company’s policies such as:
   - The negotiating party has made arrangement concerning his/ her prospective employment
   - Any member of the buyer’s family has financial interest in the procurement

5. All information confidential and proprietary in nature to MWCI and/ or its vendors should be handled discreetly and with great consideration of its ethical and legal ramifications.

6. Failure to observe the prescribed ethical practices shall be subjected to sanctions in accordance with the existing policies of MWCI.
A. GENERAL PRINCIPLE

In line with Contract’s thrust of streamlining its existing practice, a policy update shall be enforced to determine the appropriate budget, scope of work, material and equipment specification related to the procurement of project requirements.

B. SCOPE

All OPEX and CAPEX (Facilities, Water Supply and Waster Water) projects shall be subject to the following implementing guidelines:

C. GUIDELINES

1. Request for Proposal (RFP) procedure shall be applied for procurement requirements with the following conditions:
   - No approved budget
   - With no existing As-built plans
   - Materials are not quantified
   - Incomplete Scope of Work

2. The Contract & Vendor Management Department shall review and analyze the minimum specification and criteria.

3. Since there is limited information regarding the requirement, a RFP shall be forwarded to a minimum of three (3) pre-selected vendors for proposal purposes.

4. Only proposals received within the specified timeline shall be considered.

5. Proposals shall be evaluated against the minimum specification and criteria through the Standard, Design and Program Management Department.

6. The Program Manager may incorporate acceptable reference information to develop or complete the appropriate budget, scope of work, material and equipment specification.
I. OBJECTIVE

As business partners of Manila Water Company, Inc. ("MANILA WATER"), Vendors are expected to act with utmost integrity, efficiency, and urgency in performing awarded contracts and/or delivering ordered products. They should demonstrate a strong sense of responsibility for public safety and interest that will ultimately promote and protect the good name of MANILA WATER. This Code of Conduct ("Code") sets out the rules that will guide the Vendors in the performance of their obligations and/or transacting business with MANILA WATER, thus avoiding acts contrary to standards, policies, laws and morals.

II. SCOPE

This code shall apply to all Vendors such as civil works contractors and other service providers and suppliers of materials, equipment and other requirements of MANILA WATER.

III. GUIDELINES

Vendors shall follow the following set of rules:

A. Compliance with MANILA WATER’s Bidding and Award Procedures

Bidding rules and other bidding information are specified in the bid documents. Vendors must participate in the bidding with eagerness and anticipation to win a contract. They should notify the Contracts and Vendor Management Department (the "Department") two (2) days after the pre-bid conference if they are not interested to join the bidding process. This is necessary for the Department to determine the numbers of interested bidders, and execute necessary actions to avoid bid failure due to lack of interested bidders. Such a proactive effort eliminates further delays in the award of projects. Vendors must compete against other bidders and must not resort to collusion for the purpose of manipulating the outcome of bidding. Furthermore, vendors must be ready to fulfill the terms and conditions of the contract in case they win the bidding. Disregard or violations of bidding and award procedures result in failure of bidding and/or delays in the implementation of projects and activities, which ultimately and adversely affect the delivery of services to MANILA WATER customers.

Notwithstanding the foregoing, MANILA WATER has the right to exclude a vendor from the bidding of a project if there is a pending complaint against the vendor arising from or relating to a previous project awarded to it.
B. Work Implementation/Delivery of Ordered Goods

Once an award is accepted, the Vendor must proceed right away in taking steps towards the implementation of the project or delivery of orders. Any delay will be construed as non-compliance with the provisions of the contract. Excessive work slippage shall be dealt with severely by MANILA WATER. Furthermore, the Vendor must ensure proper coordination and harmonious work relationship with concerned MANILA WATER employees who will be coordinating with them for the smooth implementation of the project or activity where their services or products will be delivered. Moreover, the Vendor must ensure that the project or services will be completed and ordered goods will be delivered on time, in compliance with the MANILA WATER standards and specifications. Finally, Vendors must ensure that proper close-out documents for civil works projects are submitted within the prescribed period.

C. Vendor Development

MANILA WATER seriously considers development of its vendors towards compliance with its quality, safety and customer service standards. MANILA WATER may conduct trainings and seminars and on-site workshops to develop Vendors and their workers to make them the best in the industry. Vendors must ensure that they will diligently attend these trainings and seminars.

Key officers of vendors are required to attend the monthly coordination meeting where new policies and business development as well as performance monitoring results are presented to further improve business partner relationship with MANILA WATER.

D. Compliance with Laws

D.1 Tax and Statutory Fund Laws

Vendors shall comply with the tax laws of the Philippines as well as the tax laws of the country from where they import their supplies, if applicable.

Moreover, since vendors employ people to carry out their businesses, they should ensure that the welfare of their workers is amply protected. Among others, Vendors must comply with national and local laws including, but not limited to, internal revenue (for employees' income taxes) and statutory fund laws (e.g. social security, health insurance, home development fund (PAGIBIG)) that require the payment of employers contribution and deduction from employees' salary for their own contributions and tax payments under the Labor Code. Such payments for taxes and fund contributions should be remitted to the proper government agencies at the designated time.
As required by law, Vendors must diligently pay for, deduct from employees’ salaries, and remit the corresponding amounts of social security, health insurance and other welfare premiums and income taxes to the concerned government agencies. Vendors must be ready to provide copies of tax clearances, remittance documents and certifications regarding compliance to these statutory obligations. MANILA WATER shall require submission of proof of payment/remittance certification as part of their billing requirement.

D.2 Department Order No. 18-A, Series of 2011

The Department Order is the amended rules implementing articles 106 to 109 of the Labor Code. The guiding principle states that contracting and subcontracting arrangements are expressly allowed by law and are subject to regulations for the promotion of employment and the observance of the rights of workers to just and humane conditions of work, security of tenure, self-organization and collective bargaining. Labor-only contracting as defined in this Department Order shall be prohibited. (Please refer to the rules implementing articles 106 to 109 of the labor code as amended per Department Order No. 18-A, series of 2011).

The Vendor should declare or submit list of its sub-contractor to MANILA WATER for each awarded project, if hiring a specialist to do some activities/scope of the project. It is the responsibility of the Vendor to brief its sub-contractor on the MANILA WATER standards of this Code.

The sub-contractor should be part of the Ayala Corporation subsidiary database.

D.3 Child Labor

MANILA WATER shall not engage or support a Vendor that engages in child labor. Vendors are expected to comply with applicable labor laws and standards (national and international) including those that protect children from exploitation and employ only workers who meet the applicable minimum legal age requirement.

Child labor shall not be practiced in any way. However, apprenticeship programs to support college student requirements prior to graduation and which comply with applicable laws and regulations are supported.

E. Customer Relations

Vendors, particularly those who provide services in pipe laying and other civil works projects, are the “front liners” who are expected to be respectful, carry themselves with pleasant
disposition, and can correctly relay information on the nature of the project they are working on. They must properly handle customer complaints or refer them to concerned MANILA WATER personnel for proper resolution of complaints or issues. They are expected to build harmonious relationship with the customers and the public. All personnel of the Vendor who will be involved in project implementation shall be present during the customer relation orientation before the start of each project to be conducted by the Quality Execution (QX) Academy team.

F. High Standards of Integrity and Moral Values

MANILA WATER puts great emphasis on integrity as one of its core values and expects its Vendors to do the same. Vendors must assume responsibility for maintain honesty in their dealings with MANILA WATER, MANILA WATER customers and the general public. It should inculcate to its workers basic values such as honesty and respect for others.

F.1 Conflict of Interest

Vendors shall not engage in improprieties or conflict of interests and avoid activities that give such impression. Vendors shall not deal directly with MANILA WATER officer or employee whose spouse, domestic partner, or other family members or relatives hold a significant position or financial interest in the vendor. Vendors are expected to disclose to MANILA WATER any situation that may appear as a conflict of interest and to inform MANILA WATER any officer or professional under contract with MANILA WATER, who may have an interest of any kind in the Vendor’s business or any kind of economic ties with the Vendor. Moreover, Vendor shall not deal, directly or indirectly with a spouse, domestic partner or other family members of a MANILA WATER officer or employee in the course of negotiating the contact or agreement with the Vendor, or during the performance of the Vendor’s obligations.

F.2 Gifts, Tokes and Hospitality

MANILA WATER expects the Vendor to transact business using the highest ethical standards of the industry they represent. MANILA WATER enforces a policy against corruption e.g. bribery, inducement in any form such commissions or gifts from vendor to obtain favor or undue advantage over other vendors in the award of contract or purchase order. Furthermore, MANILA WATER discourages the giving of gifts by Vendors to MANILA WATER officials and employees regardless of the occasion.
F.3 Insider Trading

Vendor shall refrain from insider trading by buying or selling shares of stock of MANILA WATER when in possession of information about MANILA WATER that is not available to the investing public and that could influence an investor's decision to buy or sell shares of stock.

G. Handling and Use of MANILA WATER-Supplied Materials

MANILA WATER-supplied materials are assets of MANILA WATER and Vendors must manage them as if they are the owners of these materials. Vendors must always be well-organized and systematic and must be able to handle the materials with care and prevent misuse, wastage and loss due to pilferage. They must properly manage the materials by optimizing utilization and minimizing wastage.

H. Handling and Use of MANILA WATER Property and Equipment

Vendors must ensure that MANILA WATER equipment or property issued to them or being handled by them as part of their contract to fulfill their contractual obligations are properly cared of and protected while it is in their custody. All conditions stipulated in the contract on the use of said property or equipment should be observed and followed.

I. Quality and Safety Standards

Vendors must ensure that the job is done right the first time and that no accidents occur in the project site, as well as in the yards/motor pool. Conformance with the specifications for quality and safety is extremely important so that rework, accidents and the consequent increase in cost will be avoided. Quality requirements for services and products are specified in the bidding and contract documents so that compliance will be ensured. Quality requirements for services include training certificates of employees directly involved in project implementation such as but not limited to HDPE welding proficiency certificate from MANILA WATER's QX Academy.

Vendors who supply materials must ensure that quality of products comply with MANILA WATER's technical specifications as stipulated in the contract or purchase order.

Vendors should see to it that workers are constantly alert to the possibilities of accidents and avoid taking unnecessary risks.

Vendors should ensure compliance with applicable Operational, Safety and Health (OSHI) Standards and other legal requirements during the whole project life cycle. They must
provide emergency preparedness plans to anticipate any unsafe circumstances that may pose threat to human life and property.

J. Self Monitoring by Vendors

The Vendor is responsible for ensuring that its representatives understand and comply with this Code and for informing MANILA or member of MANILA WATER’s management if any situation develops or arises that may cause or causes the vendor to operate in violation of this Code. Vendors are expected to self-monitor their compliance with this Code. In addition to any other rights MANILA WATER may have under its agreement with the Vendor, MANILA WATER may request the immediate removal of any representative of the Vendor who behaves in a manner that is unlawful or inconsistent with this Code of any company policy.

IV. DUE PROCESS

In all cases where a Vendor commits any of the offenses enumerated in this Code, the Manager of the Department shall notify the Vendor and or concerned parties of the violation and the charge/s against it in writing. The Vendor shall be given a reasonable period, depending on the circumstances, within which to explain and/or justify why penalties and sanctions should not be imposed upon it. When circumstances warrant a formal hearing, the Manager may convene a committee as s/he deems necessary to hear and deliberate on the charges. Thereafter, the Manager shall inform the Vendor in writing of the decision or result of the investigation.

V. ESCALATION OF PENALTIES

Vendor’s failure to comply with the penalty/ies imposed or with the required corrective measures on the violation committed within the period specified in the decision or its continuous commission of the same violation, shall be ground for the imposition of a more severe penalty/ies. The penalty/ies shall be escalated to the next level, or higher, as defined in the Table of Offenses and Sanctions following the due process requirement defined in Article V of this Code.

A Vendor who is sanctioned three (3) times within a period of two (2) years, regardless of the nature of the sanction, will be meted an escalated penalty of two (2) year suspension. The suspension shall start from the day the letter of suspension is received. However, only documented penalties issued by the Department will be the basis for the escalation of penalties. The two (2) year cycle for the purpose of counting the sanctions shall be reckoned from the time the Vendor commenced it business partnership with MANILA WATER.
VI. RESTITUTION

Restitution may be imposed independently or along with any other penalties in cases of loss of or damage to the property of MANILA WATER, its employees, clients or other parties doing business with MANILA WATER. MANILA WATER may recover the amount involved by means of deductions from payables due the Vendor or by whatever legal means that will prompt the offending Vendor to pay the amount involved. However, restitution shall in no way mitigate the penalties attached to the violation or infraction or exempt the erring vendor from the imposition of such penalties. Moreover, restitution and/or servicing the prescribed penalty is without prejudice to the right of MANILA WATER to file a case or cases in court as may be warranted under the circumstances.

