MANILA WATER
CARE IN EVERY DROP

GEARING UP TO BECOME
A GLOBAL FILIPINO WATER COMPANY

2021 Integrated Report

ABOUT THIS INTEGRATED REPORT

Manila Water continuously adheres to the integrated reporting standards as a means of aligning the Company with the external environment. This Integrated Report presents the Company's previous year's performance of the operating business units and a thorough account of its strategy and governance. This has been reviewed by Senior Management before publication.

Note on forward-looking statements

Certain statements and illustrations contained in this report may constitute "forward-looking statements" within the meaning of applicable securities, laws and regulations. These statements (including plans, objectives, projections, and estimates) and illustrations include information that does not relate solely to historical or current facts, and can be identified by the use of words such as "may," "believe," "expect," "anticipate," "assume," "estimate," "plan" or "continue," and similar expressions or by future or conditional verbs such as "should", "would" and "could." Such statements are based on current expectations of future events, estimates and certain assumptions of our management. These are therefore subject to certain risk factors and uncertainties, some of which are beyond our control, and which may cause the actual results, the financial situation, the development or the performance to differ materially from the estimates or performance implied in these forward looking statements. We do not assume any obligation to update these forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting such statements.

Reporting standards

This report covers all financial information, as well as economic, environmental, social and governance performance of all Manila Water operating subsidiaries, namely the Parent Company (East Zone Concession) of the Metropolitan Waterworks and Sewerage System (MWSS), Manila Water Philippine Ventures (MWPV), and Manila Water

Asia Pacific (MWAP). This report is aligned with the Integrated Report <IR> guidelines by the International Integrated Reporting Council (IIRC) and recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It is also in reference to the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) Standards. The Independent Assurance Statement found on Pages 144-147 validate that the report is in reference with the GRI and SASB, and aligned with the <IR> guidelines and TCFD recommendations. The GRI, SASB, TCFD, UN SDGs disclosures that have been referred to are in the sustainability content indices page 137-143. The information contained in this report covers the period from January to December 2021.

On our financial statements

SGV & Co. is the external auditor of the Company's financial statements, with Djole S. Garcia as the lead engagement partner given the required audit partner rotation every five years. More information about our audit process is found on Pages 159-160, while our financial statements are found on Pages 167-293.

On our sustainability performance

Senior Management appointed DNV, an independent organization and a global provider of certification, assurance assessment, and training services. This is the sixth time we contracted the services of DNV with their scope limited to conducting assurance and validating the figures and information pertaining to our sustainability performance presented in this report.

The Independent Assurance Statement found on Pages 144-147 validate that the report is in reference with the GRI and SASB, and aligned with the <IR> guidelines and TCFD recommendations. It guarantees the shareholders and readers of the reliability of the reviewed data, claims, and information contained in this report. The Statement also contains the assurer's findings and recommendations for our Company's succeeding reporting period.

Feedback

We welcome inquiries and feedback on this report. For investor concerns, you may e-mail invrel@manilawater.com. Meanwhile, for sustainability concerns, you may e-mail sustainability@manilawater.com.

ABOUT THE COVER

The 7.3km long Novaliches-Balara Aqueduct 4 Project will enable the sequential and more effective inspection, assessment and subsequent rehabilitation of the raw water aqueducts as part of Manila Water's ESG strategy to advance water security in the East Zone

INSIDE PAGES

Various aerial views of Angat Dam, located in Norzagaray, Bulacan.

PURPOSE | VISION | MISSION | CORE VALUES

Purpose

Better lives and resilient economies through critical infrastructure

Vision

A global leader in providing quality water and environmental services supportive of sustainable development

Mission

Deliver world-class services tailored to the needs of communities we serve, through sustainable solutions and purpose-driven, empowered, innovative teams

MWC Integrated Values

Care
(Malasakit)

We demonstrate our innate Filipino value of genuine compassion and ownership to fulfill our mission to our employees, customers, environment, and our nation.

Excellence
(Kahusayan)

We create meaningful value and deliver high returns for all our stakeholders by delivering the highest quality products and services, investing in projects that improve quality of life while upholding the welfare of our employees.

Tenacity
(Katatagan)

We bravely face challenges head-on with a 'can do, must do' attitude and we follow through on our promises with maximum effort and persistence. We quickly embrace change and ensure competent completion of every job we commit to.

Collaboration
(Bayanihan)

We live and breathe the work that we do, and we seek out colleagues and partners that share the same commitment to utilize our diverse strengths and work together in synergy towards our purpose.

Integrity
(Integridad)

We are ethical, fair, and transparent in our business practices at every level of our organization. We always choose to do what's right and take accountability for our actions.

Pioneering
(Tagapanguna)

We apply new approaches, explore new methods and ideas, in order to create innovative solutions and deliver lasting impact for the communities in which we operate.

Table of Contents

Manila Water engineers inspecting the Cardona Water Treatment Plant intake structure.

CHAIRMAN’S MESSAGE

Engineers inspect the tunnel boring machine (TBM) for the Novaliches Balara Aqueduct 4 Project

MWSS Complex in Quezon City

Fellow stockholders, ladies, and gentlemen.

For many companies here in the country and across the globe, 2021 was a critical year of recovery from the unprecedented impact of the COVID-19 pandemic. Manila Water is no exception.

For us, 2021 marks an important milestone in two fundamental ways. First, 2021 was a year to regain stability amid the challenging dynamics of the new environment under COVID-19. Second, the year was dedicated to equal focus upon rebuilding our business and gearing up for growth.

When I was appointed as chairman less than a year ago, I saw it as a genuine privilege to be part of an important company rooted in service and hard work to provide a basic human need for sustenance and sanitation: water. I am involved in many industries, and now with water provision, distribution, and sanitation, this aligns with my firm belief that investing to provide people better quality and access to basic services is critical to a country's sustainable social and economic growth, and will also improve the financial performance of the Company.

To this end, we immediately got to work.

For the East Zone Concession, our first order of business was to maintain reliable service to our customers as the economy slowly opened up. Through the hard work of our technical and business teams on the ground, we successfully maintained water availability at regulatory levels.

Furthermore, we hit the ground running to jumpstart our capital expenditure projects for water supply and distribution, as well as for wastewater expansion. As a result, we reached a record CAPEX level of nearly Php14 billion for the year.

Lastly, 2021 saw us reach resolution with the government on a Revised Concession Agreement. Further strengthened by the recent passing into law of the Water Franchise Bill, these developments provide a solid foundation for Manila Water to continue its track record of efficiency and customer service in the East Zone Concession.

As we strengthened our business in the East Zone, we equally focused on gearing up for growth. Beyond the East Zone, the opportunities ahead for both our domestic and international businesses are promising. With Manila Water now joined by Prime Infrastructure Holdings, Manila Water is part of a diverse and dynamic group of companies that provide crucial services for nation-building and have successfully brought the Filipino brand to the world.

CHAIRMAN'S MESSAGE

Manila Water works together with MWSS to maintain the critical infrastructure in Angat Dam

La Mesa Dam in Novaliches, Quezon City

Our heritage is defined by our tenacity to go into unchartered territory to compete and succeed in the countries that we serve. I see the same path for Manila Water. The Company's new mission will further strengthen the pride and commitment of our employees to seize the many opportunities ahead.

I thank our shareholders who have continued to place their trust in our efforts as we faced the challenges of recent years. Finally, I take this opportunity to thank our former Chairman, Fernando Zobel de Ayala and the rest of the Ayala leadership for this opportunity to join a company with so much potential. For more than 20 years you have provided the vision and fundamentals to make Manila Water the successful company that it is today. Now, with the groundwork having been laid, I am confident that Manila Water will realize its potential for growth and become a truly global Filipino water company.

ENRIQUE K. RAZON JR.
Chairman of the Board

PRESIDENT & CEO'S MESSAGE

Construction works for the Wawa-Calawis Water Supply Project

"Despite the challenges, we pushed to provide continued, reliable service to our customers."

Mr. Chairman, fellow members of the Board, fellow shareholders.

When I was appointed to serve as your President and CEO in August, I embraced it both as an honor and a challenge.

It was humbling to be chosen to lead Manila Water – a company that has built an impressive track record of service and efficiency for more than 20 years. I consider myself fortunate to have joined the organization at a time when the combined strength and heritage of the country's two preeminent business houses, the Razon group of companies and Ayala Corporation, are here to provide its vision and leadership.

On the other hand, I also enter Manila Water during a time of unprecedented challenges. As correctly outlined by our Chairman, 2021 was a pivotal time in our company's history because it was a year of recovery not only from the far-reaching effects of the COVID-19 pandemic, but also from the daunting obstacles our business has had to face in recent years.

In 2021, consolidated net income stood at Php3.7 billion, down 18% year-on-year. The far-reaching consequences of the pandemic continued to impact the business, with implications on both customer demand and business operations Faced with these challenges,

we pushed through with our projects to ensure prudent compliance with regulatory and service commitments. In parallel, we put in place the building blocks to ensure improved financial performance while providing even better service.

Our East Zone Concession saw billed volume decrease by 4% in 2021 to 488.5 million cubic meters. This was driven by the decline in average consumption, with the full-year impact of COVID-19 being felt across all segments. Consequently, revenues declined by 6% to Php16 billion. Meanwhile, cost and expenses increased 11% to Php5.5 billion following the ramp up of technical and business activities with the relative easing of quarantine restrictions. Due largely to these movements, the Parent Company saw a 7% decline in EBITDA to Php9.8 billion and posted net income of Php3.6 billion in 2021, down 22% from the previous year.

Despite the challenges, we pushed to provide continued, reliable service to our customers. This involved the continuous deployment of our Business Area and technical teams to address customer concerns and complete necessary network repairs and maintenance activities. Through these

