March 2, 2016

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Philippines

Attention :  MR. VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines

Attention :  MS. JANET A. ENCARNACION
Head, Disclosure Department

Subject :  Updates and Amendments to the Annual Corporate Governance Report

Gentlemen :

Please be advised of the updates and amendments to the Annual Corporate Governance Report (ACGR)
of Manila Water Company, Inc. The affected portions of the ACGR are attached for your reference.

The aforesaid updates and amendments were pursuant to the 2015 Annual Reports of the Audit and
Governance Committee and the Risk Committee presented to the Board of Directors at its Regular
Meeting held on February 26, 2016. The Reports of the said Board Committees confirm the adequacy and
sufficiency of the internal controls and risk management systems of the Company.

Very truly yours,

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

xxx xxx xxx

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

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

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

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

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

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

- Governance and Organization;
- Risk Management Strategy;
- Reporting and Communication;
- Tools and Technology; and
- Culture and Capability.
The RC and the BOD reviewed and approved the top enterprise risks of the Company and reviewed the progress of the action plans to manage these risks. In addition, the risk management programs are reviewed and approved by RC which make a report to the BOD. The comments and recommendations of the RC and BOD were incorporated in the programs for 2015.

For 2015, the following are the improvements in the Risk Management System:

- Creation of Risk Committee of the BOD
- Conduct of Black Swan Workshop attended by Senior Leadership Team and Management Committee
- Inclusion of Manila Water subsidiaries in the Risk Management Excellence Awards program
- Inclusion of ERM maturity in corporate and group targets

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

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

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G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

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

xxx xxx xxx

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

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

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

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

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

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

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