VII. LIFTING OF SUSPENSION

Penalty of suspension shall be served up to its full term but the same may be lifted earlier based on the following:

a. Vendor has corrected the violation/s committed;
b. Vendor has taken demonstrable measures to correct the violations and prevent recurrence; and
c. Vendor requested the lifting of suspension

When these requisites are complied with, the concerned Manager shall evaluate the performance of the Vendor for its existing contract/s and recommend the lifting of suspension by sending a written justification to the Manager of the Department, who shall then present the matter to the Quality Execution and Vendor Cluster.

VIII. DELISTING AND REINSTATEMENT

Delisting should not be perpetual especially for vendors who are meted penalties due to acts committed by their employees. Delisting from the pool should be for two (2) years. This period will give enough time for the Vendor to review, study and plan for its next action to prove its capabilities and to demonstrate measures intended to correct the violations previously committed.

A delisted vendor can be reinstated by undergoing the regular accreditation process as if it is a new vendor. Reinstatement starts when the Department endorses the vendor to Dun & Bradstreet for financial accreditation and to concerned offices for technical evaluation.
IX. RIGHTS

MANILA WATER expressly reserves the right (a) to reject any or all bids, proposals or quotations, on the basis of, among others, violation by bidding Vendor of any provision of this Code, and to accept such bid, proposal or quotation that it may consider most advantageous; (b) to annul the bidding process, and/or (c) to call for new bids or proposals under amended rules for whatever reason it may deem proper and reasonable.

MANILA WATER shall not tolerate any retribution or retaliation taken against individual who has in good faith sought out advice or has reported questionable behavior or possible violation of this Code.

X. TABLE OF OFFENSES AND SANCTIONS

The following are the penalties and sanctions for violations of the provisions of this Code. The imposition of these penalties and sanctions is without prejudice to the right of MANILA WATER to terminate the contract with the vendors and to avail of other legal remedies under the particular agreement or under existing and applicable laws to protect its interest.

A. Bidding and Award Procedures

A.1 Non-participation in bidding without giving MANILA WATER written notification prior to the conduct of bidding. Written notification should be issued two (2) days after the pre-bid conference.

1st Offense - Written Warning
2nd Offense - Suspension for three (3) months
3rd Offense - Delisting

A.2 Collusion* among bidders

1st Offense - Delisting

* Collusion is the act of two or more bidders to control, manipulate or influence the outcome of bidding through their coordinated activity; a secret agreement of bid participants to circumvent bidding rules.
A.3 Refusal to accept award as winning bidder without justifiable reason

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<td>3rd Offense</td>
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A.4 Failure to submit conformance on contract/job order or acknowledgement of award within the specified period

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B. Work Implementation

B.1 Refusal to proceed with or making deliberate delays in project construction/implementation, permit acquisition included or in the delivery of goods ordered, after accepting award

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B.2 Failure to submit documentary requirements within the specified period, such as:

- copy of application for permit or clearance filed with concerned offices
- project schedule in MS Project format
- performance bond and other documents
- copy of health & safety program in compliance with D.O. 13 and OSHS standards
- list of sub-contractors and the scope of works/services they provide for the project.

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B.3 Refusal to obey Site Instructions

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If the refusal to obey site instruction results in major/fatal accident...
1st Offense - Suspension for six (6) months and disqualification of Safety Officer of the Vendor from all MANILA WATER projects

2nd Offense - Delisting

B.4 Causing injuries to persons in line of duty

1st Offense - Written warning if found guilty of negligence and submission of proof of action made by the Vendor on the negligent employee

2nd Offense - Suspension for three (3) months

3rd Offense - Delisting

B.5 Excessive Work Slippage shall be determined by Project Delivery Managers (PDM) based on agreed Work Schedule (WS)

At 10% slippage - 1st warning to be signed by SPDM/PDM
At 20% slippage - Final warning to be signed by the Sr. Manager, Projects Department
At 25% slippage - Notice of Take-Over to be signed by the Group Director of the Project Delivery Group

B.6 Undertaking activities such as turning valves (throttling and closing), cut and plug and opening of fire hydrants without proper coordination with and written approval of MANILA WATER

1st Offense - Damage to be charged against Vendor Demerit on Vendor’s Evaluation Report Suspension for three (3) months with warning that a repetition of the same offense will be dealt with a penalty of delisting

2nd Offense - Delisting

B.7 Penalty for failure to complete planned activities as a result of not following the methodology as discussed and agreed in the Critical Project Review (CPR) and without the approval of MANILA WATER

1st Offense - Damage to be charged against Vendor Demerit on Vendor’s Evaluation Report Written warning that a repetition of the same offense will be dealt with a penalty of suspension
B.8 Non-compliance with MANILA WATER quality and safety standards earlier made known to the Vendors

B.8.1. Involving poor workmanship

1st Offense - Written Warning that a repetition of the same offense will be dealt with a penalty of suspension
Vendor to rectify deficiencies at its own expense
Demerit on Vendor’s Evaluation Report
Vendor to undergo re-training on safety standards with Quality Control Department (QCD)

2nd Offense - Suspension for three (3) months
Vendor to rectify deficiencies at its own expense
Demerit on Vendor’s Evaluation Report
Delisting

3rd Offense - Vendor to rectify deficiencies at its own expense

B.8.2. Involving damage to property – damage is minimal affecting area within the project site

1st Offense - Written Warning that a repetition of the same offense will be dealt with a penalty of suspension
Vendor to rectify deficiencies at its own expense
Demerit on Vendor’s Evaluation Report
Vendor to undergo re-training on safety standards with Quality Control Department (QCD)

2nd Offense - Suspension for three (3) months
Vendor to be charged the amount of damage
Demerit on Vendor’s Evaluation Report
Delisting

3rd Offense - Damage to be charged against the Vendor
B.8.3. Involving damage to property – damage affects large area, declared Incident

1st Offense - Suspension for three (3) months
Damage to be charged against the Vendor
Demerit on Vendor’s Evaluation Report

2nd Offense - Delisting
Damage to be charged against the Vendor

B.8.4. Failure to report near miss incidents, accidents and damage to property within twenty four (24) hours

1st Offense - Written Warning that a repetition of the same offense will be dealt with a penalty of suspension.
Vendor shall notify the Safety Solutions Department and the concerned manager immediately. A formal accident report shall be submitted within forty eight (48) hours. Vendor should also notify the DOLE Regional Office

2nd Offense - Suspension for three (3) months

3rd Offense - Delisting

B.8.5. MANILA WATER supplied & Vendor’s vehicles involved in accident

1st Offense - Written warning
Removal of driver from all MANILA WATER projects and submission of proof of action on erring employee

2nd Offense - Suspension for six (6) months and submission of hiring criteria as requirement for lifting of suspension

3rd Offense - Delisting

B.8.6. Misuse of MANILA WATER property resulting in damage of other property, injuries to persons and service interruptions

1st Offense - Written warning depending on the degree of negligence of the Vendor
If negligent, suspension for three (3) months
Payment of injury and property damages and opportunity loss due to service interruptions

2nd Offense - Suspension for six (6) months
B.8.7. Failure to provide corrective and preventive actions for non-conformance to quality and safety standards

<table>
<thead>
<tr>
<th>Offense</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt; Offense</td>
<td>Written warning that a repetition of the same offense will be dealt with a penalty of suspension</td>
</tr>
<tr>
<td>2&lt;sup&gt;nd&lt;/sup&gt; Offense</td>
<td>Suspension for three (3) months</td>
</tr>
<tr>
<td>3&lt;sup&gt;rd&lt;/sup&gt; Offense</td>
<td>Delisting</td>
</tr>
</tbody>
</table>

B.9 Failure to submit project close-out documents within the period specific in the contract

Liquidated Damages will be imposed. Vendor to undergo re-orientation.

C. Work Implementation

C.1 Failure to participate in trainings/seminars facilitated by MANILA WATER without giving written notification to MANILA WATER prior to the conduct of the training/seminar

<table>
<thead>
<tr>
<th>Offense</th>
<th>Action</th>
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</thead>
<tbody>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt; Offense</td>
<td>Written Warning</td>
</tr>
<tr>
<td>2&lt;sup&gt;nd&lt;/sup&gt; Offense</td>
<td>Suspension for three (3) months</td>
</tr>
<tr>
<td>3&lt;sup&gt;rd&lt;/sup&gt; Offense</td>
<td>Delisting</td>
</tr>
</tbody>
</table>

C.2 Failure to deploy competent workers to MANILA WATER projects leading to poor workmanship and damage to property

Vendors will be required to undergo external re-training with DOLE accredited training organization to address competency deficiencies at their own expense. A certified copy of training certificate shall be issued to the Safety Solutions and concerned line manager. The vendor will also undergo safety re-orientation prior to resumption of work.

<table>
<thead>
<tr>
<th>Offense</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt; Offense</td>
<td>Written Warning</td>
</tr>
</tbody>
</table>
C.3 Failure of key officers of vendors to attend the monthly vendors meeting without giving written notification to MANILA WATER

1st Offense - Written Warning
2nd Offense - Suspension for three (3) months
3rd Offense - Delisting

D. Tax and Other Statutory Fund Laws

D.1 MANILA WATER requires submission of clearance/proof of payment of taxes and other statutory fund such as SSS, Philhealth and/or PAGIBIG for the Vendor’s employees. Refusal or failure to comply shall be subject to the following:

1st Offense - Written Warning
2nd Offense - Suspension for three (3) months
3rd Offense - Delisting

D.2 Failure to comply with Department Order No. 18-A, Series of 2011, Rules Implementing Articles 106 to 109 of the Labor Code, As Amended

1st Offense - Written Warning
2nd Offense - Suspension for three (3) months
3rd Offense - Delisting

D.3 Failure to brief the sub-contractor on MANILA WATER standards and code of conduct

1st Offense - Written Warning
2nd Offense - Suspension for three (3) months
3rd Offense - Delisting

E. Customer Relationship

E.1 Displaying arrogance or disrespect, using profane and obscene language and harsh remarks, engaging in violent and physical confrontation in dealing with MANILA WATER customers, or in any other manner mishandling MANILA WATER customers’ complaints

1st Offense - Written Warning
F. Dishonesty and other Misconduct

F.1 Dishonesty or misrepresentation of Vendor or its workers as MANILA WATER representative/s to solicit money from MANILA WATER customers

1st Offense - Delisting

F.2 Making or spreading malicious, derogatory and false statements against MANILA WATER or performing or attempting to perform acts inimical to MANILA WATER

1st Offense - Delisting

F.3 Theft of MANILA WATER property

1st Offense - Delisting

F.4 Defrauding or attempting to defraud MANILA WATER in the delivered products and/or services

1st Offense - Suspension for six (6) months and removal personnel
2nd Offense - Delisting

F.5 Fraudulently overcharging MANILA WATER, including padding of payment claims by making use of cost rate in excess of the standard or presentation of billing in excess of actual accomplishments or with fraudulent documents, and similar infractions

1st Offense - Delisting

F.6 Offering to give or agreeing to give or giving to MANILA WATER officers and employee/s and/or their relatives up to the 4th degree of consanguinity or affinity, any gift/s, commission or consideration of any kind as an inducement or reward or giving personal favor to said MANILA WATER officers and employees, or said relatives, or for agreeing to do or for doing or for having done any action that will or have influence/d the decision on award of contract/s to the Vendor, or in any other way to secure undue advantage in favor from said MANILA WATER officers or employees in connection with the Vendor's dealings/business relation therewith

1st Offense - Delisting
F.7 Failure to officially report any undue influence or pressure for any personal favor coming from anyone of MANILA WATER’s officers and employees in connection with award of any contract to the Vendor or in connection with his dealings/business relations with MANILA WATER

1st Offense - Suspension for three (3) months
2nd Offense - Delisting

F.8 False, fraudulent/improper and unauthorized use of MANILA WATER logos, name, trademark, and brand resulting in damage to MANILA WATER's reputation

1st Offense - Written reprimand
2nd Offense - Suspension for three (3) months
3rd Offense - Delisting

F.9 Submitting or attempting to submit falsified documents

1st Offense - Written warning and removal/disqualification of the personnel engaged in falsification from all MANILA WATER projects
2nd Offense - Suspension for three (3) months
3rd Offense - Delisting

F.10 Oral misrepresentation of material facts

1st Offense - Written warning and removal/disqualification of the personnel engaged in falsification from all MANILA WATER projects
2nd Offense - Suspension for three (3) months
3rd Offense - Delisting

F.11 Tampering of MANILA WATER official technical evaluation report

1st Offense - Delisting
G. Handling and Use of Materials Supplied by MANILA WATER

G.1 Failure to use and to account for withdrawn materials for specific project/activity within the liquidation period defeating the purpose of reservation without written approval from Project/Site Manager

1st Offense - Suspension for three (3) months
2nd Offense - Delisting

G.2 Selling or use of MANILA WATER-supplied materials by the Vendor or its crew for any subcontracting jobs outside of MANILA WATER or for illegal connections, or selling of materials (good or scrap) to junkshop

1st Offense - Delisting

G.3 Non-segregation by project and excessive accumulation of withdrawn materials, and improper storage of the same that may affect/damage their quality and performance or result to pilferage and losses

1st Offense - Written warning
2nd Offense - Suspension for three (3) months
3rd Offense - Delisting

H. Handling and Use of MANILA WATER Property and Equipment

H.1 Improper and/or unauthorized use of MANILA WATER property and equipment

1st Offense - Written warning
2nd Offense - Suspension for three (3) months
3rd Offense - Delisting

H.2 Failure to observe proper care in the custody and/or use of MANILA WATER property and equipment

1st Offense - Written warning
2nd Offense - Suspension for three (3) months
3rd Offense - Delisting
ACKNOWLEDGEMENT OF VENDOR’S CODE OF CONDUCT

Having carefully read and understood the Vendor Code of Conduct, I agree to conform to, respect and uphold the value, principles and guidelines so stated herein.