Php16.9B
+40%
Consolidated CAPEX

Php13.9B
+41%
East Zone

Php3.0B
+33%
Non-East Zone

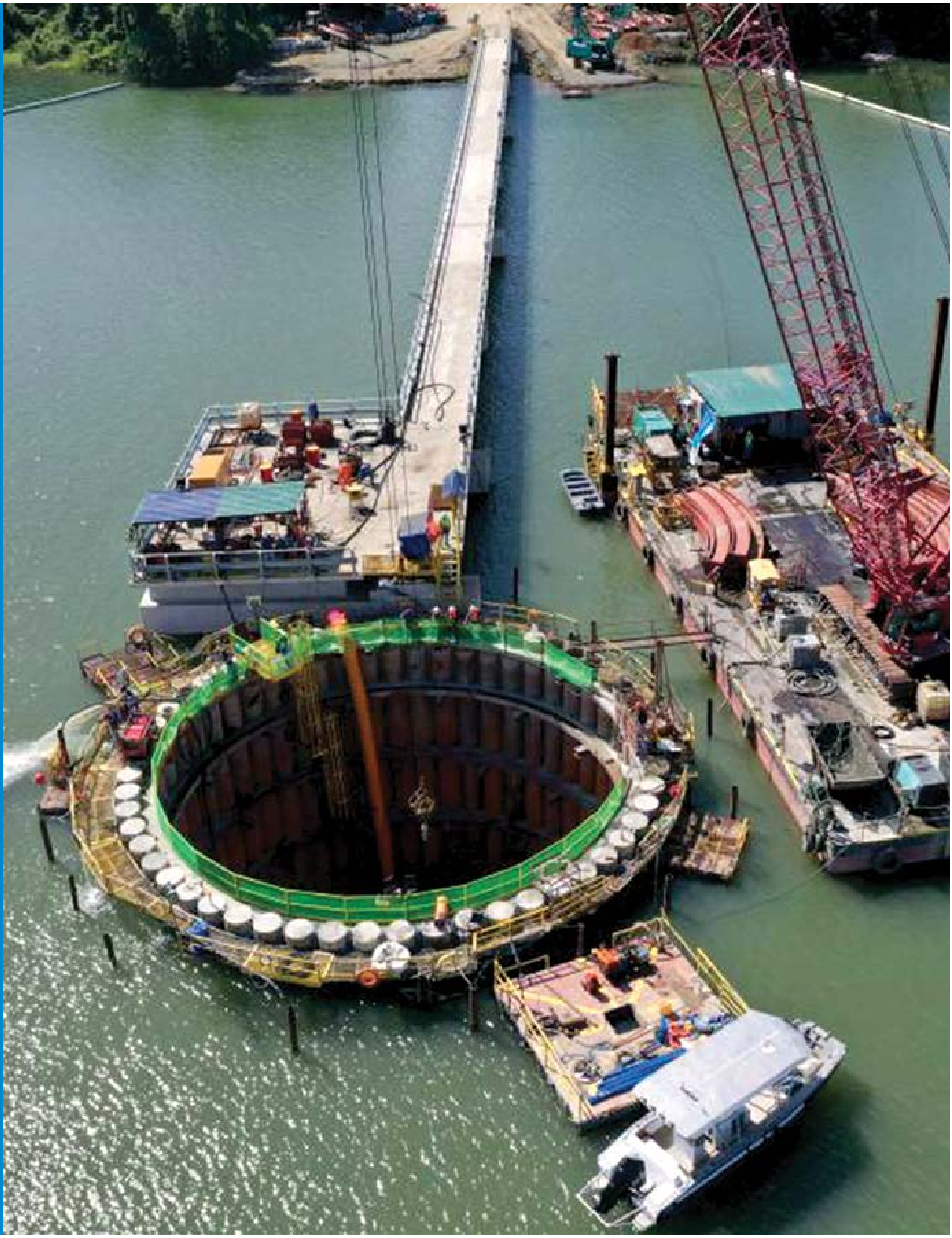
200 MLD
Pangasinan Bulk Water project

Revised Concession Agreement

Manila Water Franchise Law

Management, Operations and Maintenance contracts with National Water Company in the KSA

PRESIDENT & CEO'S MESSAGE



Construction of the intake structure for the East La Mesa Water Supply Project

"We have re-imagined the company with new purpose, vision and mission. We are drawing on our heritage as an industry pioneer in sustainability practices and reporting to further focus on, and embed Environment, Social and Governance or ESG into our business strategies."

efforts, we decreased our systems losses even with the difficulties of working under quarantine restrictions, with non-revenue water improving to 13% from 16% the previous year. By any global metric, this is world-class service.

Moving to our domestic operations beyond the East Zone under Manila Water Philippine Ventures, the contribution of our North and Central Luzon clusters kept business performance resilient in the face of the pandemic. Philippine Ventures revenues for 2021 declined slightly by 1% to Php4.1 billion. This was mostly on account of Boracay Water's operations being hampered by travel restrictions to the island, as well as lower supervision fees generated by Estate Water due to a slowdown in sanctioned greenfield projects. Consequently, EBITDA decreased by 15% to Php1.1 billion. In all, Philippine Ventures ended the year with a net loss of Php476 million – improving slightly from its net loss position of Php480 million in 2020.

Lastly, for our international businesses under Manila Water Asia Pacific, the equity share of net income of our associates more than doubled to Php570 million. This was led by the contribution of East Water in Thailand with its bounce back from the impact of drought and the COVID-19 pandemic in 2020, along with the continued exceptional performance of our Thu Duc Water and Kenh Dong Water operations in Vietnam. Supported by these gains, Asia Pacific posted net income of Php317 million for 2021, 185% higher than the previous year.

Looking back at the year that was, I can proudly say that the challenges we faced did not overwhelm us, but instead served as an opportunity to showcase the unflagging strength and resolve of our people. In the brief time that I have been working here, the Manila Water brand of service, care and commitment to excellence which has distinguished the company throughout the years has brightly shone through. These are the values which helped the company weather numerous headwinds in the past. Today, these values will keep us resilient amidst regulatory challenges and the continuing impact of the pandemic.

As we celebrate our milestone 25 years in the business, it is on these values and on the broad shoulders of the company's women and men that we build an even stronger Manila Water. We have re-imagined the company with new purpose, vision and mission. We are drawing on our heritage as an industry pioneer in sustainability practices and reporting to further focus on, and embed Environment, Social and Governance or ESG into our business strategies. We will streamline operations and rationalize operating expenses. Cost discipline will be reinforced to ensure the delivery of results through a smarter and leaner deployment of resources. We have many major infrastructure projects in the pipeline in the coming years and we will expand our skillset to be the best in execution and delivery. We will continue to be ever mindful of our many stakeholders, including our regulators, to lessen any drag on our operations. We will work to improve our financial performance as well and introduce innovations that are thoughtful, swift, effective and most importantly, long-lasting to ensure the continued enhancement of shareholder value.

Our path to becoming a global Filipino water company is set and is steadily taking shape, with our three growth pillars – namely the East Zone; Non-EZ PH and Non-EZ International, driving our trajectory.

For the East Zone, we will continue to deploy capital aggressively but prudently to comply with our service

PRESIDENT & CEO’S MESSAGE

“Our path to becoming a global Filipino water company is set and is steadily taking shape, with our three growth pillars – namely the East Zone; Non-EZ PH and Non-EZ International, driving our trajectory.”

obligations. Last year, total consolidated capital expenditures reach a high of Php16.9 billion, with the East Zone spend at Php13.9 billion, its highest deployment of capital expenditures to date. We aim to surpass this in 2022 and if current trajectory is any indication, we are truly on our way to succeeding here. Headline projects expected include the 80 MLD Calawis water project in Antipolo, Rizal as well the commencement of Phase 2 of the 250 MLD East Bay Water Treatment Plant along Laguna Lake. Phase 1 is currently under construction. Needless to say, even as we close out these major infrastructure projects, we will continue to deliver, as we have been doing, uninterrupted water to our customers 24x7 and provide sewerage and sanitation services.

For the Non-East Zone, we will focus on executing on the key wins generated last year such as the 200 MLD Bulk Water Project for Pangasinan province. We will actively pursue expansion initiatives within our key hubs in Laguna, Cebu and Davao, and explore new areas of business in Central and Northern Luzon. We will continue to push our Estate Water and Technical Ventures groups to enlarge their existing business portfolio and secure more wins, respectively.

And for our international business, the primary focus will be to execute our two Management Operations and Maintenance Contacts in the Kingdom of Saudi Arabia in the best way possible together with our partners. To recall, we have secured the right to operate two

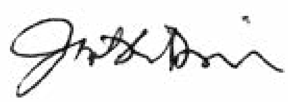
clusters in the Kingdom which account for about 25% of the water supply in the country. Closer to home, we plan to grow our Southeast Asia footprint and rationalize operations where prudent. We will also evaluate opportunities in new territories across both greenfield and brownfield. We are fortunate that we will be able to tap into the expertise and exposure of our affiliated ports businesses that are active in 20 countries.

I am inspired by the strength shown by our core business in Manila. Faced with seemingly insurmountable challenges in the recent years, our people persevered and channeled their efforts to the most important part of our business: serving our customers.

Now, with the Revised Concession Agreement and our Franchise in place, we look forward to our continued collaboration and engagement with government in providing reliable service to even more communities.

Beyond the challenges we have bravely faced, our solid foundation will keep us resilient against the storms that will come our way. This very same foundation will continue to support us as we aim for greater and better things, and as we pursue our vision to become a global leader in providing quality water and environmental services, supportive of sustainable development.

Thank you.



JOSE VICTOR EMMANUEL A. DE DIOS
President and CEO

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) & FINANCIAL HIGHLIGHTS

10.2%
Enterprise NRW, end-of-year

1,255,612
Trees nurtured since 2006

171,901
Forest Area Protected, has.

69.82
Wastewater Treated, MCM

8,795
Organic Pollution Removed through Wastewater Treatment, tons BOD

51,814
Carbon Emission Avoided through Wastewater Treatment, tons CO_2 (eq)

13.79
Renewable Energy Consumed, mkwh

1,270.61
Potable Water Delivered, mcm

1,249,614
Water Service Connections[1]

11,796,256
Population Served with Water

336,659
Sewer Connections[2]

89,998
Desludged Septic Tanks

92%
Employee Satisfaction Rating

99%
COVID-19 Fully-vaccinated Employees

2,463
Total Workforce

458
New Employee Hires

47,991.44
Total Training Hours

21.59
Average Training Hours per employee

14,061,403
Employee Safe Man-hours

0
Employee Lost Time Injury Rate

Manila Water Foundation

5,606,624
Total Number of Beneficiaries

84
Total Areas Served

24
New Institutional Partners

[1] Water Service Connections is the number of billed connections in the concession area, which is measured by count
[2] Cumulative sewer connections

Newly created ESG Committee at the Board level

Enhanced Employee Code of Conduct by including "Safe Spaces Act", Sustainability Policy, Climate Change Policy, and Environmental, Social and Governance (ESG) Statements.

Received Climate Change Disclosure (CDP) rating "C" for Climate Change and "B" for Water Security in the 2021 review cycle.