NAME OF COMPANY PRESIDENT/OWNER: _________________________________

COMPANY ADDRESS: ________________________________________________

CITY, MUNICIPALITY, ZIP: __________________________________________

TELEPHONE NO: _________________________________

FAX NO. _________________________________

EMAIL ADDRESS: _________________________________
THE ENTERPRISE AND RISK MANAGEMENT POLICY

1. INTRODUCTION

The Manila Water Company, Inc. (Manila Water) operates in a regulated and dynamic business environment where uncertainties, both detrimental and opportune to the Company, abound. The Company is accountable to its regulators, shareholders, employees and customers, among others, even as profitability, sustainable development and corporate social responsibility are expected to be continuously enhanced. 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, 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.

The ERM Program is aligned with the Company’s Manual of Corporate Governance which mandates the Board of Directors to ensure the presence of organizational and procedural controls supported by an effective management information system and risk management reporting system.

In addition, the Company’s Audit and Governance Committee, as stated in the Audit and Governance Committee Charter, is required to provide oversight to management functions relating to financial, operational, legal and other risks of the Company which involves periodic disclosure of risk exposures and related risk management activities.

2. ERM VISION AND OBJECTIVES

Manila Water shall be highly-valued for its Enterprise Risk Management Program. The Manila Water ERM Program shall be a globally-competitive tool, embedded into the Organization’s culture, adhering to the principles of good and effective Corporate Governance in the pursuit of becoming a leader in the provision of water, wastewater and other environmental services.

The ERM Program aims to enhance shareholder value and improve competitive advantage by effectively managing risks through a standard and informed decision-making mechanism under a common risk culture and language understood by every individual within the organization.

3. SCOPE

This document shall outline concepts and policies that shall govern the enterprise risk management function within Manila Water.

This ERM Policy shall:

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

The ERM Policy shall be supported by the ERM Handbook which shall guide risk practitioners in Manila Water on how to implement the ERM process.

This policy applies to the Manila Water Company, Inc. Its subsidiaries can adopt this policy when mandated by its Board of Directors.

4. RISK MANAGEMENT FRAMEWORK

The following framework shall provide the foundation for Manila Water’s management of risks through the ERM Program. It is anchored on the mandate and commitment from the Board of Directors and top management to implement the ERM process across the organization. It is envisioned to be dynamic and shall be continuously improved in order to be responsive to the needs of the organization and attain Manila Water’s desired state.

The Company acknowledges that risk management requires a strong and sustained commitment from top management and a robust planning process at all levels. To ensure effectiveness of the program, it shall be aligned with the Company culture through a comprehensive change management plan.
The risk management objectives shall be driven by the objectives and strategies of the Company. Risk management shall be embedded in all the organization’s practices and processes in a way that it is relevant, effective and efficient. To this end, the Enterprise Risk Management Department (ERMD) was created to develop and implement an enterprise-wide risk management plan. The plan shall include allocation of appropriate resources such as the people, methods, tools, processes, systems and training programs needed to drive the program. It shall also outline the authorities and responsibilities pertaining to risk management and include internal and external communication and reporting mechanisms to encourage accountability for and ownership of risks.

The ERM program’s design shall also consider Manila Water’s internal and external environments. These include, but are not limited to, governance, organizational structure, policies and objectives and the Company’s social, regulatory, financial, technological and economic environments.

Risk management shall be implemented by ensuring that the risk management process outlined in this policy is applied at all relevant levels and functions of the organization. Continual review, monitoring and improvement of the program shall be made to ensure its effectiveness and relevance.

5. RISK MANAGEMENT PROCESS

Manila Water shall adopt the process defined in ISO 31000 in managing risks (see diagram below). At each stage of the risk management processes, tools and techniques that are suited to the Company’s objectives, resources and capabilities shall be employed. The ERMD shall recommend appropriate tools which the functional groups can use for each step of the process. These shall be explained in the ERM handbook.

5.1 Establishing the context

Enterprise Risk Management shall consider the objectives of the organization, its internal and external environments in which it pursues these objectives and the applicable risk criteria. The internal parameters may include Company policies, governance and supervisory arrangements, resources and capabilities. External parameters may include regulatory and market requirements, cultural factors and stakeholder needs, and alliance or contractual arrangements. The risk criteria sets the terms of
reference against which the significance of a risk is evaluated such as the definitions and measures of risk to be used, the tolerance level and risk appetite.

5.2 Risk Assessment

Risk assessment is the overall process of risk identification, risk analysis and risk evaluation.

The first step shall be identification of events, consequences or changes in circumstances that could affect Manila Water’s objectives, strategies and operations. This aims to generate a comprehensive list of risks that might create, enhance, prevent, degrade, accelerate, delay or otherwise affect the achievement of objectives. The Company recognizes that comprehensive identification is critical, because a risk that is not identified at this stage will not be included in further analysis.

The next step in the risk management process is developing a thorough understanding of each risk. This step involves consideration of the causes and sources of risks, their consequences or impact, the likelihood of the impact, and the effectiveness by which the risk are managed. Qualitative and quantitative analysis of the risk shall be done in order to come up with risk ratings upon which priority risks shall be determined. Risk analysis shall provide an input to risk evaluation and to decisions on whether risks are to be treated and on the most appropriate risk treatment strategies.

Risk evaluation involves comparing the level of risk found during the analysis process with established risk criteria. Based on this comparison, the need for treatment, further analysis and other alternative actions may be considered.

5.3 Risk Treatment

Risk owners shall select and implement strategies and actions for modifying risks that need treatment based on the results of risk assessment. Appropriate risk treatment options shall be selected by balancing the costs that are required and the benefits that can be derived from implementation.

5.3 Review and Monitoring

The implementation of selected options shall be planned, constantly monitored and regularly reviewed. Responsibilities for implementation and monitoring shall be clearly defined. The results of review and monitoring shall be recorded and reported internally and externally as appropriate. Frequency of review by appropriate authorities shall be determined.

5.4 Communication and Consultation

Communication and consultation with external and internal stakeholders shall take place at every stage of the risk management process. This will ensure accountability for those implementing the risk management process and improve the understanding of stakeholders on the bases and reasons for future decisions.
6. RESPONSIBILITIES

The ERM Oversight Structure of Manila Water is illustrated in the diagram below:
The key roles and responsibilities that are necessary to ensure effective ERM are summarized as follows:

<table>
<thead>
<tr>
<th>Group/Individual</th>
<th>Responsibilities</th>
</tr>
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<tbody>
<tr>
<td><strong>Board of Directors (Board)</strong></td>
<td>Provides an oversight role to risk management activities including the periodic review and approval of the ERM Policy and ERM framework through the Audit and Governance Committee.</td>
</tr>
<tr>
<td><strong>Risk Management Executive Committee (RMEC)</strong></td>
<td>Provides direction on the design and implementation of appropriate systems, tools and methodologies to support ERM processes and other risk management activities.</td>
</tr>
<tr>
<td><strong>Chief Risk Officer (CRO)</strong></td>
<td>The ultimate champion of ERM at Manila Water; oversees the entire risk management function and leads the development, implementation, maintenance and continuous improvement of ERM processes and tools.</td>
</tr>
<tr>
<td><strong>ERM Department</strong></td>
<td>Facilitates, supports, and integrates the ERM processes across Manila Water in coordination with the CRO and ERM Champions.</td>
</tr>
<tr>
<td><strong>Risk Management Council</strong></td>
<td>Composed of the ERM and Safety Solutions Departments; Venue for discussion of imminent and emerging risks before being elevated to the RMEC.</td>
</tr>
<tr>
<td><strong>ERM Champions</strong></td>
<td>Assists the ERM Department in cascading the program to the various functional groups.</td>
</tr>
<tr>
<td><strong>Risk Owner</strong></td>
<td>Has the overall accountability for and ownership of the assigned risks and other risks in his functional areas of responsibility.</td>
</tr>
<tr>
<td><strong>Internal Audit</strong></td>
<td>Provides an independent assessment of the ERM framework on a per group level and on a corporate wide basis.</td>
</tr>
</tbody>
</table>

All Managers must ensure that their staff is familiar with the ERM Policy and procedures. All employees must regard risk management as part of their everyday activities.

7. APPROVAL

This policy was approved by the Audit and Governance Committee of the Board of Directors on May 3, 2012 at North Room, Tower One, Ayala Avenue, Makati City.
Safety, Health and Welfare Policy

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:

- Continuously assess, implement and improve its processes and business conduct by adopting best practices and keeping abreast with the latest innovations to ensure reliability and efficiency of its operations;
- 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;
- 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;
- 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;
- Systematically manage and control its health and safety risks through effective risk assessment processes; and
- 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.
THE CHARTER OF THE BOARD OF DIRECTORS

PREAMBLE

The Manual provides that:

“The Board should have a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter should serve as a guide to the directors in the performance of their functions and should be publicly available and posted on the Company’s website.”

This Charter is an implementation of the aforesaid provision of the Manual.

ARTICLE 1. DEFINITIONS

Articles of Incorporation means the Articles of Incorporation of the Company, and any amendment thereto

Board means the Board of Directors of the Company

By Laws means the By Laws of the Company, and all amendment/s thereto

Chairman means the Chairman of the Board

Code means the Code of Business Conduct and Ethics

Committees means all of the committees of the Board such as the Executive Committee, Audit & Governance Committee, Nomination Committee, Remuneration Committee and the Committee of Inspector of Ballots and Proxies

Company means Manila Water Company, Inc.

Director(s) means a/the member(s) of the Board

Executive Director means a Director who, at the same time, is holding an executive position in the Company

Executive Officer means senior officers of the Company who are task to perform key executive functions in the Company and shall include the President and Chief Executive Officer, the Vice President or its equivalent, the Treasurer and/or Chief Finance Officer, those enumerated in the By Laws, in the Manual, and those that may be appointed as such by the Board from time to time. An officer shall be considered senior if he has a rank of at least a Vice President or its equivalent position in the Company
**Group** means with respect to the Company, a group of companies composed of the parent, subsidiaries, associates and incorporated joint ventures of the Company

**Independence** means, 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

**Manual** means the Manual of Corporate Governance of the Company pursuant to SEC Memorandum Circular No. 19, Series of 2016 issued on November 22, 2016, and any amendments thereto

**PSE** means the Philippine Stock Exchange

**SEC** means the Securities and Exchange Commission

**Article 2. ** **MEMBERSHIP**

**2.1. Composition, Election and Term of Office**

2.1.1 The Board shall be composed of such number of directors as may be required in the Articles of Incorporation of the Company. The directors of the Company shall be elected by majority vote at the annual meeting of the stockholders at which meeting a quorum is present by stockholders owning majority of the subscribed capital stock entitled to vote in the manner provided in the By-laws and under existing laws.

2.1.2 The directors so elected shall hold office for one (1) year and until their successors are elected and qualified.

2.1.3 The Board should have at least three (3) independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher, who shall be nominated and elected in accordance with the requirements of pertinent laws and implementing rules and regulations.

2.1.4 The Board’s independent directors should serve for a maximum cumulative term of nine (9) years. After which, the independent director should be perpetually barred from re-election as such in the Company, but may continue to qualify for nomination and election as a non-independent director.

In the instance that the Company decides to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders’ approval during the annual shareholders’ meeting.

**Section 2.2 Qualifications of Directors**

2.2.1 Any stockholder having at least one (1) share registered in his name may be nominated and elected Director.
2.2.2 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.

2.2.3 The President and Chief Executive Officer of the Company must always be a Director.

2.2.4 At least one non-executive Director shall have a prior working experience in the industry
to which the Company belongs.

2.2.5 The number of Directors who are citizens of the Philippines shall be proportionate to the
percentage of the total outstanding capital stock of the Company owned by Philippine nationals as defined by law.

2.2.6 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.

2.2.7 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, to be approved by the Chairman.

The curriculum of the corporate orientation program shall contain as a minimum, a topic
on the operations of the Company and the applicable legal framework thereto, and
relevant contracts of the Company, if any, as well as the existing policies, rules and
regulations of the Company, such as but not limited to: the Code, the Manual, 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 Company.

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 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 Company or the
latter’s industry. Director/s shall inform the Office of the Corporate Secretary of the
trainings or courses attended for record purposes.

Section 2.3 Process for Selection, Appointment, 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.\(^3\)

2.3.2 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.

(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.

Section 2.4 Effects of Permanent or Temporary Disqualification

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.

2.4.2 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 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.

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\(^3\) By Laws, Article III, Section 2
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\(^2\) 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 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 2.4.2 above shall apply.

**Section 2.5 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\(^3\) or for any violation of the Code or

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\(^2\) 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.*

\(^3\) Article X, Page 43.
relevant policies of the Company. 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.

Section 2.6 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.

Section 2.7 Suspension of Directors

2.7.1 A Director may be suspended by the Board if he/she:

(a) becomes temporarily disqualified to act as director;

(b) has committed any violations of the provisions of the Manual, the Code or duly established policies of the Company.

Section 2.8 Vacancies

2.8.1 Any vacancy occurring in the Board other than by removal by the stockholders or by expiration of term, may be filled by the vote of at least a majority of the remaining Directors, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at a regular or at any special meeting of stockholders called for the purpose. A Director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.4

2.8.2 Any directorship to be filled by reason of an increase in the number of directors or due to the removal of a director by the stockholders in the manner provided by law shall be filled only by an election at a regular or at a special meeting of stockholders duly called for the purpose, or in the same meeting authorizing the increase or removal of such directors if so stated in the notice of the meeting.5

4 By Laws, Article III, Section 5
5 Ibid.
2.8.3 The vacancy resulting from the removal of a director by the stockholders in the manner provided by law may be filled by election at the same meeting of stockholders at any regular or at any special meeting of stockholders called for the purpose, after giving notice as prescribed in the By-laws.6

Section 2.9 Compensation

2.9.1 Each Director or Committee member shall receive such emolument or compensation as may be fixed by the Board pursuant to and in accordance with the By Laws.

2.9.2 In determining remuneration, 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 for the performance of various responsibilities and for undertaking certain risks as a Director.

Article 3. Powers, Duties and Responsibilities

Section 3.1 Powers of the Board

3.1.1 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 functions7, 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 Company’s governance practices and making changes as needed.

(c) Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning.

(d) Aligning key executive and board remuneration with the longer term interests of the Company 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.

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6 Ibid.
7 OECD Principle VI (D)
(g) Ensuring the integrity of the Company’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 Company.

3.1.2 The Board shall regularly review, at least annually, the mission and vision of the Company and shall revise the same, as may be necessary, in accordance with the strategic directions of the Company.

Section 3.2 The Chairman of the Board of Directors

3.2.1 Primary Functions

The following are the primary functions of the Chairman of the Board:

(a) Facilitate the operations and deliberations of the Board; and
(b) Ensure the performance of the Board’s functions and responsibilities

3.2.2 Appointment and Removal

The Chairman of the Board shall be elected annually by the members of the Board at the organizational meeting of the Board or thereafter upon the resignation, death, disqualification or removal of the Chairman.

The Chairman shall serve at the pleasure of the Board, or until the earlier of:

(a) the next annual stockholders meeting, or
(b) the death of the Chairman or
(c) the resignation, or disqualification or removal of the Chairman from the Board.

3.2.3 Qualifications

The Chairman shall possess all the qualifications and none of the disqualifications of a Director.

3.2.4 Access to Management and Outside Advisors

The Chairman shall have unrestricted access to senior management and employees of the Company. The Chairman shall have the authority to retain and terminate external legal counsel, consultants or other advisors to assist him or her in fulfilling his or her responsibilities
and to set and pay the respective reasonable compensation for these advisors without consulting or obtaining the approval of the Board or any officer of the Company. The Company shall provide appropriate funding for the services of these advisors.

3.2.5 Functions and Responsibilities

The Chairman shall have the functions and responsibilities set out below, and in the By Laws and in the Manual as well as any other matters that are specifically delegated to the Chairman by the Board. In addition to these functions and responsibilities, the Chairman shall perform the duties required of a chairman of a board of directors under all other applicable laws.

(a) Board Management

(i) 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 Company and the achievement of its objectives.

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

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

(iv) In consultation with the President/Chief Executive Officer, or Committees of the Board and the Corporate Secretary or other person(s) performing similar functions, the Chairman shall 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.

(v) 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) 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.
(vi) In consultation with the Corporate Governance Committee, the Compliance Officer and the Office of the Corporate Secretary, the Chairman shall ensure the existence of a 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.

(vii) 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.

3.2.6 Succession Planning

The Board should be responsible for ensuring and adopting an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders’ value. This should include adopting a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the corporation.

The Chairman shall participate and provide input, as required, on the succession plans with respect to the positions of the Chairman, the President/CEO and other key executive officers.

3.2.7 Strategic Planning

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

3.2.8 Communication with Shareholders.

As necessary, in conjunction with the Board and the Chief Executive Officer, the Chairman shall review the Company’s shareholder communications plan.
Section 3.3  Board Committees

3.3.1 The Board shall have an Executive Committee, an Audit Committee, a Corporate Governance Committee, a Nomination Committee, a Remuneration Committee, a Board Risk Oversight Committee, a Related Party Transactions Committee, and a Committee of Inspectors of Proxies and Ballots. The membership, powers and responsibilities and such other matters relating to the functions of each Committee shall be set forth in their respective charters.

3.3.2 The members of the Committee shall be elected by the Board at its organizational meeting. Any vacancy occurring in a Committee shall be filled up in accordance with the provisions of their respective charters.

Article 4.  Meetings, Quorum, Resolutions and Actions

Section 4.1  Meetings

4.1.1 The Board shall meet for the purpose of organization, election of officers and the transaction of other business, as soon as practicable, after each annual election of Directors and on the same day and, if practical, at the same place at which regular meetings of the Board are held. Such meetings may be held at any other time and place which shall be specified in a notice given as hereinafter provided for regular or special meetings of the Board or in a consent and waiver of notice thereof signed by all the directors.

4.1.2 Regular meetings of the Board shall be held quarterly on such dates and at such times and places as the Chairman of the Board, or in his absence, the President, or upon the request of a majority of the directors and shall be held at such places as may be designated in the notice. Special meetings of the Board may be called by the Chairman of the Board, the Vice-Chairman, the President or a majority of the Board of the Company.\(^8\)

4.1.3 Notice of the regular or special meeting of the Board, specifying the date, time and place of the meeting, shall be communicated by the Secretary to each director personally, or by telephone, telex, telegram, or by written or oral message at least twenty (20) working days before the day on which the regular meeting is to be held and fifteen (15) working days before the day on which a special meeting is to be held. Notice of any meeting of the Board need not be given to any Director if waived by him in writing whether before or after such meeting is held, or if he shall be present at the meeting and any meeting of the Board shall be a legal meeting without any notice thereof having been given to any Director, if all the Directors shall be present thereat. A director may waive this requirement, either expressly or impliedly.\(^9\)

4.1.4 The meetings of the Board for the ensuing year shall be scheduled at the beginning of the year and shall be made known to the Directors. The Board shall exert best efforts to meet

\(^8\) By Laws, Article III, Section 6
\(^9\) By Laws, Article III, Section 7
at least six (6) times a year, taking into consideration the logistical requirements, the matters to be discussed and the cost of holding the meetings.

In addition to the foregoing, the non-Executive Directors shall meet separately at least once a year without any executive directors present.

4.1.5 The materials for the meetings shall be given to each Director at least five (5) working 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.

4.1.6 Minutes of the meeting will be recorded and maintained by the Corporate Secretary. The Corporate Secretary or the designate of the Committee shall act as secretary for the meetings.

Section 4.2 Quorum

4.2.1 At least two-thirds (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 Company, 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.

4.2.2 Meetings of the Board shall be presided over by the Chairman of the Board, or in his absence the Vice-Chairman, or in the absence of the latter, the President or if none of the foregoing is in office and present and acting, by any other director chosen by the Board. The Corporate Secretary shall act as secretary of every meeting or if not present, the Assistant Corporate Secretary or in the absence of both, the Chairman of the meeting shall appoint a secretary of the meeting.¹⁰

4.2.3 Members of the Board should attend regular and special meetings of the Board in person or via teleconference or videoconference or by any other technological means allowed by the SEC.

4.2.4 Every meeting of the Board shall be attended by at least one independent director. However, the absence of an independent director shall not affect the quorum requirements if he is duly notified of the meeting but notwithstanding such notice fails to attend.

Article 5. Governance Principles

Section 5.1 The Board shall adhere strictly to the principles of good corporate governance. Towards this end, the following policies are hereby adopted:

¹⁰ By Laws, Article III, Section 9
(a) **Business Conduct and Ethics**

The Code shall apply equally to the Directors. The Office of the Corporate Secretary shall ensure that each Director is furnished with a copy of the Code upon assumption of office and after every amendment of the Code.

The Directors are duty bound to comply with the provisions of the Code and the Manual and other relevant policies of the Company.

(b) **Diversity**

(i) The Board values the opinions and viewpoint of each Director. A Director shall not be discriminated upon by reason of gender, age, ethnicity, or political, religious or cultural beliefs.

(ii) The Board shall endeavour to promote and observe diverse membership and for this reason, the Board hereby adopts a policy of diversity in gender, age, ethnicity, religious, political or cultural backgrounds. Thus, the Board shall encourage the shareholders of the Company to select nominees that will promote diversity in the membership of the Board.

(c) **Multiple Directorships**

(i) Without prejudice to the provisions of the Manual on multiple board seats, a Director may hold 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, to ensure that they have sufficient time to fully prepare for meetings, challenge Management’s proposals/views, and oversee the long-term strategy of the Company.

(ii) In the implementation of this policy, the Board considers several directorships in related companies (i.e. Group) or companies in the same industry as one.

**Article 6. Performance Evaluation**

**Section 6.1 Performance Evaluation of the Board**

6.1.1 The Board shall conduct a performance evaluation annually on the following scope:

(a) Board and Committee Processes and Meetings
(b) Compliance with the responsibilities and functions of the Board and Committees
(c) Board-Management Relationship
(d) Board Member Self Evaluation
(e) Performance of the CEO/President and the Senior Management
6.1.2 The Office of the Corporate Secretary in coordination with the Corporate Governance Committee shall facilitate the annual evaluation.

Each Director shall accomplish the Annual Board Evaluation Form. The Directors shall explain the ratings they gave and provide their own comments and recommendations on the matters discussed in the evaluation form.