Aligned with Task Force on Climate-related Financial Disclosures (TCFD) in identifying the physical and transitional business risks related to climate change.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) & FINANCIAL HIGHLIGHTS

Financial

GRI 201-1

Php 20.57B
Economic Value Generated

Php 4.42B
Economic Value Retained

Php 16.9B
Capital Expenditures

Economic Value Distributed

Php 5.95B
Operating Cost

Php 4.88B
Payments to providers of capital

Php 20.10M
Community investments[1]

Php 2.48B
Employee wages and benefits

Php 2.81B
Payments to government

1 Refers to donations course thru Manila Water Foundation

Geographic Presence

PH OPERATIONS

Strong foothold with operating subsidiaries across PH

1 llagan Water (30 MLD Bulk & Septage) - *Isabela**
2 2 Calasiao Water - *Pangasinan*
3 North Luzon Water** - *Pangasinan**
4 Malasiqui Water - *Pangasinan**
5 San Jose Concession - *Nueva Ecija**

Central Luzon

6 Clark Water - *Pampanga*
7 Obando Water - *Bulacan*
8 Bulakan Water - *Bulacan*
9 Bulacan Aqua Estates - Bulacan

South Luzon

10 Laguna Water - *Laguna*
11 South Luzon Water - *Batangas*

Visayas-Mindanao

12 Boracay Water - *Aklan*
13 Calbayog Water - *Samar*
14 Cebu Water (35 MLD Bulk) - *Cebu*
15 Tagum Water (38 MLD Bulk) - *Davao Del Norte*

OTHERS (B2B)

16 Estate Water - *Partnership with Property Developers*
17 Manila Water Technical Ventures - *Engineering, Procurement, Construction Management*
18 Manila Water Total Solutions - *Product Innovation and Development*

**Ongoing transition*
***North Luzon Water: San Fabian, Sta. Barbara, Manaoag, Pangasinan*

INTERNATIONAL OPERATIONS

Investments are in ASEAN, with new contract secured in KSA

1 **Thu Duc Water**
49% stake in a 50 year Bulk Water Contract 300 MLD with SAWACO

Cu Chi Water
Concession Agreement for water distribution under Saigon Water

Kenh Dong Water
47.35% stake in a 20 year contract 200 MLD with SAWACO, SGW

Saigon Water
37.99% in a holding company with multiple investments in the water value chain

2 **East Water**
18.72% stake in a raw water business in the Eastern Economic Corridor, TH

3 **PT STU**
20% stake in a bulk water supply company in Indonesia

4 **A Northwest Cluster KSA O&M**
20% stake in a 1,000MLD MOM Contract in the NorthWest Cluster

Eastern Cluster KSA O&M
20% stake in a 1,800 MLD MOM Contract in the Eastern Cluster

Contributions to the United Nations Sustainable Development Goals

17 PARTNERSHIPS FOR THE GOALS

707 Supply chain partners

37 *Toka Toka** partners

24 New institutional partners of MWF

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Php 16.9B
Capital expenditure disbursed

USD 227M
Sustainability bond proceeds allocated as of July 2021**

6 CLEAN WATER AND SANITATION

Expanding access to clean, potable water and proper sanitation services to communities, and ensuring reliable and efficient service to customers

1,270.61 mcm
Potable water delivered

1,249,614
Water service connections

10 REDUCED INEQUALITIES

458
New hires

1,270,146
New beneficiaries supported through MWF programs

3 GOOD HEALTH AND WELL-BEING

100%
compliance with Philippine National Standards for Drinking Water

14,061,403 Employee Safe man-hours

Webinars and bulletins
to promote employees' mental health well-being

1 NO POVERTY

219,056
Tubig Para Sa Barangay Connections in the East Zone

*Toka Toka is Manila Water Company's environmental advocacy program
Read the full version of the Sustainability Bond Post-Verification Report at **Manila Water Website

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

21 tons of hazardous waste are hauled and treated by DENR-accredited service providers

30,606 tons of biosolids utilized as soil conditioner in areas affected by lahar flow

13 CLIMATE ACTION

51,814 tons CO_2 (eq)
Carbon avoided due to wastewater treatment

13.79 mkwh
renewable energy consumption

15 LIFE ON LAND

171,901 hectares
of forest area protected

1,255,612 native trees
nurtured since 2006

11,796,256
Population served with water

89,998
Desludged septic tank

336,659
Sewer connections

11 SUSTAINABLE CITIES AND COMMUNITIES

Institutionalized resiliency and adaptation assessment in the planning, construction, operation, and maintenance of all assets

14 LIFE BELOW WATER

69.82 mcm
Wastewater treated

8,795
Tons of organic pollution removed from waterways

8 DECENT WORK AND ECONOMIC GROWTH

100%
Local spending

707
Suppliers engaged

0
Employee work-related fatality

HOW WE CREATE SHARED VALUE

Our Capitals

Capitals → **Business Model**

Financial Capital
Php 165.52B Total Assets

Manufactured
Property, plant and equipment includes well-managed dams and impounding reservoirs, deepwells, water treatment facilities, pumping stations and reservoirs, water distribution and sewer networks and wastewater treatment facilities.

Intellectual
Skilled and experienced employees who also serve as water utility industry thought leaders and experts

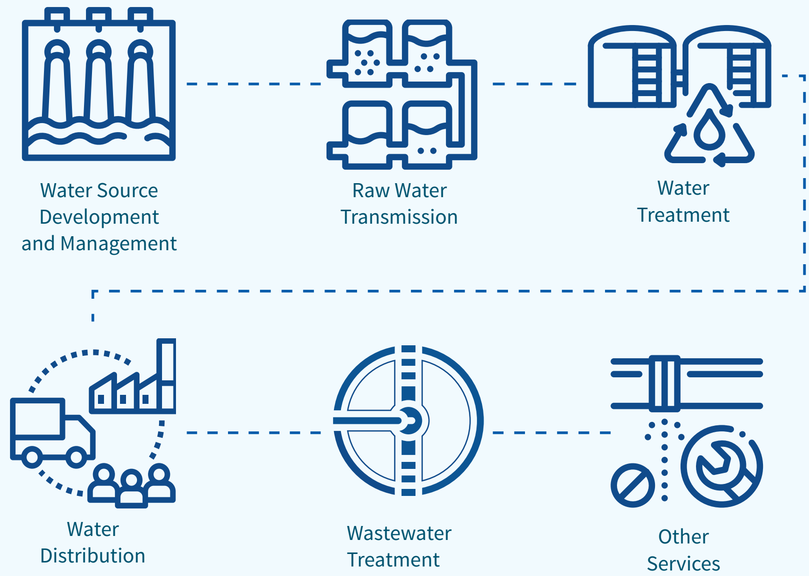
Human
2,463 total workforce
21.59 average training hours
Safety protocols COVID-19 vaccination program, online EHS and HIRAC dashboard, employee workplace re-entry guidelines

Natural
905.83 mcm
water abstraction
1,049,292 GJ energy consumption
24,015 tons
chemical consumption
171,901 hectares
of forest area protected

Social
707 vendor partners
New Manila Water App features service advisories and interruptions, project and traffic advisories and lodging of service concerns through M.W. C.A.R.E.S.
Php 20.10M community investments through Manila Water Foundation

Purpose
Better lives and resilient communities through critical infrastructure

Vision
A global leader in providing quality water and environmental services supportive of sustainable development



Distribution
Aqua Centro | Boracay Water | Bulakan Water | Calasiao Water I Cu Chi Water | Clark Water | Laguna Water | East Water (Universal Utilities) | North Luzon Water | Obando Water | San Fabian | San Jose Project | Calbayog Water | South Luzon Water

Bulk Water Supply
Cebu Water | Ilagan Water | Tagum Water | Kenh Dong Water | Thu Duc Water | Saigon Water | East Water | PT STU

Septage Treatment
Ilagan Water

Operations & Maintenance (O&M) of Water Supply and Wastewater Facilities
Aqua Centro | Bulacan MWPV Development Corporation | Estate Water | EcoWater | KSA Project

Other Services
EPCM/Technical Consulting
MWTV

Mission

Deliver world-class services tailored to the needs of the communities we serve, through sustainable solutions and purpose-driven, empowered, innovative teams

Care
(Malasakit)

Collaboration
(Bayanihan)

Excellence
(Kahusayan)

Integrity
(Integridad)

Tenacity
(Katatagan)

Pioneering
(Tagapanguna)

Values Created

Php 20.29B Revenue
Php 3.75B Net Income
Php 16.90B CAPEX Disbursed

1,270.61 mcm
Potable water distributed
69.82 mcm Wastewater treated

Closed a seven-year Management, Operations and Maintenance (MOM) contract in the Kingdom of Saudi Arabia.

Leveraged wastewater surveillance data for rapid assessment of SARS-COV-2 and preparedness for a future pandemic.

92% Employee Satisfaction Rating
14,061,403 Employee Safe man-hours
0 Employee Work-related Fatalities
99% COVID-19 Fully-Vaccinated Employees

1,255,612 trees nurtured
8,795 tons BOD* removed
51,814 tons CO_2e** carbon avoided through wastewater treatment

100% of Suppliers assessed on environmental and social criteria
98% Customer Concern Resolution Rate within a turnaround time
5,606,624 Lives supported through MWF

Values Shared

Protecting the Environment

6 CLEAN WATER AND SANITATION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND

Developing Employees

3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH

Helping Build Communities

1 NO POVERTY
7 AFFORDABLE AND CLEAN ENERGY
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES

Safeguarding Health and Safety

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
8 DECENT WORK AND ECONOMIC GROWTH
3 GOOD HEALTH AND WELL-BEING

Contribution to Local and National Economies

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
17 PARTNERSHIPS FOR THE GOALS

*Biochemical Oxygen Demand
**Carbon dioxide equiavalent

STRATEGY

Business Objectives and Strategy: Building a Global Water Company

A Manila Water employee conducting a site visit of the Angat Dam complex

Purpose and Aspiration

With the perpetuation of the COVID-19 pandemic in 2021, “water-worth” was inarguably cemented in all facets of society across the globe. The pandemic also emphasized water’s true value as the day-to-day lives of every individual are so dependent on it that the idea of not having access to this critical source is terrifying. The communities we serve deserve more than access to handwashing during pandemic. We all need sustainable provision of basic water and environmental services, irrespective of the situation.

This current reality paved the way for us to rethink, reconsider and recalibrate our strategy. Leveraging on our newly embraced purpose of “better lives and resilient economies through critical infrastructure”, we aim to become a global water company, leading in the provision of quality water and environmental/sanitation services, that should be anchored on sustainable development. We plan to deliver world-class services tailored to the needs of the communities we serve, through sustainable solutions, and purpose-driven, empowered, innovative teams.

Growth and Geography

With these statements engraved in Manila Water's day-to-day operations, we further embrace our aspiration of becoming a global water company through identification of our growth pillars: East Zone business, our Philippine portfolio, and our international investments. We will continue to increase value of the East Zone business through enhanced regulatory management and improved operational performance. We will tap unmet demand in the areas we already operate domestically, and we plan to leverage the Razon Group's international footprint as a starting point for expansion. These 3 growth pillars coupled with our internal initiatives such as funding programs, new organizational design, and deployment of key leaders from Razon Group, will enable us to achieve our global water company aspiration.

Environmental, Social and Governance (ESG)

Over the past years, we have established a strong track record across key ESG and Shared Value metrics, by addressing fundamental long-term business risks while realizing opportunities that deliver solutions to societal and environmental needs, at scale. We have been recognized as sustainability champions by both local and international ESG organizations for our strong ESG commitment and performance. Manila Water has also been consistent and showed unwavering commitment to the United Nations Sustainable Development Goals (SDGs) on Clean Water and Sanitation.

Operating in the New Normal

Manila Water, despite the lingering pandemic in 2021, strongly demonstrated its commitment to providing water and environmental services to its customers. East Zone is fully compliant with all regulatory requirements, including the 24/7 water supply. This commitment, we believe, was recognized by our government after we recently secured approval of the Franchise Bill. This effectively grants our concession business the license to operate as a Public Utility for the next 25 years.

Similarly, Non-East Zone businesses continue to abide with its statutory obligations and expansion initiatives. We saw 2 major developments in 2021 for both our domestic and internal businesses – Pangasinan Bulk Water and the KSA Eastern Cluster deals. These key expansions were successfully accomplished in the face of the realities of COVID-19.

Enterprise Risk Management

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. To achieve its corporate objectives, Manila Water recognized the need for the active management of risks inherent in its business, involving the entire organization.

Manila Water continues to implement its Enterprise Risk Management (ERM) Program based on a globally accepted approach, the ISO 31000:2018.

The ERM Program operationalizes the Company's Manual of Corporate Governance which mandates the Board of Directors (BOD) 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 Board Risk Oversight Committee (BROC) provides oversight to management functions relating to strategic, financial, operational, compliance, legal, environmental, social and other risks of the Company. This involves periodic disclosure of significant risk exposures and related risk management activities.

The President is the comprehensive risk executive and is ultimately responsible for the ERM priorities, strategies, tolerances and policies. He chairs the Enterprise Risk Management Executive Committee (ERMEC) which is composed of Senior Leadership Team including the Chief Risk Officer (CRO).

The CRO is the ultimate champion of ERM at Manila Water and he is supported by the ERM Department. The department is responsible for developing the risk management tools, methodologies, and processes. It also leads the implementation and dissemination of ERM across the Manila Water Group in coordination with the risk owners, the CRO and ERM Champions/Risk Owners of the business units. With the ERM mindset continuously being assimilated into the Company's culture and practices, ERM has been embedded in the strategic, tactical and execution planning as well as in key decision-making processes including insurance management.

The ERMEC has been established to oversee and ensure the efficient and effective management of Manila Water's enterprise risks. The Committee is composed of the Senior Leadership Team, consisting of the Manila Water President, Chief Administrative Officer, Chief Regulatory Officer, East Zone Business Chief Operating Officer, Non-East Zone Business Chief Operating Officer, and the Chief Finance Officer.

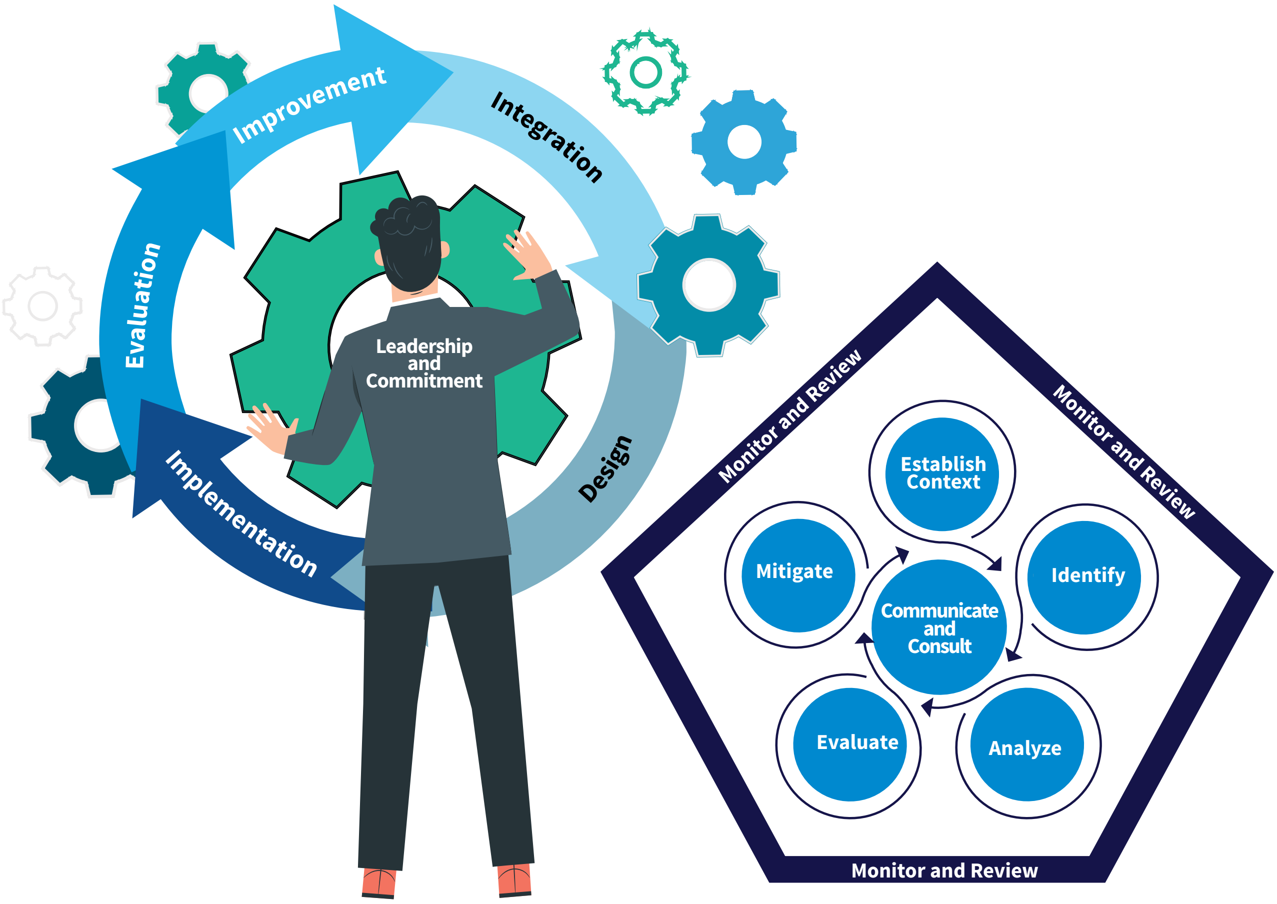
The RMEC on the other hand has been established to oversee the effective risk management in each respective business unit within the strategic business units (SBU). The Committee is responsible for establishing, maintaining and reviewing procedures at management and tactical level to identify, assess and measure, and mitigate risks in accordance with the Company's enterprise risk management policy. It is composed of the entire Management Committee of the SBU headed by the Chief Operating Officer.

The risk management system of Manila Water is reviewed and assessed annually by an Internal Audit function using a risk maturity assessment framework aligned with the best practices to determine the system's adequacy, suitability and effectiveness.

Manila Water understands that the success of the ERM program depends heavily on the framework providing the foundations and arrangements of what it will embed throughout the organization at all levels and process is designed to be repeatable and tailored to the needs of the business.

The **ERM Framework** is centered on the strong and sustained commitment by the Company's leadership to risk management by defining risk management policy, objectives, ensuring legal and regulatory compliance, ensuring necessary resources are

FRAMEWORK AND PROCESS



allocated to risk management, and by communicating the benefits of risk management to all stakeholders. Meanwhile the **ERM process** was designed to be an integral part of management and embedded in the company's culture and practices.

2021 Activities and highlights

For 2021, ERM Department's main goal was to continue the wheel rolling while looking at the critical processes to identify areas that can strengthen the conduct of ERM within the organization. The following activities were carried out to improve the risk management discipline of the Company:

ERM Policy Revision

As the core document that guides and helps everyone within Manila Water on how ERM should be carried out, the ERM Department reviewed and improved the ERM policy by incorporating global best practices.

ERM Rollout

Business units have always been an integral part of the risk management system. In 2021, Manila Water reinforced the ERM discipline by conducting a risk awareness through re-training program of key roles and department heads.

Risk Assessment

The primary activity within which Manila Water identifies and analyzes risks. The activity was conducted together with the different business units to come up with this year's top enterprise risks.

Establishment of Key Risk Indicators

To manage risks more effectively, the ERM Department together with the different risks owners identified key risk indicators (KRI) which serve as early warning signals if a risk is turning into an event that can adversely impact Manila Water. KRIs will also serve as a monitoring tool to prevent crises and mitigate them in time.

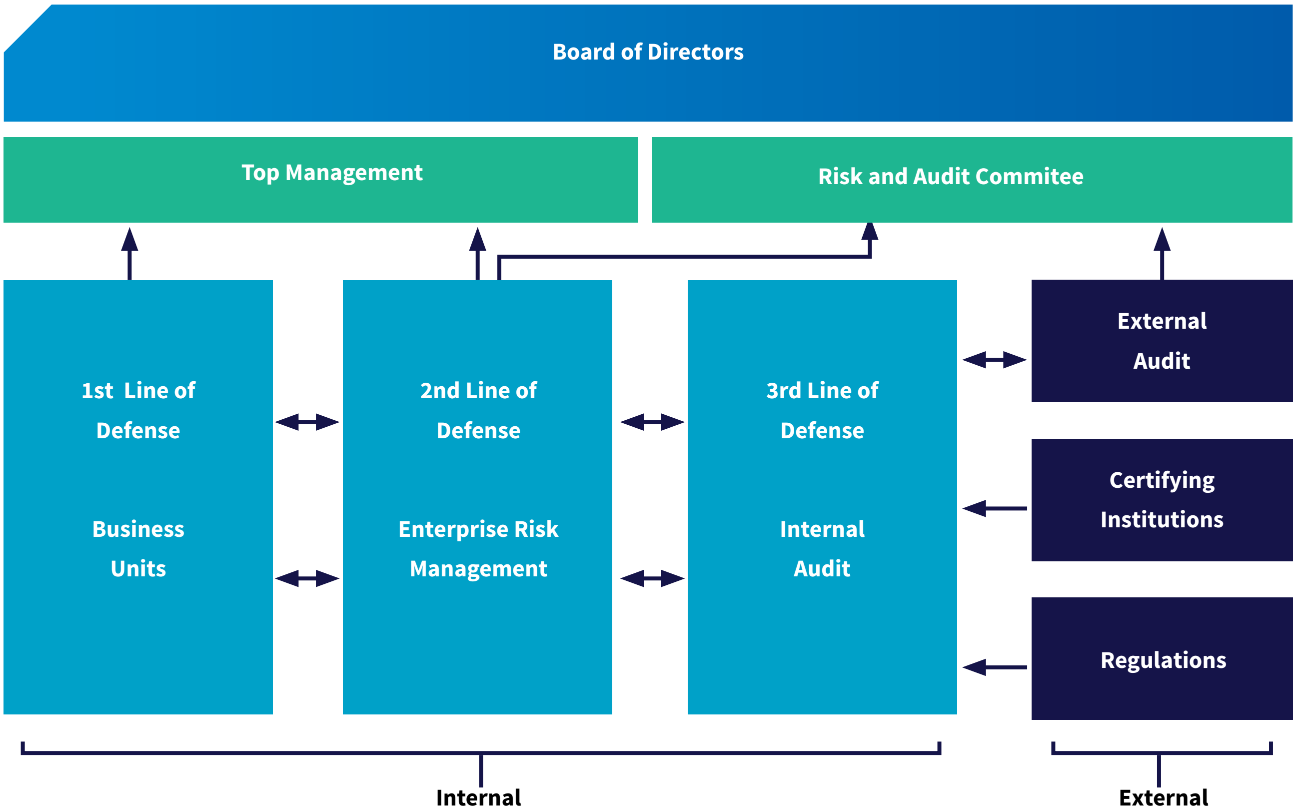
The use of the KRIs enhances the analysis of risk levels and risk mitigation strategies. The status of the KRIs is discussed at the RMEC and ERMEC and reported to the Board Risk Oversight Committee.

Task Force on Climate-related Financial Disclosure (TCFD) Reporting Readiness

The Company recognizes the importance and criticality of disclosing climate change risks to its stakeholders. In 2021, the Company gears up to strengthen its climate reporting readiness by appointing Aon UK to capacitate our risk owners on how to disclose clear, comparable and consistent information about the risks and opportunities presented by climate change.

ENTERPRISE RISK MANAGEMENT

ERM STRUCTURE



Management of Top Enterprise Risks
The Enterprise Risk Management Executive Committee (ERMEC), composed of Manila Water Company's Senior Leadership Team (SLT) consisting of the Manila Water President/CEO, Chief Administrative Officer, Chief Regulatory Officer, East Zone Business Chief Operating Officer, Non-East Zone Business Chief Operating Officer, and the Chief Finance Officer determines the most significant risks facing the Company.