6.1.3 The form and criteria for evaluation are as follows:

**FORM FOR BOARD EVALUATION**

<table>
<thead>
<tr>
<th>SCOPE</th>
<th>CRITERIA</th>
<th>Point System Rate of 1 to 5, 1 being the lowest</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board Processes and Meetings</strong></td>
<td>Adequacy, frequency, duration and scheduling of Board meetings per year</td>
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<td></td>
<td>Attendance to the Board meetings</td>
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<td></td>
<td>Adequacy of materials for meetings of the Board</td>
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<td>Content and quality of materials for meetings of the Board</td>
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<td></td>
<td>Quality of presentations to the Board</td>
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<tr>
<td></td>
<td>Quality and adequacy of discussions and deliberations during Board meetings</td>
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<tr>
<td></td>
<td>Preparedness of the directors for the Board meetings</td>
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<tr>
<td><strong>Compliance with the Responsibilities and Functions of the Board</strong></td>
<td>Involvement of the Board in the determination of the Company’s strategic initiatives and direction</td>
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<td></td>
<td>Effectiveness of the Board in monitoring of management’s implementation of corporate strategy</td>
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<td></td>
<td>Effectiveness of the Board in monitoring the operational and financial performance of the Company</td>
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<td>Effectiveness of the Board in handling crisis situation</td>
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<td></td>
<td>Commitment of the Board to good corporate governance practices</td>
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<tr>
<td>BOARD COMMITTEE EVALUATION</td>
<td>CRITERIA</td>
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<tr>
<td><strong>Committee Processes and Meetings</strong></td>
<td>Adequacy, frequency, duration and scheduling of Committee meetings per year</td>
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<td>Attendance to the Committee meetings</td>
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<tr>
<td></td>
<td>Adequacy of materials for meetings of the Committees</td>
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</table>

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Rate of 1 to 5, 1 being the lowest
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<tr>
<th><strong>Committee Meeting and Attendance</strong></th>
<th>Content and quality of materials for meetings of the Committees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of presentations to the Committees</td>
<td>Quality and adequacy of discussions and deliberations during Board Committee meetings</td>
</tr>
<tr>
<td>Preparedness of the directors for the Board Committee meetings</td>
<td>Appropriateness of delegation of business to the Committees</td>
</tr>
<tr>
<td>Adequate information to the Board of Committee acts and approvals</td>
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</tbody>
</table>

<table>
<thead>
<tr>
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<td>Effectiveness of the Committee in handling crisis situation</td>
<td>Commitment of the Committee to good corporate governance practices</td>
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<tr>
<td>Consideration by the Committee of the interest of the minority shareholders</td>
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</tbody>
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<table>
<thead>
<tr>
<th><strong>Committee Member Self Evaluation</strong></th>
<th>Conscientiousness in the discharge of functions and responsibilities as member of Board Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prompt and complete attendance in Committee meetings</td>
<td>Preparedness on the topics to be discussed on Committee meetings</td>
</tr>
<tr>
<td>Active and objective participation in Committee discussions</td>
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</table>
**FORM OF EVALUATION OF THE CHAIRMAN OF THE BOARD**

<table>
<thead>
<tr>
<th>SCOPE</th>
<th>CRITERIA</th>
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<tbody>
<tr>
<td><strong>Evaluation of Chairman of the Board</strong></td>
<td>Possession by the Chairman of the competence and qualifications to effectively discharge the functions of the office</td>
</tr>
<tr>
<td></td>
<td>Performance by the Chairman of his functions under the laws, By-Laws, the Charter of the Board, the Manual of Corporate Governance, or under the resolutions adopted by the Board.</td>
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<td></td>
<td>Ability of the Chairman to lead and motivate the Board</td>
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</table>

**FORM OF EVALUATION OF PRESIDENT/CEO**

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<thead>
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<th>SCOPE</th>
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<tbody>
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<td><strong>Evaluation of President/CEO</strong></td>
<td>Possession by the CEO/President of the competence and qualifications to effectively discharge the functions of the office</td>
</tr>
<tr>
<td></td>
<td>Ability of the CEO/President to achieve Key Result Areas and Performance of the CEO against clear, measurable and documented objectives</td>
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<tr>
<td></td>
<td>Ability of the CEO/President to lead and motivate the Management</td>
</tr>
</tbody>
</table>

**Article 7. Miscellaneous**

**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 Company.

**Section 7.2 Technical Assistance**

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

Section 7.3 Records/Confidentiality

The Corporate Secretary shall keep and have custody of the records of the Board. Except for information that are required to be disclosed pursuant to law or regulations issued by competent government authorities, the records of the Board shall be kept confidential.

Section 7.4 Annual Review

This Charter shall be reviewed by the Board annually.

Section 7.5 Effectivity

This Charter shall take effect upon approval by the Board.
CHARTER OF THE EXECUTIVE COMMITTEE

Section 1. Membership

1.1 Composition

The Committee shall be composed of five (5) members. The Board shall appoint the members of the Committee from among its members.

The Board shall designate the Chairman of the Committee and may, from time to time, increase the membership of the Committee and appoint additional members therein.

1.2 Term

The Board shall appoint the members of the Committee at its annual organizational meeting and each member shall serve upon his election until the next organizational meeting of the Board, unless removed or replaced by the Board.

1.3 Vacancy

Any vacancy in the Committee caused by the death, resignation, removal or disqualification of member, or by any other cause, may be filled by the Board. The member elected to fill the vacancy shall hold office for the remainder of the term, or until his successor shall have been duly elected and have qualified.

1.4 Compensation

Each Committee member shall receive such emolument and/or compensation as may be fixed by the Board pursuant to the By-Laws.

Section 2. Powers, Duties and Responsibilities of the Committee

2.1 The Committee is authorized to act, and shall act, on matters within the competence of the Board, except with respect to:

(a) approval of any action for which shareholders’ approval is also required;

(b) filling of vacancies in the board;

(c) the amendment or repeal of the By-laws or the adoption of new By-laws;
(d) the amendment or repeal of any resolution of the board which by its express terms is not so amendable or repealable; and

(e) distribution of dividends to shareholders.

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

2.3 The Committee shall refer the resolution of matters to the Board Committee that has the authority or competence to act on those matters in accordance with their respective Charters.

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

Section 3. Resolutions and Actions

3.1 Meetings, Quorum and Actions

(a) The Committee shall meet in person or telephonically or video conference or through such other similar means at such times and frequency as may be necessary.

(b) 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) working days prior to the intended meeting, except as otherwise provided herein.

(c) The attendance of at least four (4) members of the Executive Committee shall constitute a quorum.

(d) The majority vote of all members shall be necessary to carry an act or resolution of the Committee.

(e) Actions of the Committee may also be taken by written consent (in physical, electronic or digital format) by majority of the members when deemed necessary or desirable by the Committee or its Chairman.

(f) Attendance of members at Committee meetings shall be disclosed in the Corporation’s annual report.
3.2 Minutes

Minutes of the Committee meeting will be recorded and maintained by the Office of the Corporate Secretary. The Corporate Secretary or his designate shall act as secretary for the meetings.

3.3 Reports to and Ratification by the Board

The Chairman of the Committee or his designate shall report to the Board all actions of the Committee at the meeting of the Board following such actions.

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, provided that no rights of third parties shall be affected by a revision or alteration.

Section 4. Performance Evaluation and Continuous Improvement

4.1 To ensure that the Committee continues to fulfill its responsibilities in accordance with global best practices and in compliance with the Manual of Corporate Governance and other relevant regulatory requirements, the Committee shall conduct an assessment of its performance at least annually.

In this regard, the Committee shall:

(a) 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.

(b) 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).

(c) Annually, review the status of implementation of such plans for improvement.

(d) 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.

Section 5. Miscellaneous

5.1 Access to Information

The Committee shall have free and full access to all relevant information, data, records, properties and personnel of the Corporation.
5.2 **Technical Assistance**

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

All resources necessary for the Committee to perform its duties and functions shall be provided by the Corporation, at its expense.

5.3 **Records/Confidentiality**

The Corporate Secretary shall keep and have custody of the records of the Committee. Except for information that are required to be disclosed pursuant to law or regulations issued by competent government authorities, the records of the Committee shall be kept confidential.

4.4 **Annual Review**

This Charter shall be reviewed by the Committee annually. Any proposed changes shall be approved by the Board.

4.5 **Effectivity**

This Charter shall take effect when approved by the Board.
CHARTER OF THE AUDIT COMMITTEE

A. INTRODUCTION

This document shall be known as the Audit Committee Charter (the “Charter”) and shall prescribe the roles, responsibilities, and authority of the Audit 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.

B. STATEMENT OF POLICY

It is the policy of Manila Water to constitute and maintain an Audit Committee which shall provide assistance to the Board of Directors in fulfilling their oversight responsibility to the shareholders relating to the Company’s:

i. integrity of the financial statements and the financial reporting process;
ii. effectiveness of the system of internal control;
iii. performance and leadership of the internal audit function;
iv. appointment, remuneration, qualifications, independence and performance of the external auditors and the integrity of the audit process as a whole;
v. compliance with applicable legal and regulatory requirements; and

To fulfill this oversight responsibility, the Committee shall maintain a free and open communication with the Company's external auditors, the internal auditors and the management of the Company.

C. 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, which shall be composed of four (4) non-executive directors as members, the majority of whom shall be independent directors, and shall be chaired by an independent director.

The Chairman of the Audit Committee shall not be the Chairman of the Board or of any other 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.

D. 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. (*ISPPIA 1111*)

The Committee shall meet with the CAE and the Senior Management, as it may deem necessary, to discuss the Mission, the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the Standards. (*New Standards- ISPPIA 1010*)

**E. DUTIES AND RESPONSIBILITIES**

In fulfilling their oversight responsibility, the Committee shall have the following duties and responsibilities:

1. **With respect to the integrity of the financial statements and the financial reporting process**

   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, 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; and
   
   vii. 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;
II. With respect to the effectiveness of the system of internal control

The Committee shall:

i. 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;

ii. Consider and discuss with management, the internal auditors and the independent auditors, the major issues as to the adequacy and effectiveness of the Company’s internal control system, including internal financial controls, operational and compliance controls, information technology security and controls, and any special audit steps adopted in light of material deficiencies;

iii. For significant control weaknesses identified, the Audit Committee may request the management to explain the impact and the actions taken to rectify the identified control weaknesses;

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

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

III. With respect to 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. The CAE must disclose such interference to the board and discuss the implications. *(New Standards - ISPPIA 1110.A1)*

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. *(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. *(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. *(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”, is appropriate only if the results of the quality assurance and improvement program support such a statement. *(ISPPIA 2430)*

xv. Review and evaluate IAA’s evaluation of the Company’s internal controls including Information Technology systems and functions;

xvi. 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;

xvii. 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; and

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

IV. With respect to External Audit/Independent Auditor

The Committee shall:

i. Recommend the appointment and removal of the Independent Auditors, duly accredited by the Securities and Exchange Commission (SEC), 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. Prior to commencement of the audit, discuss with the External auditor the nature, scope and expenses of the audit and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts. *(based on the updated Code of Corporate Governance from SEC-November 2016)*

iv. 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.

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

vi. 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.

vii. 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.

viii. 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 Audit Committee should disallow any non-audit work that will conflict with the duties of the External Auditor or may pose a threat to independence. The non-audit work, if allowed, should be disclosed in the Company’s Annual Report and Annual Corporate Governance Report. *(based on the updated Code of Corporate Governance from SEC-November 2016)*

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

tax. 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;

xi. 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; and

xii. Understand and evaluate disagreements between the external auditors and management and make the appropriate recommendation to the Board for redress of the matter.
V. With respect to the compliance with applicable legal and regulatory requirements

The Committee shall:

i. 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;

ii. 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;

iii. Make an assessment of the correspondence between the Company and its regulators regarding financial statement filings and disclosures;

iv. Evaluate and monitor compliance with the Company’s policy in detection of fraud and whistle-blower program;

v. Evaluate compliance with the Company’s Code of Conduct and Ethics; and

vi. 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 the fulfillment of the foregoing duties and responsibilities, 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.

F. 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 Committee report to the Board during its first meeting immediately following the end of the fiscal year.

G. 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 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.

H. 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.

I. 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.

J. ADOPTION AND EFFECTIVITY

This latest revision to this Charter was approved by unanimous vote of the members of the Audit Committee during its meeting on 4 May 2017 held at Room 810, Ayala Tower 1, Ayala Avenue, Makati City, and thereafter ratified by the Board in its meeting on [---].

The Charter was revised to remove the roles and responsibilities on Corporate Governance and Related Party Transactions and to adopt changes made based on the updated Corporate Governance from SEC and New Standards - ISPPIA.
K. **REVISIONS TO THE CHARTER**

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 Approved by the Committee:

- 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 update the Charter of Audit & Governance Committee in relation to the creation of the Risk Committee.
- May 4, 2017- to update the Charter and remove the roles on Corporate Governance and Related Party Transactions in relation to the creation of Governance and RPT Committee; to adopt the guidelines set forth by the Securities and Exchange Commission in its Memorandum Circular No. 19 Series of 2016 on the Code of Corporate Governance for Publicly-listed Companies; and to include changes in the International Standards for the Professional Practice of Internal Auditing (Standards) – Revised last October 2016, Effective January 2017.
CHARTER OF THE CORPORATE GOVERNANCE COMMITTEE

Section 1. Membership

1.1 Composition

The Committee shall be composed of three (3) members, all of whom shall be independent directors including the Chairman.

The Board shall designate the Chairman of the Committee, who shall be an independent director, and may, from time to time, increase the membership of the Committee and appoint additional members therein.

1.2 Term

The Board shall appoint the members of the Committee at its annual organizational meeting and each member shall serve upon his election until the next organizational meeting of the Board, unless removed or replaced by the Board.

1.3 Vacancy

Any vacancy in the Committee caused by the death, resignation, removal or disqualification of member, or by any other cause, may be filled by the Board. The member elected to fill the vacancy shall hold office for the remainder of the term, or until his successor shall have been duly elected and have qualified.

1.4 Compensation

Each Committee member shall receive such emolument and/or compensation as may be fixed by the Board pursuant to the By-Laws.

Section 2. Powers, Duties and Responsibilities of the Committee

2.1 The Committee shall be tasked with assisting the Board in the performance of its corporate governance responsibilities and for this purpose shall have the following powers, duties and responsibilities:

(a) Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the Company’s size, complexity and business strategy, as well as its business and regulatory environments;
(b) Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;

(c) Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;

(d) Develops and recommends corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;

(f) Proposes and plans relevant corporate governance trainings for the members of the Board;

(g) Reviews conflict-of-interest situations and provides appropriate remedial measures for the same;

(h) Formulates 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;

(i) Monitors and assesses the Company’s compliance with laws, rules and regulations relating to corporate governance policies;

(j) Evaluates and monitors compliance with the Company’s policy in detection of fraud and whistle-blower program; and

(k) Evaluates and monitors compliance with the Company’s Code of Business Conduct and Ethics.

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

2.3 The Committee shall refer the resolution of matters to the Board Committee that has the authority or competence to act on those matters in accordance with their respective Charters.

2.4 The Committee shall be guided by the Company’s mission and vision in the fulfillment of its functions.
Section 3. Resolutions and Actions

3.1 Meetings, Quorum and Actions

(a) The Committee shall meet in person or telephonically or video conference or through such other similar means at such times and frequency as may be necessary.

(b) 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) working days prior to the intended meeting, except as otherwise provided herein.

(c) The attendance of at least two (2) members of the Committee shall constitute a quorum.

(d) The majority vote of all members shall be necessary to carry an act or resolution of the Committee.

(e) Actions of the Committee may also be taken by written consent (in physical, electronic or digital format) by majority of the members when deemed necessary or desirable by the Committee or its Chairman.

(f) Attendance of members at Committee meetings shall be disclosed in the Company’s annual report.

3.2 Minutes

Minutes of the Committee meeting will be recorded and maintained by the Office of the Corporate Secretary. The Corporate Secretary or his designate shall act as secretary for the meetings.

3.3 Reports to and Ratification by the Board

The Chairman of the Committee or his designate shall report to the Board all actions of the Committee at the meeting of the Board following such actions.

An act of the Related Party Transactions 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, provided that no rights of third parties shall be affected by a revision or alteration.
Section 4. Performance Evaluation and Continuous Improvement

4.1 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:

(a) 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.
(b) 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).
(c) Annually, review the status of implementation of such plans for improvement.
(d) 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.

Section 5. Miscellaneous

5.1 Access to Information

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

5.2 Technical Assistance

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

All resources necessary for the Committee to perform its duties and functions shall be provided by the Company, at its expense.
5.3 **Records/Confidentiality**

The Corporate Secretary shall keep and have custody of the records of the Committee. Except for information that are required to be disclosed pursuant to law or regulations issued by competent government authorities, the records of the Committee shall be kept confidential.

5.4 **Annual Review**

This Charter shall be reviewed by the Committee annually. Any proposed changes shall be approved by the Board.

5.5 **Effectivity**

This Charter and amendments thereto shall take effect upon approval by the Board.
CHARTER OF THE RELATED PARTY TRANSACTIONS COMMITTEE

Section 1. Membership

1.1 Composition

The Committee shall be composed of three (3) non-executive directors as members, two (2) of whom shall be independent.

The Board shall designate the Chairman of the Committee, who shall be an independent director, and may, from time to time, increase the membership of the Committee and appoint additional members therein.

1.2 Term

The Board shall appoint the members of the Committee at its annual organizational meeting and each member shall serve upon his election until the next organizational meeting of the Board, unless removed or replaced by the Board.

1.3 Vacancy

Any vacancy in the Committee caused by the death, resignation, removal or disqualification of member, or by any other cause, may be filled by the Board. The member elected to fill the vacancy shall hold office for the remainder of the term, or until his successor shall have been duly elected and have qualified.

1.4 Compensation

Each Committee member shall receive such emolument and/or compensation as may be fixed by the Board pursuant to the By-Laws.

Section 2. Powers, Duties and Responsibilities of the Committee

2.1 The Committee shall be tasked with reviewing all material related party transactions (RPTs) of the Company and for this purpose shall have the following powers, duties and responsibilities:

(a) Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;
(b) Evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:

(i) The related party’s relationship to the Company and interest in the transaction;
(ii) The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
(iii) The benefits to the Company of the proposed RPT;
(iv) The availability of other sources of comparable products or services; and
(v) An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;

(c) Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervisory authorities relating to the Company’s RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Company’s affiliation or transactions with other related parties;

(d) Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;

(e) Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and

(f) Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures; and

(g) Adopts, implements and continuously monitors 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.

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

2.3 The Committee shall refer the resolution of matters to the Board Committee that has the authority or competence to act on those matters in accordance with their respective Charters.

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

Section 3. Resolutions and Actions

3.1 Meetings, Quorum and Actions

(a) The Committee shall meet in person or telephonically or video conference or through such other similar means at such times and frequency as may be necessary.

(b) 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) working days prior to the intended meeting, except as otherwise provided herein.

(c) The attendance of at least two (2) members of the Committee shall constitute a quorum.

(d) The majority vote of all members shall be necessary to carry an act or resolution of the Committee.

(e) Actions of the Committee may also be taken by written consent (in physical, electronic or digital format) by majority of the members when deemed necessary or desirable by the Committee or its Chairman.

(f) Attendance of members at Committee meetings shall be disclosed in the Company’s annual report.
3.2 Minutes

Minutes of the Committee meeting will be recorded and maintained by the Office of the Corporate Secretary. The Corporate Secretary or his designate shall act as secretary for the meetings.

3.3 Reports to and Ratification by the Board

The Chairman of the Committee or his designate shall report to the Board all actions of the Committee at the meeting of the Board following such actions.

An act of the Related Party Transactions 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, provided that no rights of third parties shall be affected by a revision or alteration.

Section 4. Performance Evaluation and Continuous Improvement

4.1 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:

(a) 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.
(b) 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).
(c) Annually, review the status of implementation of such plans for improvement.
(d) 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.

Section 5. Miscellaneous

5.1 Access to Information

The Committee shall have free and full access to all relevant information, data, records, properties and personnel of the Company.
5.2 **Technical Assistance**

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

All resources necessary for the Committee to perform its duties and functions shall be provided by the Company, at its expense.

5.3 **Records/Confidentiality**

The Corporate Secretary shall keep and have custody of the records of the Committee. Except for information that are required to be disclosed pursuant to law or regulations issued by competent government authorities, the records of the Committee shall be kept confidential.

5.4 **Annual Review**

This Charter shall be reviewed by the Committee annually. Any proposed changes shall be approved by the Board.

5.5 **Effectivity**

This Charter shall take effect upon approval by the Board.
RISK COMMITTEE CHARTER

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 Board Risk Oversight 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 Chairman should not be the Chairman of the Board or of any other committee.

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, in addition to those enumerated in the Manual of Corporate Governance of the Company:

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, 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.

The materials for the meetings shall be given to each member at least five (5) working days prior to the intended meeting to give the members sufficient time to prepare for the meeting and to raise any concern on the materials.

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

   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:

   (a) 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.

   (b) 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).
(c) Annually, review the status of implementation of such plans for improvement.

(d) 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.

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.
CHARTER OF THE NOMINATION COMMITTEE

Section 1. Membership

1.1 Composition

The Committee shall be composed of at least three (3) members, majority of whom shall be independent directors. The Board may, from time to time, increase the membership of the Committee and appoint additional members therein, who may or may not be members of the Board.

The Board will designate the Chairman of the Committee who must be an independent director.

1.2 Term

The Board shall appoint the members of the Committee at its annual organizational meeting and each member shall serve upon his election until the next organizational meeting of the Board, unless removed or replaced by the Board. The Committee shall comply with the rules and regulations of the Securities and Exchange Commission and the Philippine Stock Exchange.

1.3 Vacancy

Any vacancy in the Committee caused by the death, resignation, removal or disqualification of a member, or by any other cause, may be filled by the Board. The member elected to fill the vacancy shall hold office for the remainder of the term, or until his successor shall have been duly elected and qualified.

1.4 Compensation

Each Committee member shall receive such emolument or compensation as may be fixed by the Board pursuant to the By Laws.

Section 2. Powers, Duties and Responsibilities of Committee

2.1 The Committee shall have the following powers, duties and responsibilities:

(a) Establish and maintain a process to ensure that all candidates/nominees to be nominated for election as directors at the Annual Stockholders’ Meeting are qualified in accordance with the By-laws, Manual of Corporate Governance and relevant laws, rules and regulations.
(b) Encourage 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.

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

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

(d) 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.

(e) Discharge any other duties and responsibilities delegated to the Committee by the Board from time to time.

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

2.3 All nominees for election in the following offices shall be referred to the Nomination Committee for evaluation of their qualifications:

(a) Board of Directors;
(b) President and Chief Executive Officer
(c) Chief Finance Officer or Treasurer
(d) Group Directors or Vice President level
(e) Corporate Secretary
(f) Assistant Corporate Secretary
(g) Other executive officers of the Company whose appointments are required to be submitted to the Board for approval

The Committee shall not endorse a nominee for appointment by the Board unless it has determined that all nominees have all the qualifications and none of the disqualifications for the position.
Section 3. Resolutions and Actions

3.1 Meetings, Quorum and Actions

(a) The Committee shall meet in person or telephonically or video conference or through such other similar means at least twice a year at a time and place determined by its Chairman, with further meetings to occur when deemed necessary or desirable by the Committee or its Chairman.

(b) 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) working days prior to the intended meeting, except as otherwise provided herein.

(c) The attendance of a majority of the members of the Committee shall constitute a quorum.

(d) The majority vote of all its members shall be necessary to approve an act or resolution.

(e) Actions of the Committee may also be taken by written consent (in physical, electronic or digital format) by majority of the members when deemed necessary or desirable by the Committee or its Chairman.

(f) Attendance of members at Committee meetings shall be disclosed in the Company’s annual report.

3.2 Minutes

Minutes of the Committee meeting will be recorded and maintained by the Corporate Secretary. The Corporate Secretary or the designate of the Committee shall act as secretary for the meetings.

3.3 Reports to the Board

All actions and resolutions of the Committee shall be presented to the Board for ratification and/or approval.

The Chairman of the Committee or his designate shall report to the Board all actions of the Committee at the meeting of the Board following such actions.
Section 4. Performance Evaluation and Continuous Improvement

4.1 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:

(a) 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.

(b) 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).

(c) Annually, review the status of implementation of such plans for improvement.

(d) 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.

Section 5. Miscellaneous

5.1 Access to Information

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

5.2 Technical Assistance

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

All resources necessary for the Committee to perform its duties and functions shall be provided by the Company, at its expense.
5.3 **Records/Confidentiality**

The Corporate Secretary shall keep and have custody of the records of the Committee. Except for information that are required to be disclosed pursuant to law or regulations issued by competent government authorities, the records shall be kept confidential.

5.4 **Annual Review**

This Charter shall be reviewed by the Committee annually. Any proposed changes shall be approved by the Board.

4.5 **Effectivity**

This Charter shall take effect when approved by the Board.
CHARTER OF THE REMUNERATION COMMITTEE

Section 1. Membership

1.1 Composition

The Committee shall be composed of at least three (3) members, a majority of whom shall be independent directors. The Board may from time to time increase the membership of the Committee, and appoint additional members therein, who may or may not be directors.

The Board shall designate the Chairman of the Committee who must be an independent director.

1.2 Term

The Board shall appoint the members of the Committee at its annual organizational meeting and each member shall serve upon his election until the next organizational meeting of the Board unless removed or replaced by the Board.

1.3 Vacancy

Any vacancy in the Committee caused by the death, resignation, or disqualification of member, or by any other cause, may be filled by the Board. The member elected to fill the vacancy shall hold office for the remainder of the term, or until his successor shall have been duly elected and have qualified.

1.4 Compensation

Each Committee member shall receive such emolument and/or compensation as may be fixed by the Board pursuant to the By Laws.

Section 2. Powers, Duties and Responsibilities of Committee

2.1 The Committee shall have the following powers, duties and responsibilities, in addition to those specified in the Manual of Corporate Governance:

(a) Develops and improves the 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) Determines and approves all matters relating to the remuneration and benefits of the Board, the Management and the employees of the Company;
(c) Evaluates and recommends for Board approval the pertinent guidelines on executive and employee compensation, including non-monetary remuneration;

(d) Periodically reviews and evaluates the policy on remuneration in order that it be in a sufficient level to attract and retain directors and key officers of the Company;

(e) Ensures that any director shall not decide his own remuneration during his incumbent term;

(f) 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; and

(g) Reviews and provide guidelines on the existing employee policies to strengthen provisions on conflict of interest, compensation and benefit policies, promotion and career advancement and compliance with all regulatory policies.