For both Manila Water East Zone and Non-East Zone business, the Risk Management Executive Committee (RMEC) is composed of the President/Chief Operating Officer and their Leadership Team and has been established to oversee the effective risk management in each respective business unit within the strategic business units (SBU).

Management of top enterprise risks has been mapped up to the department level and was delegated to the appropriate Risk Owners.

Risk Owners formulate and commit to a risk management plan, monitored by the ERM Department, which defines specific action points, accountability, milestones and timeline. The status of the Top Enterprise Risks is regularly discussed at the ERMEC and RMEC and is reported to the Board Risk Oversight Committee.

TOP RISKS DISCUSSION (RISKS, MITIGATING MEASURES)

2021 Top Enterprise Risks	Updates and Mitigation Strategies
Water Supply Failure to ensure the adequacy, quality, and reliability of water supply across service areas. Covers raw water availability, water quality and distribution.	To ensure adequate raw water supply especially during the dry season, Manila Water continues to implement MWSS-approved short and medium-term water source development projects such as rehabilitated and new deep wells, rehabilitation of the Alat source, and the new Wawa-Calawis and Laguna Lake East Bay sources. The Company commits to provide quality water to the public by (1) having a Water Safety Plan; (2) securing the air vents along the aqueducts; and (3) rehabilitating La Mesa Dam.
Demand, Billed Volume and Revenue Failure to meet growth in demand and revenue, and collect payments in a timely manner.	Implementation of a regular meter replacement program to ensure accurate consumption readings and to properly align non-revenue water (NRW) reduction activities. The monitoring of base business accounts properly determines supply requirements and consumption trends, while the provision of 24/7 online payment channels facilitate payment convenience and leads to improved collection levels.
CAPEX Delivery Failure to execute projects consistent with the approved Service Improvement Plan in a timely manner, in line with cost estimates, and at desired quality, thus avoiding disallowances, penalties or tariff clawback.	The Company conceptualized and implemented Project Ark, a cross-functional initiative that addresses the various risk drivers and gaps that lead to the delay in the execution of major capital works across the respective project life cycles, applying a more efficient approval process. The first phase of the program addressed core capital expenditure (CAPEX) processes, policies, tools, and structures critical to being able to fast-track the water supply and used water commitments and meet CAPEX delivery targets. Among the improvements in the CAPEX organizational structure and delivery strategy are: (a) creation of a more aligned and streamlined project team structure within Corporate Project Management Group (CPMG); (b) maximizing technical talents in the organization by decentralizing project execution; (c) establishing the Strategic Procurement and Supply Chain Management Group to allow for a more flexible and targeted approach to procurement; (d) implementing a more structured and holistic approach to land acquisition; and (e) applying a more efficient approval process. The second phase of the project specifically addressed process improvements, aimed at further improving end-to-end CAPEX delivery by reducing touch points and cycle times across all critical processes. This phase aims to improve CAPEX throughput by utilizing workflows, automation, reports, and dashboards to improve visibility and streamline coordination across all units. Manpower augmentation is also being performed to help meet the CAPEX target alongside awarding of framework agreements.

ENTERPRISE RISK MANAGEMENT

2021 Top Enterprise Risks	Updates and Mitigation Strategies
Effluent (BNR) Compliance Failure to comply, consistently and in a timely manner, with the provisions of the revised effluent standards, particularly on the removal of nutrients from wastewater.	Manila Water applied a five-pronged approach to manage the compliance risk associated with the revised effluent standards: Technical Track – Identifying feasible technical solutions for each facility and accelerating implementation to comply with the Department of Environment and Natural Resources (DENR) Administrative Order 2016-08 (DAO 2016-08) before the CAP deadlines. DENR/Laguna Lake Development Authority (LLDA) Track –Obtaining environmental regulator's approval of the submitted Compliance Action Plans and establishing a legal defense strategy should any challenges arise. Stakeholder Track – Obtaining the buy-in of concerned local government units for the individual projects and timely acquisition of necessary project permits Legislative Track – Advocating to extend the timeline of grace period to 10 years since the release of DAO 2016-08 in 2016 and to suspend the implementation of Section 19F (grace period) of the Philippine Clean Water Act of 2004 in times of national emergencies. Metropolitan Waterworks and Sewerage System (MWSS) Corporate Office (CO)/ Regulatory Office (RO) Track – Obtaining the support of MWSS on the continuing implementation of facility and network retrofit plans vis a vis any outcomes of the various stakeholder-driven developments at the environmental policy maker (DENR).
Political and Regulatory Failure to manage regulatory and socio-political uncertainties which may create business challenges, delay project completion, restrict market opportunity, hamper investment, hinder rate approval on proposed rates and negatively impact returns on existing assets. Covers failure to adhere to the provisions of the Revised CA, and failure to submit an updated RR18 Plan with reasonable and attainable commitments, which may lead to potential penalties and disallowances.	Manila Water's political and regulatory exposure lies heavily on compliance with the original Concession Agreement, and applicably with the Revised Concession Agreement. The company's mitigating action is the submission and approval of an updated Service Improvement Plan (SIP) superseding the targets for 2021 and 2022. MWSS BOT Resolution No. 2021-142-RO dated 07 December 2021 deferred the approval of the updated RR18 plan and penalties were suspended in case of non-attainment of the RR18 targets.
Legal Failure to manage and close major legal disputes that will impact reputation and incur significant financial penalties.	Legal risks are handled by Manila Water through the Legal and Corporate Governance Group. The Company monitors its outstanding legal cases and keeps track of the status of each case. Assessments are also made in terms of likelihood and impact of each to the Company. Accordingly, the Company makes provisions for financial exposures and such are duly reflected in the Company's financial statements.

2021 Top Enterprise Risks	Updates and Mitigation Strategies
Talent Failure to ensure availability of competent talents for critical roles and keep them engaged and motivated to deliver results. Covers risks on Talent Capacity, Capability and Connection.	Manila Water addresses talent risk by implementing programs that are focused on honing one's individual talent and strengthening the successor's development plan. A year-round program is also in place from on-boarding, technical development, leadership, and functional development. To mitigate the exposure related to talent capability, Manila Water ensures that there are talent assessments and reviews to identify competency gaps and design development plans.
Natural Calamities Failure to effectively ensure business continuity and immediate recovery in response to disruptive natural calamities such as earthquake and weather extremes.	Business continuity plans, emergency response teams and incident management plan are in place to address the risk related to natural calamities. Regular earthquake drills are conducted in compliance with the Metro Manila Development Authority (MMDA)/ National Disaster Risk Reduction and Management Council (NDRRMC) regulation.
Pandemic Failure to sustain business operations, and maintain employee health and safety due to public health crises (COVID-19, Delta variant, etc.)	Manila Water addresses the pandemic risk by adhering to standard COVID-19 protocols, implementing workplace safeguards, and organizing vaccination activities. The Company also ensures sufficient inventory level of health supplies in the workplace such as alcohols, facemasks, disinfectants, and vitamins. The Company continuously implements work from home arrangements to minimize the number of workers in a workplace.
Cybersecurity Failure to protect critical company data, information and systems from internal and external threats.	The Company is continuously improving security and resiliency based on zero trust principle to protect the computer environment from sophisticated cyberattack. It has updated the Information Technology (IT) security policies, improved the back-up environment and strengthened the detection and response capabilities.
Foreign Exchange Failure to manage or mitigate the effects of foreign exchange volatility to Profit and Loss.	The Company implemented Foreign Exchange Risk Management Policy and foreign exchange hedging structures to address the foreign exchange risk.
Fund Sourcing & Capital Availability Failure to source and provide timely and cost-efficient funding to cover operating requirements, capital expenditure commitments, capital requirements of new businesses, and funding of debt obligations in both Philippine Peso and Foreign Currency.	The Company has secured loan agreements for identified funding and working capital requirements and has established new credit lines for both East Zone and Non-East Zone entities for projected requirements. The Company establishes new banking relationships to build up additional liquidity buffer.

ENTERPRISE RISK MANAGEMENT

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. In order to achieve its corporate objectives, Manila Water recognizes the need for the active management of risks inherent to its business which involves the entire organization.

In its report to the BOD for the year ended December 31, 2021, the BROC confirmed that it discussed the significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans. The report indicates that the review of the BROC was conducted in the context that Management is primarily responsible for the risk management process. The BROC also increased the frequency of its meetings from semi-annual to quarterly basis, to provide sufficient time for deeper discussions on risk analysis as well as to provide ample attention to the risks of new business operations.

The Chief Risk Officer

The Chief Risk Officer (CRO) oversees the entire risk management function and leads the development, implementation, maintenance, and continuous improvement of Enterprise Risk Management (ERM) program, processes, and tools.
The CRO is the Vice Chairman of the Enterprise Risk Management Executive Committee (ERMEC). He also leads the ERM Department in facilitating the ERM process and in collecting and analyzing key business risk information for reporting to the risk management committees (ERMEC and RMEC) and to the Board Risk Oversight Committee (BROC).

Enterprise Risk Management Department

The Enterprise Risk Management (ERM) Department is responsible for the sustained implementation of the ERM Program across the Manila Water Enterprise, acts as the primary driver of developing a risk-aware culture, and ensures that key risks are identified and managed by the respective risk owners.

Report of the Board Risk Oversight Committee to the Board of Directors

For the year ended December 31, 2021

The Board Risk Oversight Committee ("Risk Committee") was established by the Board of Directors at its August 11, 2015 meeting to provide assistance in fulfilling the Board's oversight responsibilities in relation to risk governance in Manila Water. The Risk Committee's roles, responsibilities and authorities are defined in the Risk Committee Charter approved by the Board of Directors during its November 26, 2015 meeting.

In compliance with the Risk Committee Charter, the Committee confirms that:

- An independent director chairs the Risk Committee. The Committee has three out of four members who are independent directors.
- The Committee had four meetings in two consecutive years with the following attendance rate:

Directors No. of Meetings	Attended/Held	Percent Present
Cesar A. Buenaventura[1]	2/2	100%
Sherisa P. Nuesa[2]	2/2	100%
Eric Ramon O. Recto[3]	2/2	100%
Donato C. Almeda[4]	2/2	100%
Jaime C. Laya[5]	2/2	100%
Jose L. Cuisia[6]	2/2	100%
Gerardo C. Ablaza[7]	2/2	100%
Oscar C. Reyes[8]	2/2	100%

- The Committee discussed with Management 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 in Manila Water Company, Inc. and is satisfied that sufficient risk management systems are in place.
- The Committee appointed the Chief Audit Executive as the concurrent Chief Risk Officer.
- Initiatives such as risk awareness campaigns, focus group discussions, and change management sessions that will strengthen the risk culture of the organization were put in place.
- Key risk indicators (KRI) that will serve as the primary tool to monitor the risks within Manila Water were introduced.

March 04, 2022

Cesar A. Buenaventura
Chairman

Sherisa P. Nuesa
Member

Eric Ramon O. Recto
Member

Donato C. Almeda
Member

1 Mr. Buenaventura was elected as a Director during the Annual Stockholders' meeting on April 16, 2021
2 Ms. Nuesa was elected as a Director during the Annual Stockholders' meeting on April 16, 2021
3 Mr. Recto was elected as a Director during the Annual Stockholders' meeting on April 16, 2021
4 Mr. Almeda was elected as a Director during the Annual Stockholders' meeting on April 16, 2021
5 The term of Mr. Laya as a member of the Committee ended on April 6, 2021
6 The term of Mr. Cuisia as a member of the Committee ended on April 6, 2021
7 The term of Mr. Ablaza as a member of the Committee ended on April 6, 2021
8 The term of Mr. Reyes as a member of the Committee ended on April 6, 2021

Manila Water's Task Force on Climate-related Financial Disclosures (TCFD)

The Olandes Sewage Treatment Plant, a recipient of the 2010 Project Innovation Honors Award from the International Water Association, has an underground sewage treatment facility while the building where the equipment are located is on stilts to withstand flooding in the area.

Manila Water takes the threat of climate change with great priority. While climate change poses risks to business operations, it also creates opportunities for the company. Manila Water is stepping up to the challenge of mitigating the impacts of climate change and seizing the opportunities to create shared value for its stakeholders. In 2021, Manila Water publicly signified its support to TCFD and its recommendations.

Governance

Disclosure of the organization's governance around climate-related risks and opportunities

Board Oversight on Climate Risk Governance

The Board has overall responsibility for Manila Water's response to climate change and general oversight of the Company's approach to identifying, assessing, and managing both the risks and opportunities associated with climate change. The Company's top threats are reported to the Board Risk Oversight Committee (BROC) every quarter. The BROC provides oversight to management functions relating to strategic, financial, operational, compliance, legal, environmental, social, and other risks of the Company including periodic disclosure of significant risk exposures and related risk management activities.

In 2021, an amendment was made in the BROC's charter that specifically includes the oversight of climate change risk as a function of the board further reinforcing the company's commitment to address the risks and opportunities faced by climate change. Specifically, the BROC shall:

- Ensure that climate-related risks and opportunities, strategies and mitigations are discussed at least annually or as needed during committee meetings.
- Provide recommendations to ensure timely and appropriate strategies to mitigate climate-related risks and seize opportunities.
- Review and evaluate the company's Climate Change Policy, climate risk appetite and ensure that resources are allocated to address climate-related issues.
- Assign authority, responsibility, and accountability at appropriate levels within the organization.
- Monitor and oversee progress against goals and targets for addressing climate-related issues.
- Report to the Board of Directors on the current and emerging top climate-related risks and strategies as necessary or at least annually.

Management Oversight on Climate Governance

As part of Manila Water's commitment to identifying, assessing, and managing the risks and opportunities associated with climate change, the **Manila Water Climate Change Policy** was created. This included forming a Climate Change Council which was established in 2014.

Strategy

Disclosure of the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Manila Water's operations in water and wastewater services are susceptible to changes in patterns of the hydrologic or water cycle. Warming temperatures, changes in rainfall and runoff, extreme weather conditions, and sea level rise have affected and will continue to affect water supply and quality, as well as the ability of the water and wastewater assets to withstand natural disasters and could lead to intermittent or long-term failure to serve customers.

Manila Water was the first company in the Philippines to adopt a Climate Change policy to ensure that the company considers climate change impacts in its decision-making in 2007. Originally adopted in 2007, Originally adopted in 2007, Manila Water's Climate Change Policy has evolved over the years in line with the company and the ongoing scientific research being produced, along with the governmental and regulatory policies being enacted.

Climate-related Risks and Opportunities of Manila Waters

Physical Risks

Acute Chronic	• Increased severity of extreme weather events such as typhoons and floods • Drought • Rising mean temperatures • Rising sea levels

Opportunities

Resource Efficiency Energy Source Products/Services Markets Resilience	• Energy and resource efficiency with opportunities for more efficient operations and lower operational expenditure • Use of renewable energy reducing exposure to future fossil fuel price increases • Innovative Environmental Services with opportunities for expansion to new markets • Green Funds with capital availability for water supply and wastewater infrastructure • Partnerships for water supply operations, non-revenue water reduction, wastewater, desludging, and environmental services • Improved customer experience

Climate-related Risks and Opportunities of Manila Water

Manila Water has already started addressing some of its opportunities which include:

- Use of energy and resource-efficient technologies and practices that will reduce costs and provide other intangible benefits
- Use of renewable energy to reduce GHG emission
- Expansion of wastewater and sanitation services
- Protection and rehabilitation of watersheds

The company continues to work at enhancing its climate-driven opportunities to ensure continued value protection and creation.

Impacts of Climate-related risks

The Climate Change Council conducted an assessment on the impact of climate change on Manila Water's operations. The climate change projections of PAGASA were considered in the assessment of the impacts of climate change on the company.

The Company has commissioned a consultant to determine the financial impacts of physical risks and transitional risks of different climate scenarios.

Climate-related Risk	TCFD Cat.	Impact Factors
Increased severity of extreme weather events such as typhoons and floods	Physical	• Raw water quality issues due to high turbidity for both dam and deep wells • Dam spilling causing flood to communities • Business/operations interruption due to facility and equipment damage • Increase in capital expenditure due to emergency works and retro fitting of assets • Increase in operating expenses due to the use of gensets and higher treatment costs • Employees' inability to report for work due to illness and/or lack of access to • Facilities and/ or employees requiring assistance • Supply Chain disruption
Drought	Physical	• Water allocation conflicts among users of water resources (e.g. water supply, power generation, irrigation, etc.) • Poor raw water quality due to increase in sediments, microbes, and algae • Water shortage in the service area • Lower billed volume leading to lower revenues • Increase in OPEX due to higher generation costs, water treatment costs, and use of genset
Rising mean temperatures	Physical	• Higher billed volume due to higher water demand from customers

Rising sea levels	Physical	• CAPEX investment for the relocation of facilities in low-lying areas
		• Population displacement:
		  • For low lying areas-disappearance in communities.
		  • For areas of high elevations-increase in water demand

Risk Management

Disclosure of how the organization identifies, assesses, and manages climate-related risks

Climate risk is included in the ERM process as a risk driver. The ERM process is detailed in page 28-30.

To support the Climate Change commitments of the company in the Climate Change Policy, the Climate Change Council regularly monitors, validates, and reviews short-term, medium-term, and long-term investment and operating plans and targets aligned to the Company's climate change commitments and goals.

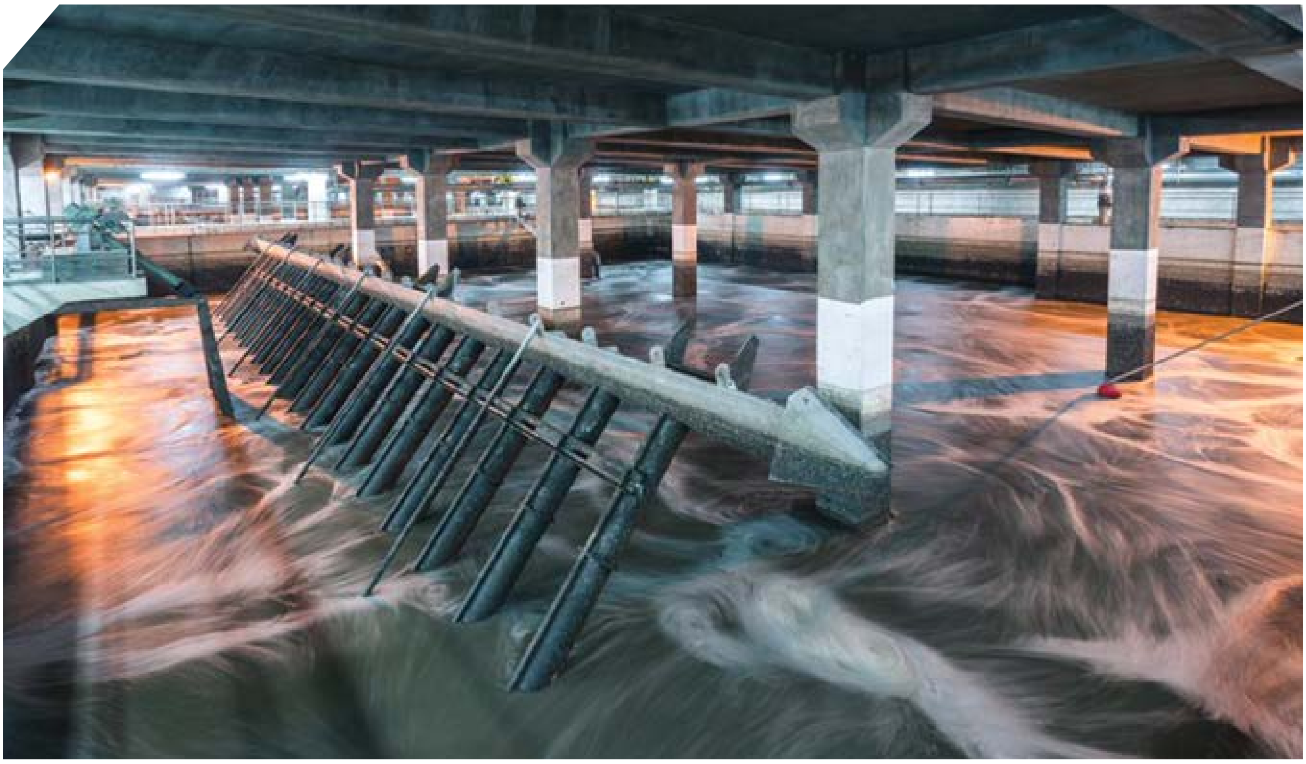
It is headed by the Chief Sustainability Officer or the Sustainability Head and participated by cross functional representatives from the Enterprise Risk Management & Sustainability functions, Business Continuity, Water Source department, Energy department, Compliance and Watershed Management department, and Strategic Asset Management Group. The council expanded to include members from Boracay Water, Cebu Water, Clark Water, and Laguna Water in 2017. Representatives from Estate Water and MWPV Head office representing new business units are the Council's new members in 2020.

Metrics and Targets

Disclosure of the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

Manila Water's strategy to mitigate the impacts of climate change focuses on climate change adaptation while reducing and avoiding greenhouse gas emissions. Through the years, the company has undertaken measures to support its strategies and commitments indicated in its Climate Change Policy.