2.2 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.

Section 3. Resolutions and Actions

3.1 Meetings, Quorums and Actions

(a) The Committee shall meet in person or telephonically or video conference or through such other similar means at least twice a year at a time and place determined by its Chairman, with further meetings to occur when deemed necessary or desirable by the Committee or its Chairman.

(b) 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) working days prior to the intended meeting, except as otherwise provided herein.

(c) The attendance of a majority of the members of the Committee shall constitute a quorum.

(d) The majority vote of all its members shall be necessary to approve an act or resolution.
(e) Actions of the Committee may also be taken by written consent (in physical, electronic or digital format) by majority of the members when deemed necessary or desirable by the Committee or its Chairman.

(f) Attendance of members at Committee meetings shall be disclosed in the Company’s annual report.

3.2 Minutes

Minutes of the Committee meeting will be recorded and maintained by the Corporate Secretary, with the assistance of the Office of the Group Director for Corporate Human Resources Group. The Corporate Secretary or the designate of the Committee shall act as secretary for the meetings.

3.3 Reports to the Board

All actions and resolutions of the Committee shall be presented to the Board for ratification and/or approval.

The Chairman of the Committee or his designate shall report to the Board all actions of the Committee at the meeting of the Board following such actions.

Section 4. Performance Evaluation and Continuous Improvement

4.1 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:

(a) 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.

(b) 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).

(c) Annually, review the status of implementation of such plans for improvement.

(d) 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.
Section 5. Miscellaneous

5.1 Access to Information

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

5.2 Technical Assistance

The Corporate Secretary, the Group Director for Corporate Human Resources Group, management and personnel of the Company shall provide assistance and support to the Committee.

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.

5.3 Records/Confidentiality

The Corporate Secretary, in coordination with the Office of the Group Director for Corporate Human Resources Group, shall keep and have custody of the records of the Committee. Except for information that are required to be disclosed pursuant to law or regulations issued by competent government authorities, the records shall be kept confidential.

5.4 Annual Review

This Charter shall be reviewed by the Committee annually. Any proposed changes shall be approved by the Board.

5.6 Effectivity

This Charter shall take effect when approved by the Board.
Annex “I”

CHARTER OF THE COMMITTEE OF INSPECTOR OF PROXIES AND BALLOTS

Section 1. Membership

1.1 Composition

The Committee shall be composed of three (3) members who need not be directors or stockholders.

Unless otherwise provided by the Board, the Board shall appoint the following as ex-officio members of the Committee:

(a) Head of Internal Audit Department as Chairman;

(b) Chief Legal Counsel or Head of the Legal & Corporate Governance Department as Member; and

(c) The External Auditor or in case of an auditing firm, a representative therefrom as Member

The Board may change the number and the composition of the Committee as it may deem necessary.

1.2 Term

The Board shall appoint the members of the Committee at its annual organizational meeting and each member shall serve upon his election until the next organizational meeting of the Board, unless removed or replaced by the Board. The Committee shall comply with the rules and regulations of the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

1.3 Vacancy

Any vacancy in the Committee caused by the death, resignation, or disqualification of member, or by any other cause, may be filled by the Board. The member elected to fill the vacancy shall hold office for the remainder of the term, or until his successor shall have been duly elected and have qualified.
Section 2. Powers, Duties and Responsibilities of Committee

The Committee shall have the following powers, duties and responsibilities:

2.1 At least five (5) working days prior to the date of the stockholders’ meeting, the Committee shall perform the validation of the proxies submitted by stockholders. The Committee shall only consider proxies submitted not later than seven (7) working days prior to the date of the stockholders’ meeting. The Committee shall prepare a summary of the valid and invalidated proxies to be submitted to the Office of the Corporate Secretary, together with the proxies.

2.2 The members of the Committee shall be the default inspector of ballots and tabulator of votes during the annual stockholders meeting. For this purpose, the Committee shall coordinate closely with the Office of the Corporate Secretary.

In case of unavailability of the members of the Committee, each member can send a qualified and competent representative.

The Committee shall submit the results of voting within one (1) business day after the annual stockholders meeting.

2.3 Perform such other duties and functions as may be delegated by the Board from time to time.

The Committee shall be guided by applicable laws, the By-laws, and the rules and regulations of the SEC regarding proxies. (SEC Rule 20, Section 20 of the Securities Regulations Code; SEC Memorandum Circular No. 5, S. 1996)

Section 3. Rules and Guidelines Relating to Proxies

3.1 Unless otherwise provided by applicable law, rules and regulations, the Committee shall comply with the foregoing rules relating to Proxies:

(a) Proxies shall be in writing and signed by the stockholder of record.¹

(b) 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.²

¹ Corporate Code, Section 58
² Amended By Laws, Article II, Section 7
(c) Validation of proxies shall be conducted at least five (5) working days prior to the date of the stockholders' meeting.\(^3\)

(d) Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at any one time.\(^4\)

(e) Stockholders may vote by proxy at other corporate meetings even when the purpose thereof is not solely to elect the directors of the Company.\(^5\)

(f) The By-laws shall be controlling in determining the proper procedure to be followed in the execution and acceptance of proxies, provided that the minimum required formalities prescribed by applicable laws, rules and regulations shall be complied with.\(^6\)

(g) Failure to affix documentary stamps shall not affect the validity of the proxy. The only adverse effect of such failure is that the same cannot be recorded as a public document and cannot be admitted or used as evidence in Court until the required documentary stamp is affixed and cancelled.\(^7\)

(h) Unless required by the Company’s by-laws, a proxy need not be notarized.\(^8\)

(i) If the name of the proxy is left in blank, the person to whom it is given or the Company receiving the proxy is at liberty to fill in any name he/it chooses.\(^9\)

(j) If a duly accomplished and executed proxy is undated, the postmark or, if not mailed, its actual date of presentation shall be considered.\(^10\)

(k) A proxy executed by a corporation shall be in the form a board resolution duly certified by the Corporate Secretary or in a proxy form executed by a duly authorized corporate officer accompanied by the Corporate Secretary’s certificate quoting the board resolution authorizing the said corporate officer to execute the said proxy.\(^11\)

\(^{3}\) Amended By Laws, Article II, Section 7
\(^{4}\) Corporate Code, Section 58
\(^{6}\) SEC Memorandum Circular No. 5, S1996
\(^{7}\) Ibid.
\(^{8}\) Ibid.
\(^{9}\) Ibid.
\(^{10}\) Ibid.
\(^{11}\) Ibid.
(l) If the by-laws provide for a cut-off date for the submission of proxies, the same should be strictly followed.\textsuperscript{12}

(m) Where the Company receives more than one proxy from the same stockholder and they are all undated, the postmark dates shall be considered. If the proxies are mailed on the same date, the one bearing the latest time of day of postmark is counted. If the proxies are not mailed, then the time of their actual presentation is considered. That which is presented last will be recognized.\textsuperscript{13}

(n) Where a proxy is given to two or more persons in the alternative in one instrument, the proxy designated as an alternative can only as proxy in the event of non-attendance of the designated person.\textsuperscript{14}

(o) Where the same stockholder gives two or more proxies, the latest one given is to be deemed to revoke all former proxies.\textsuperscript{15}

(p) A proxy shall be valid only for the meeting for which it is intended.\textsuperscript{16}

(q) Executors, administrators, receivers and other legal representatives duly appointed by the court may attend and vote in behalf of the stockholders without a need of any written proxy.\textsuperscript{17}

(r) If the stockholder intends to designate several proxies, the number of shares of stock to be represented by each proxy shall be specifically indicated in the proxy form. If some of the proxy forms do not indicate the number of shares, the total shareholding of the stockholder shall be tallied and the balance thereof, if any, shall be allotted to the holder of the proxy form without the number of shares. If all are in blank, the stocks shall be distributed equally among the proxies. The number of persons to be designated as proxies may be limited by the By-laws.\textsuperscript{18}

(s) In case of shares of stock owned jointly by two or more persons, the consent of all co-owners shall be necessary to appoint or revoke a proxy.\textsuperscript{19}

(t) For the persons owning shares in an “and/or” capacity, any one of them may appoint and revoke a proxy.\textsuperscript{20}

\textsuperscript{12} Ibid.
\textsuperscript{13} Ibid.
\textsuperscript{14} Ibid.
\textsuperscript{15} Ibid.
\textsuperscript{16} Ibid.
\textsuperscript{17} Ibid.
\textsuperscript{18} Ibid.
\textsuperscript{19} Ibid.
\textsuperscript{20} Ibid.
(u) Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.21

(v) A proxy shall not be invalidated on the ground that the stockholder who executed the same has no signature card on file with the Corporate Secretary or Transfer Agent, unless it can be shown that he/she refused to submit the signature card despite written demand to that effect duly received by the said stockholder at least ten (10) days before the annual stockholders meeting and election.22

(w) There shall be a presumption of regularity in the execution of proxies and shall be accepted if they have the appearance of prima facie authenticity in the absence of timely and valid challenge.23

(x) Any reasonable doubt about the validity of the proxy shall be resolved in favor of the stockholder.24

3.2 Situations that do not Invalidate the Proxy

(a) Different inks were used to fill the proxy;
(b) The proxy is unattested by witnesses;
(c) The proxy is undated;
(d) The proxy does not state the day of the meeting or election, but states the year and/or the month thereof

Section 4. Resolutions and Actions

4.1 Meetings and Actions

The Committee shall meet in person at least once a year at a time and place determined by its Chairman, with further meetings to occur when deemed necessary or desirable by the Committee or its Chairman or by the Corporate Secretary.

All actions and resolutions of the Committee shall have immediate effect subject to review and ratification by the Board upon recommendation of the Office of the Corporate Secretary.

The materials for the meetings shall be given to each member at least five (5) working days prior to the intended meeting to give the members sufficient time to prepare for the meeting and to raise any concern on the materials.

4.2 Minutes

Minutes of the Committee meeting will be recorded and maintained by the Chairman of the

21 Ibid.
22 Ibid.
23 Ibid.
24 Manual of Corporate Governance, Article IX, Section 2
Committee and submitted to the Corporate Secretary.

4.3 Reports of the Committee

The Chairman of the Committee or his designate shall report to the Office of the Corporate Secretary all actions of the Committee following such actions.

Section 5. Miscellaneous

5.1 Access to Information

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

5.2 Technical Assistance

The Committee may 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.

5.3 Records/Confidentiality

The Corporate Secretary, in coordination with the Chairman of the Committee, shall keep and have custody of the records of the Committee. Except for information that are required to be disclosed pursuant to law or regulations issued by competent government authorities, the records shall be kept confidential.

5.4 Annual Review

This Charter shall be reviewed by the Committee annually. Any proposed changes shall be approved by the Board.

5.5 Effectivity

This Charter shall take effect when approved by the Board.
CHARTER OF THE OFFICE OF THE CORPORATE SECRETARY

ARTICLE 1. DEFINITIONS

**Articles of Incorporation** means the Articles of Incorporation of the Company, and any amendment thereto

**Board** means the Board of Directors of the Company

**By Laws** means the By Laws of the Company, and any amendment/s thereto

**Chairman** means the Chairman of the Board

**Charters** means the charters of the Board and the Board Committees

**Code** means the Code of Business Conduct and Ethics

**Committees** means all of the committees of the Board

**Company** means Manila Water Company, Inc.

**Director(s)** means a/the member(s) of the Board

**Executive Director** means a Director who, at the same time, is holding an executive position in the Company

**Executive Officer** means senior officers of the Company who are tasked to perform key executive functions in the Company and shall include the President and Chief Executive Officer, the Vice President or its equivalent, the Treasurer and/or Chief Finance Officer, those enumerated in the By Laws, in the Manual, and those that may be appointed as such by the Board from time to time. An officer shall be considered senior if he has a rank of at least a Vice President or its equivalent pursuant to the ranking policies of the Company.

**Group Director** means an executive officer of the Company with a rank of a Vice President or higher.

**Independence** means, 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.

Office means the Office of the Corporate Secretary

PSE means the Philippine Stock Exchange

SEC means the Securities and Exchange Commission

Article 2. THE OFFICE OF THE CORPORATE SECRETARY

2.1 Composition of the Office

2.1.1 The Office shall be headed by the Corporate Secretary. The Board may, upon the recommendation of the Corporate Secretary, appoint an Assistant Corporate Secretary to assist the Corporate Secretary in the performance of his duties and functions.

The Office of the Corporate Secretary shall also be entitled to the full assistance and support of the Legal & Corporate Governance Department of the Company which shall be an ex officio component of the Office.

2.1.2 The Corporate Secretary and the Assistant Corporate Secretary elected by the Board shall hold office for one (1) year and until their successors are elected and qualified by the Board.