Commitment	Performance
Institutionalize resiliency and adaptation assessment in the planning, construction, operation, and maintenance of all assets	• Ongoing Climate Scenario Assessment for the Manila Water Enterprise • Completed Resiliency and Business Interruption Study for the East Zone and Laguna Water • Developed resiliency projects based on the RBI Studies and include in the 2018 Business Plan for approval of MWSS
Retrofit existing assets and build new assets to be climate-resilient	• Retrofitted and ongoing retrofitting of assets that are vulnerable to typhoon and flooding • Constructed eight (8) emergency reservoirs in the East Zone
Strengthen the disaster risk reduction and management capacity of the organization	• Business Continuity Policy is in place. • Developed Emergency Preparedness and Response Procedures and conducts regular drills • Created Emergency Preparedness and Response Groups • Invested in business continuity equipment necessary for contingency and EPR, such as generator sets, mobile treatment plants, water tankers, and static tanks.
Take a proactive role in developing, protecting, rehabilitation, and enhancing water sources, including watersheds, surface, and groundwater resources	• Manila Water has a water supply master-plan to ensure sufficient water supply for provision to customers. The company undertakes continuous development of water sources to have enough water buffer. • Manila Water protects and reforests key watersheds.
Continue to undertake climate change mitigation programs	• Manila Water reduced 9,102 tons CO_2e by using on-site solar panels and purchasing renewable energy. • Manila Water's wastewater treatment avoided 51,814 tons CO_2e carbon emission. • Manila Water protects and reforests key watersheds which helps in carbon sequestration. As of 2021, the company has planted and nurtured 1,255,612 trees since 2006.
Build and enhance the knowledge, values, and capacities of employees, government, customers, supply chain, and other relevant stakeholders on climate change adaptation and mitigation	• Manila Water continuously engages its stakeholders in environmental and sustainability topics to promote environmental protection and sustainability.
Adopt an inclusive and partnership approach with relevant stakeholders in our climate change undertaking	• Manila Water is an active member of the Philippine Disaster Resilience Foundation and has partnerships with National Disaster Risk Reduction Management, Metropolitan Manila Development Authority, Bureau of Fire of the Philippines, and Philippine National Red Cross for its various DRRM initiatives. • The company has partnership with several partners in its watershed management program. • The Toka Toka advocacy partners with the national government, LGUs and private organizations to educate and engage stakeholders on solid waste and wastewater management.
Continuously monitor, review, assess, improve, and report our climate change response initiatives	• Manila Water published its **2015-2020 Climate Change Report.** • Manila Water voluntarily disclosed in CDP for its Climate Change and Water Security Disclosures. The company had a rating of C for its Climate Change Disclosures and B for its Water Security Disclosures.



Manila Water prevents methane emission that has 21x global warming potential from septic tanks by treating wastewater in aerobic sewage treatment plants.

Greenhouse Gas Emissions, tons CO_2e

	2019	2020	2021
Scope 1	4,913	5,418	6,428
Scope 2	175,745	197,229	187,167
Scope 3	1,564	1,046	1,532
Total	**182,222**	**203,694**	**195,127**

Manila Water started Greenhouse Gas Accounting in 2010 to monitor its GHG emissions. Manila Water's GHG emission decreased in 2021 brought about by the decrease in energy consumption and purchase of renewable energy. Details of the initiatives are discussed on pages 61-63.

Manila Water has the following 2025 targets aligned to each business unit forward plans in order to provide water and wastewater services while reducing and avoiding greenhouse gas emissions:

- At least 15% water buffer
- 60% carbon reduction and avoidance through renewable energy and other initiatives
- Building infrastructures sufficient to satisfy service improvements

The Company is set to develop a roadmap for its net zero target aligned to a 1.5 C temperature increase which will include reduction of Scopes 1, 2, and 3 in near-term and long-term horizons and carbon neutralization through wastewater treatment and forest carbon capture.

Sustainability at Manila Water

Management Approach

Manila Water's corporate vision is to be a global leader in providing quality water and environmental services supportive of sustainable development. This is made explicit through the Company's Sustainability Framework that captures and communicates the unique contributions and impact of the Company to the environment and society at large.

Manila Water's sustainability focus works from the inside out, starting with caring and developing its employees to ensure a pool of competent talents to lead good service and fuel growth. Through its water service that provides access to potable water and sanitation facilities, Manila Water helps build communities and protects people's health. In order to continually provide exceptional service, the Company takes active participation in protecting and ensuring the sustainability of raw water sources and helping to restore the quality of the natural environment. In the course of expanding service coverage and providing customers with quality water and wastewater service, Manila Water serves as a vital contributor to economic growth.

A closer look at 2021

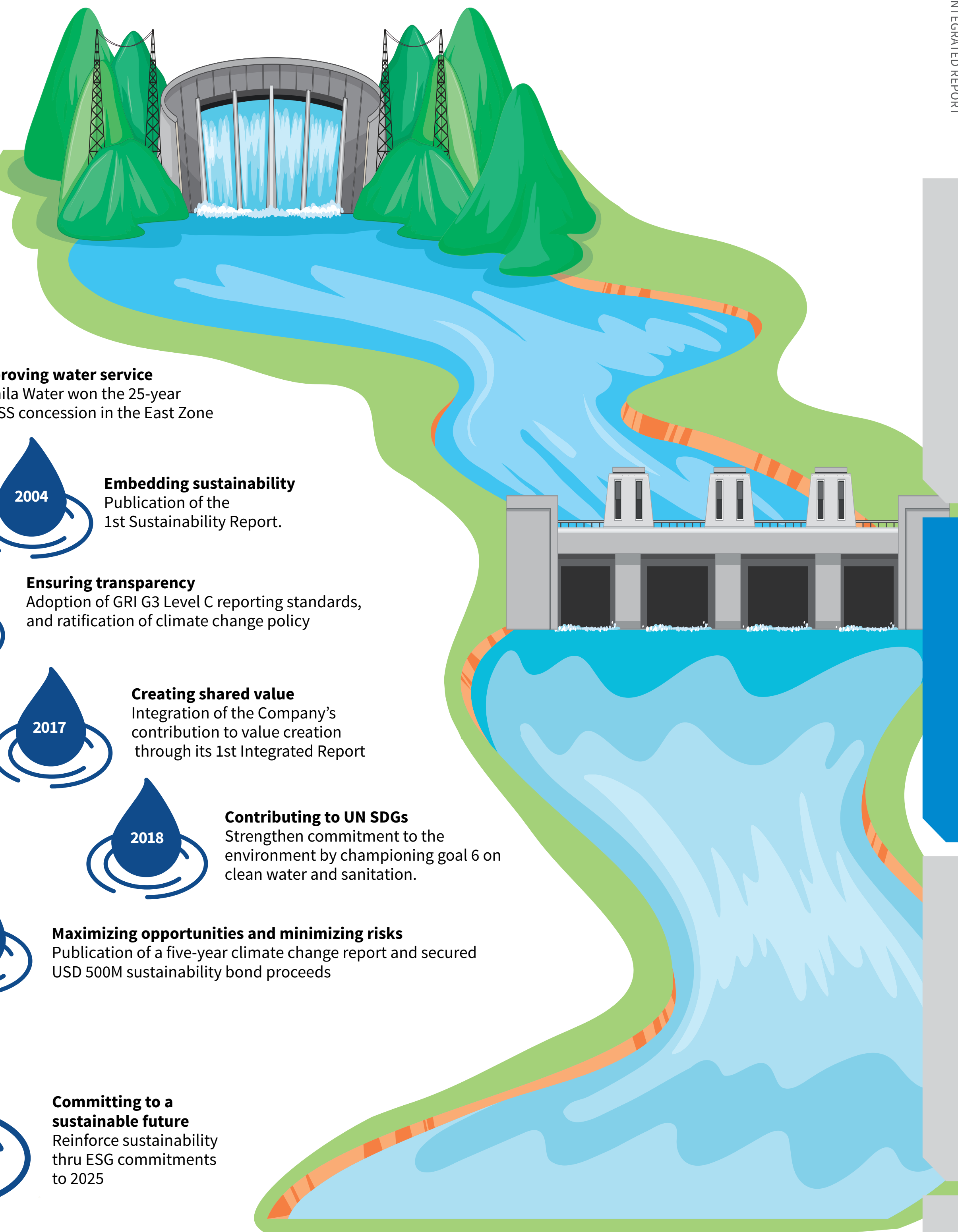
Initially using the guidelines from the Global Reporting Initiative (GRI), it has since adopted additional frameworks set by the International Integrated Reporting Council a.k.a. <IR> Framework, the Sustainability Accounting Standards Board (SASB), and the indicators in the UN Sustainable Development Goals.

ESG Targets to 2025

As Manila Water intensifies its pursuit for growth in both domestic and international markets and remain dedicated to embedding sustainability into every part of the business. In 2021, the Company laid the groundwork for the development and disclosure of a set of mid-term sustainability targets on water access and security, carbon emission reduction and capital expenditure as part of its business strategy. Each business unit of Manila Water are gearing up to achieve these commitments to 2025.

SUSTAINABILITY FRAMEWORK

MILESTONE



1997
Improving water service
Manila Water won the 25-year MWSS concession in the East Zone

2004
Embedding sustainability
Publication of the 1st Sustainability Report.

2007/2010
Ensuring transparency
Adoption of GRI G3 Level C reporting standards, and ratification of climate change policy

2017
Creating shared value
Integration of the Company's contribution to value creation through its 1st Integrated Report

2018
Contributing to UN SDGs
Strengthen commitment to the environment by championing goal 6 on clean water and sanitation.

2020
Maximizing opportunities and minimizing risks
Publication of a five-year climate change report and secured USD 500M sustainability bond proceeds

2021
Committing to a sustainable future
Reinforce sustainability thru ESG commitments to 2025

ENVIRONMENT	ECONOMIC	SOCIAL
Carbon Emission Reduction 60% reduction and avoidance in Scope 1 and Scope 2 emissions through: • Renewable Energy • Wastewater treatment • Energy Management • Forest Carbon Capture • Greening the Supply Chain	**Capital Expenditure** Building infrastructure sufficient to satisfy service commitments and improvements	**Water Access and Security** At least 15% supply buffer • Expansion + Addition of raw water sources

SUSTAINABILITY AT MANILA WATER

Materiality Assessment Process
GRI 102-47

Manila Water regularly seeks and accepts feedback on how it can effectively respond to stakeholders' needs and expectations. Aligned with the Global Reporting Initiative (GRI) framework, the Company completed an online materiality assessment process with its internal and external stakeholder groups. The materiality process was aimed at more effectively communicating with the Company's stakeholders by means of a focused and value-adding sustainability report that centers on issues and programs that are material to them, and at the same time, are relevant to its business operations.

At the same time, the Company understands that the provision of reliable water and wastewater services is challenged by certain risks that may affect the continuity and efficiency of business operations. With this in mind, the Company's top risks identified in the Enterprise Risk Management Program (ERM) was integrated into the material topics since these are most significant to the business and stakeholders

MATERIAL TOPIC

Influence to Stakeholders Assessment and Decision Making	Low	Medium	High
High		Pandemic Concession Agreement	Water Supply Water Supply Reliability Demand and Billed Volume Waste and Effluents Wastewater Compliance Effluent/BNR Compliance CAPEX Revenue Economic Performance Billing Concerns Customer Service
Medium		Foreign Exchange Fund Sourcing and Capital Availability Governance Systems Process Innovations	Regulatory Environmental Compliance Business Plan/ Business continuity Legal Talent Talent development Employee engagement, health and well-being Occupational Health & Safety Sewer Coverage End-use Water Efficiency Biodiversity
Low		Cybersecurity IT Connectivity Data Privacy Vendor accreditation Vendor Evaluation and Feedback Materials Availability Direct and Indirect Economic Impacts	Natural Calamities Crisis Management Disaster Preparedness Rights of IPs

Significance of Environmental, Social and Economic Impacts

Legend

Environment	Top Risks
Social	Economic
Governance	Others

Stakeholder Engagement
GRI 104-40, 102-42, 102-43, 102-44

Manila Water's success is anchored on strong partnerships and collaborations with its stakeholders. Hence the Company sees to it that channels to engage are always open and available, and that their ideas and concerns are heard and addressed.