Section 2.2 Qualifications of the Corporate Secretary and the Assistant Corporate Secretary

2.2.1 The Corporate Secretary

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 Company;
(b) Possession of and/or working knowledge of the operations of the Company;
(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;
(e) Trained in legal, accountancy or corporate secretarial practices.

2.2.2 The Assistant Corporate Secretary shall preferably have all the qualifications of the Corporate Secretary to enable him to perform the functions of the Office effectively and efficiently in the absence of or in the event of vacancy of the Corporate Secretary position.
2.2.3 The Board may impose such additional qualifications of the Corporate Secretary and the Assistant Corporate Secretary.

Section 2.3 Process for Selection and Appointment

2.3.1 The process for selection and appointment of the Corporate Secretary and the Assistant Corporate Secretary shall follow the same procedure for selection and appointment of Executive Officers of the Company.

2.3.2 The Corporate Secretary and the Assistant Corporate Secretary shall be appointed by the Board in its organizational meeting or subsequently, when either position becomes vacant.

2.3.3 The Corporate Secretary and the Assistant Corporate Secretary may be removed and/or replaced by the Board anytime, with or without cause.

Section 2.4 Compensation

2.4.1 The Corporate Secretary and the Assistant Corporate Secretary may receive such compensation, allowance, or reasonable per diems as may be approved by the Board from time to time.

Article 3. Duties and Responsibilities

Section 3.1 Duties of the Corporate Secretary

3.1.1 The Corporate Secretary shall exercise such express and implied powers in the By Laws, in the Manual, in the Charters and those that may be authorized under existing laws, rules and regulations.

3.1.2 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.

3.1.3 The Office of the Corporate Secretary, in coordination with the Compliance Officer, shall be the forerunner of the Board in championing corporate governance practices and policies.

3.1.4 Without limiting the foregoing, the Corporate Secretary shall have 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 Company.

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.

(d) Custodian of the seal of the Company and with authority to affix it to any instrument requiring the same.

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

(f) Attend to the giving and serving of notices of Board and shareholder meetings.

(g) 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.

(h) Be fully informed and be part of the scheduling process of other activities of the Board.

(i) 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.

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

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

(l) Oversee the adequate flow of information to the Board prior to meetings.

(m) Ensure fulfillment of disclosure requirements to the SEC and the PSE.

3.1.5 Except for information that are required to be disclosed pursuant to law or regulations issued by competent government authorities, the records of the Company in possession of the Office shall be kept confidential.
3.1.6 The Board shall have separate and independent access to the Corporate Secretary.

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

**Article 4. Miscellaneous**

**Section 4.1 Access to Information**

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

**Section 4.2 Technical Assistance**

The management and all personnel of the Company shall cooperate and provide assistance and support to the Office.

The Office may also secure independent expert and/or professional advice as it may deem desirable or appropriate. All resources necessary for the Office to perform its duties and functions shall be provided by the Company, at the Company’s expense.

**Section 4.3 Annual Review**

This Charter shall be reviewed by the Board annually.

**Section 4.5 Effectivity**

This Charter shall take effect upon approval by the Board.
THE INTERNAL AUDIT CHARTER

A. INTRODUCTION
The Internal Audit Charter (the “Charter”) establishes the organizational status of the Internal Audit Activity (“IAA”) of Manila Water Company, Inc. (the “Company”) including its purpose, authority, responsibility and reporting relationships.

B. POLICY STATEMENT
It is the policy of the company to establish and support an Internal Audit function as a fundamental part of its Corporate Governance practices. The IAA reports functionally to the Committee, and administratively to the Chief Finance Officer/Treasurer of the Company.

In carrying out their duties and responsibilities, members of the Internal Audit function will have full, free and unrestricted access to all organizational activities, records, property and personnel.

C. PURPOSE

1. General Audit
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.

To this end, Internal Audit furnishes Management and the Board of Directors, through the Committee, with analyses, recommendations, advice and information concerning the activities reviewed.

2. 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;

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

3. 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

The consulting services that the IAA may carry out are however, not limited to the samples given above.

All consulting services are also subject for approval of the AGC.

D. AUTHORITY

Internal Audit has the right of access to all the Company’s records, personnel, properties and operations in order to discharge its responsibilities. It has neither direct responsibility for, nor authority over any part of the activities it reviews or the persons responsible for those activities.

E. REPORTING AND WORKING RELATIONSHIPS

1. Reporting Lines

The Chief Audit Executive (“CAE”) reports directly to the following:

- Functionally to the Audit and Governance Committee, and
- Administratively, to the Chief Finance Officer and Treasurer

2. Working Relationships

2.1 Audit and Governance Committee

Internal Audit supports the Committee in the effective discharge of the Committee’s oversight role and responsibility. A functioning relationship between the IAA and the Committee is very vital. It is part of the Committee’s responsibility to work closely with the CAE, IAA to maintain an effective Internal Audit function within the Company. In turn, part of the IAA’s responsibilities is to work with the Committee to co-develop expectations and reporting requirements and provide day-to-day assistance and secretariat support. A reporting protocol and process is defined and observed to ensure that the right information is provided at the appropriate time and effective interaction is achieved.

2.2 Management

The IAA should seek to achieve an effective and objective working relationship with the Company management at all times. IAA should always discharge its duties and responsibilities to provide value-adding activities to management, while at the same time exercising independence and objectivity. Reporting process and protocols that ensure independence and objectivity should be observed at all times.
2.3 **Process and Activity Owners**
The process and activity owners provide the information on which the IAA makes its evaluation, assessment and recommendations. Co-developing the expectations, discussing the audit objectives and methodology and observing reporting protocols should always form part of the IAA’s service delivery process to ensure an effective and objective working relationship with process and activity owners. Collectively, the work performed by the IAA together with the process and activity owners, should provide value to management in terms of process controls assurance and improvement.

2.4 **External Auditors**
The IAA and the external/independent auditors should meet regularly in order to ensure the effective use of audit resources and share their knowledge on significant issues and concerns. These meetings will help provide reasonable assurance that the roles of the two functions are very well coordinated and thus mitigate the risks of unnecessary work duplications.

2.5 **Other Stakeholders**
The IAA may, at certain times, need to work with other parties within or outside the Company. For instance, the working relationships with the Compliance Officer on corporate governance issues and the Chief Risk Officer on enterprise-wide risk management process should be defined and observed at all times to ensure that effective coordination is achieved. The working relationship with outside consultants and other parties should be discussed with the President and with the Committee Chairman.

F. **RESPONSIBILITIES of IAA**

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.

2. **Corporate Governance**

- Provide assistance to the Committee in the discharge of their oversight function with regard to corporate governance. Such activities include establishing the communication process to discuss with the Committee issues and controls affecting the financial reporting and risk management process, compliance with laws and regulations and internal controls.

- Coordinate with the Compliance Officer in ensuring that the provisions of the Company’s Corporate Governance Manual are appropriately and adequately complied with.

- Update the Committee and Senior Management on developments and emerging trends and issues in corporate governance (local and international), especially in areas directly affecting their roles and responsibilities.

- Deliver the specific requirements from the IAA, as specified in the Company’s Corporate Governance Manual, as follows:

  - Provide reasonable assurance that the Company’s key organizational and procedural controls are complied with and that the Internal Audit cover the evaluation of the adequacy and effectiveness of controls.
  - Submit an Annual Internal Audit Plan for review and approval of the Committee.
  - Seek the approval from the Committee relative to any deviations from the approved Annual Internal Audit Plan.
  - Submit periodic reports to the Committee on the status of the IAA, accomplishments, key findings and recommendations.
  - Render an Internal Audit Annual Report to the Committee on the IAA’s activity, purpose, authority, responsibility and performance; such annual report should contain the results of the review of the risk management process and significant exposures, as well as a report on governance issues.
  - Assess whether the information technology governance of the organization sustains and supports the organization’s strategies and objectives. (new standard – ISPPIA 2110.A2)
  - Render a report to the Committee that the Company’s IAA for the given year has been performed in accordance with the Provisions of the International Standards on the Professional Practice of Internal Auditing (ISPPIA).

- However, IAA may report 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)
3. **Enterprise-Wide Risk Management**
   - Monitor compliance with the Company’s Risk Management Policy and structure as approved by the Board of Directors and provide reasonable assurance on compliance with such policy and structure.
   - Participate in risk assessment workshops and other activities of the Risk Management Unit.
   - Contribute and/or provide quality assurance in the creation and updating of the Company's risk portfolio and common risk language.
   - Provide quality assurance on risk mitigation strategies designed by the risk owners.
   - As part of the planned audit reviews, provide assurance on the integrity of critical risk information and measures.
   - Evaluate the potential for the occurrence of fraud and how the organization manages fraud risk. (new standard-ISPPIA 2120.A2)
   - Assist management in establishing or improving risk management process (but must refrain from assuming management responsibility by actually managing risks. (new standard-ISPPIA 2120.C3)

4. **Other Activities**
   - The IAA will conduct such other activities as may be requested by the Committee, the President and other members of senior management, with certain requests of the latter subject to further clearance from the Committee depending on the materiality of such requests.

IAA is, however, **not authorized to or responsible** for:
   - Performing any operational duties or be involved in the day to day internal checking systems of the operational business units.
   - Initiating or approving accounting transactions external to the Internal Audit function.
   - Directing the activities of any business system procedures or other internal control systems. The IAA may, however, be consulted on the adequacy of the related controls.

In relation to the aforementioned responsibilities, the IAA will undertake its work in accordance with the ISPPIA, as issued by the Institute of Internal Auditors (IIA). It shall provide professional development opportunities to keep staff members informed about improvements and current developments in Internal Auditing Standards and techniques.

G. **KEY ROLES AND RESPONSIBILITIES of CHIEF AUDIT EXECUTIVE**
The Chief Audit Executive is responsible for:
- Establishing appropriate policies and procedures to guide the internal audit function
- Reviewing the adequacy of the internal audit charter in achieving the IAA’s objectives
- Affirming to the Committee the organizational independence of the internal audit activity at least annually.
- Establishing risk-based audit plans to set out the priorities of the internal audit function
• Coordinating internal audit plans and activities with other internal and external providers of assurance activities
• Communicating the internal audit plan of engagements and the related resource requirements (including the impact of resource limitations) to the CFO/Treasurer and the Committee.
• Ensuring the adequacy of skills, capabilities and technical knowledge of the internal audit staff to perform the planned internal audit activities.
• Ensuring that internal audit resources are sufficient and effectively deployed to achieve the approved plan
• Assessing regularly the adequacy of the IA activity’s purpose, authority and responsibility in accomplishing its objectives, and communicating the results to the Committee.
• Ensuring the timely completion of and reporting on individual internal audit engagements in accordance with professional standards
• Maintaining a quality assurance and improvement program that covers all aspects of the internal audit function.
• Communicating to the senior management and to the Committee the quality program efforts and the results of the IA activity.
• Reporting annually to the Committee on the internal audit function's conformance with professional internal auditing standards
• Communicating to the senior management and to the Committee the IAA’s activity reports including significant engagement observations and recommendations. Significant observations may include conditions dealing with fraud, irregularities, illegal acts, errors, inefficiency, waste, ineffectiveness, conflicts of interest, and control weaknesses.
• Informing the Committee of significant management’s decisions on actions to be taken regarding significant engagement observations and recommendations.
• Reporting quarterly to the Committee on whether management's action plans have been implemented and whether the actions taken have been effective
• Providing annually an opinion to the CFO/Treasurer and the Committee on the effectiveness and adequacy of Company's risk management, control, and governance processes
• Maintaining a direct communication and interaction with the Committee at least annually (new standard-ISPIIA 1111)
  • Attending and participating in Committee’s meetings that relate to their oversight responsibilities for auditing, financial reporting, organizational governance and control.
  • Discussing the definition of Internal Auditing, the Code of Ethics, and the Standards with the senior management and the Committee including any significant changes and updates thereto.

H. APPROVAL
This Charter was approved by unanimous vote of the members of the Audit and Governance Committee during its first Audit and Governance Committee Meeting on November 8, 2004, held at the West Room, 25th Floor, Ayala Tower 1, Ayala Avenue, Makati City.
The Charter was revised to include new ISPPIA standards and approved by the Committee during the Committee’s meeting on September 23, 2009, held the North Room, 25th Floor, Ayala Tower 1, Ayala Avenue, Makati City.

I. ADOPTION AND EFFECTIVITY
This Charter was adopted by the Board of Directors on November 8, 2004 and shall be effective on January 1, 2005. The Revised Charter shall be effective February 12, 2012.

Initial Issue Date: November 8, 2004
Revisions:
• November 25, 2009 to include new Auditing Standards
• February 14, 2012 – change in Audit and Governance Committee Members