The stakeholder table summarizes the engagement type and frequency of engagement with each stakeholder group, as well as key topics that are most important to each of them.

Stakeholder	Engagement Tool	Meeting Frequency	Concerns Raised	Responses
Employees 	Group meetings, one-on-ones, surveys, townhalls, emails, "Kamustahan", social media, text/calls, focus groups	Daily	Compensation, benefits, trainings, personal values, succession plans, job security, performance appraisal	Annual performance-based salary adjustments. Updated Manila Water Values, Core and Leadership Competencies. Monitoring the progress of individual development plans of identified successors. Utilized online learning platforms for Manila Water University and Percipio courses to increase employees' opportunities for learning.
Community/Customers 	Community "Kasangga" meetings, public consultations, social media, flyers, bulletins, texts, service hotline, surveys, Manila Water App	Daily	Billing inquiries, service disconnection and reconnection, interruption schedules, water quality, desludging, sewer and environmental charges	Resolving complaints within internal service level targets. Regular posting of planned/unplanned activities to social media. Posting of barangays scheduled for desludging to social media. Regular project updates to community leaders.
Regulators 	Regular meetings, reports submission, "Kamustahan" sessions, public consultation, seminars, conference	Monthly	Business plan, tariff adjustments, water infrastructure, advocacy initiatives, COVID-19 response, water quality, wastewater compliance	Participation in various engagements relative to the rate rebasing exercise. Attended and provided support in online public consultations of MWSS on proposed water source development projects. Dialogues concerning critical issues such as pandemic responses and service delivery.

SUSTAINABILITY AT MANILA WATER

Stakeholder	Engagement Tool	Meeting Frequency	Concerns Raised	Responses
National Government Agencies 	Regular meetings, reports submission, briefings, public consultations, seminars, advocacy programs	Monthly	Compliance to regulatory requirements, advocacy initiatives, water and wastewater policies, water infrastructure, tariff adjustments, business plan	Compliance to new reporting and permitting requirements. Relationship Management
Local Government Units 	Regular meetings, reports submission, briefings, public consultations, seminars, advocacy programs, “Kasangga” meetings	Monthly	Billing inquiries, service disconnection and reconnection, interruption schedules, water quality, desludging, sewer and environmental charges, water infrastructures	Regular and close coordination on project planning and implementation. Delivery of requested support and event participation. Regular posting of planned/unplanned activities to social media Posting of barangays scheduled for desludging to social media.
Supply Chain 	Forums, trainings, focus group discussions, Vendor 360 Degree Feedback, letters, counselling sessions, company presentations, emails, bulletins, online publications	Monthly	Project pipeline	Project pipeline are rolled out during Vendor Forums. Feedback and counseling sessions
Finance Community 	Integrated Report, annual stockholders meeting, analysts’ briefings, website, press releases, road shows, one-on-one meetings	Quarterly	CapEx programs, project implementation, service improvement plans, financing plan, governance systems, performance report, business continuity	Timely, responsive, transparent and truthful communication to investors, creditors and stakeholders Quarterly analysts briefing. One-on-one meetings with investors and creditors.
Media 	Integrated Report, annual stockholders meeting, analysts’ briefings, website, press releases, road shows, one-on-one meetings, media coordination meetings, interviews, sponsorship events	Monthly	CapEx programs, project implementation, service improvement plans, financing plan, governance systems, performance report, business continuity, advocacy initiatives, policies, COVID-19 response, customer concerns	Press Briefing and media engagements including virtual and online. Relevant information posted on digital and social media platforms. Media visits of major projects and facilities.

Developing Employees

GRI: 102-7, 401-1, 404-2, 405-1, 406-1, 407-1

Ensuring a pool of competent talents to ensure good service and fuel growth.

Employees ensure reliable operation of Laguna Water's facilities.

Management Approach

Developing employees is at the very heart of sustainability in Manila Water. Without a critical mass of empowered employees, it is not possible to provide exceptional services and ensure continued corporate growth. The Company continues to invest in the development of its people who not only are equipped with vital management and technical expertise, but also live the core values of Manila Water

Manila Water acknowledges that if not for the employees, the Company would not have had the opportunity to serve millions of people across the Philippines and the Asia Pacific. The Company's labor practices uphold the highest national and international standards and policies against discrimination, child labor, and forced labor, to name a few. Manila Water extends this to its business partners who are expected to abide by the same set of strict laws and regulations.

SUSTAINABILITY AT MANILA WATER

Performance

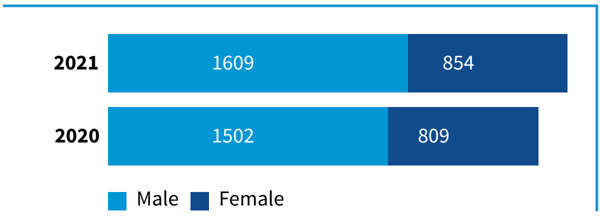
2,463 Total employees
458 New hires
15 Graduates from **28th** batch of cadetship training program
13% Turnover Rate
12.4% East Zone employees covered by Collective Bargaining Agreement

47,991.44 Training hours
2,223 Trained employee
21.59 Average training hours

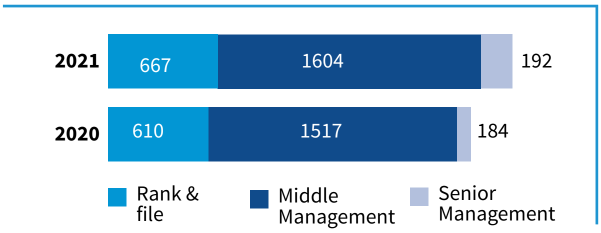
92% Employee Satisfaction Score
214 C2, P3 and Huwarang Manggagawa Awardees

Wellness programs
counseling referral and professional friend volunteer program, wellness bulletins and webinars, free flu vaccines for East Zone employees

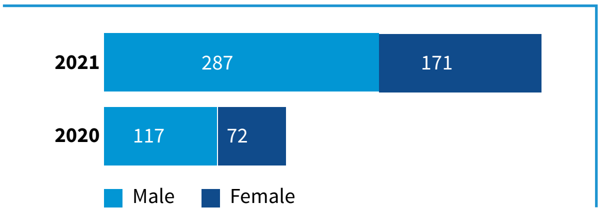
Total Employee by Gender



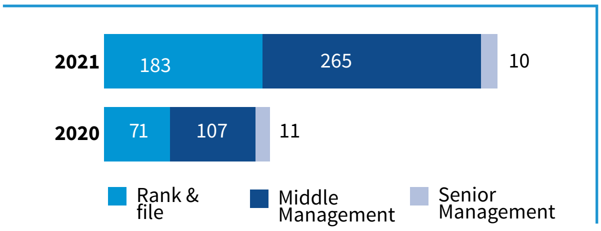
Total Employee by Rank



Total New Hires by Gender



Total Employee by Rank



As its most priced asset, Manila Water ensures that employees enjoy competitive compensation, benefits and rewards to improve their standard of living, are provided with appropriate development and training opportunities for their professional and personal growth, and are operating in safe and healthy working conditions to prevent and mitigate occupational hazards. The Company likewise maintains an open line of communication to employees across all levels in the organization to see to it that their concerns are properly addressed. Even after retirement, Manila Water looks after its employees' welfare by assisting in a number of livelihood and development programs.

Considering the disruptions in people's lives brought on by the COVID-19 pandemic, Manila Water provided flexible working arrangements to keep its 2,463 employees safe. In 2021, the Company continued to diversify its workforce with the online onboarding of 458 new hires. Manila Water partnered with various colleges and universities for an Internship Program that will build a potential source of talents in the future.

In addition, part of the recruitment and development initiative is the continuation of the Cadetship Training Program, with 2021 producing its 28th batch of graduates. The six-month program provides qualified fresh graduates with opportunities for specialized training and works immersion experience, expanding business and technical competencies.

Partner colleges and universities for the Internship Program

Ateneo De Manila University

Davao del Norte State College

St. Paul University Quezon City

University of the Philippines Manila

University of the Philippines Los Baños

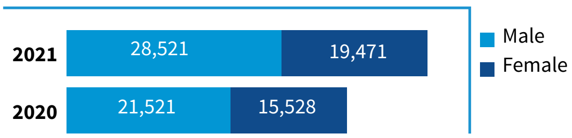
University of Sto. Tomas

Batch 28 Cadetship Training Program Online Graduation

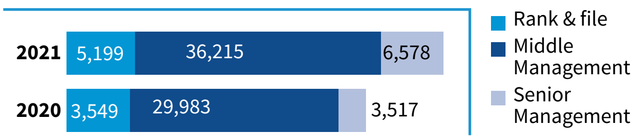
Training and Development

Training at Manila Water seeks to address the need for continuous professional growth of the employees. Fostering a culture of excellence means creating a highly productive workforce that is given constant opportunities to exceed expectations and challenge themselves.
Last year, a total of 47,991.44 training hours, 30% higher than 2020, was logged by 2,223 employees or 90% of the workforce across all levels of the organization, which means an average of 21.59 training hours per employee.

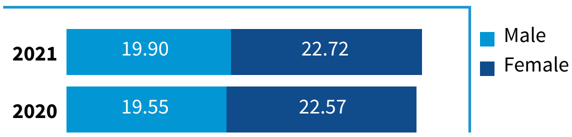
Total Training Hours by Gender



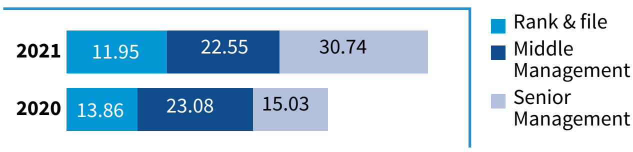
Total Training Hours by Rank



Ave. Training Hours by Gender



Ave. Training Hours by Rank



SUSTAINABILITY AT MANILA WATER

Manila Water University, the corporate learning institution of the Company, continues to provide a wide range of training and development courses facilitated by an instructor or online. The programs under the university are component-based, aimed at developing talents by enhancing their leadership, technical and functional skills. In addition, the Technical School launched in 2020 has developed learning modules related to water supply, wastewater, and water quality for employees who occupy technical roles. Likewise, 101 courses were designed to cover the technical side of the water for better appreciation of non-technical employees.

Employee Satisfaction Rating

92%
Employee
Satisfaction Rating

Gawad Kapit Bisig

Employees were recognized for their collaborative efforts that contributed to the efficient operation of the Cardona Water Treatment facility.

Employee Empowerment

The Company recognizes exemplary performance and has a mechanism and program for rewarding its employees through financial incentives to covered employees, as well as recognition programs. The rewards system is anchored on a set of clear, specific targets and indicators to minimize subjectivity or discrimination during the assessment period.

In 2021, employees underwent a formal yearend performance appraisal while 12.4%, comprised of Union members, are covered by the provisions of the Collective Bargaining Agreement. From these appraisals, the Company holds three annual recognition programs for all employee levels: Huwarang Manggagawa for rank and file employees; President's Pride due to Performance (P3) Award for middle-level managers; and Chairman's Circle (C2) Award for senior managers. In 2021, the Company recognized 214 outstanding employees across the three programs. Similarly, Manila Water appreciates the contribution made by 61 retiring employees who have invested a significant portion of their careers in the growth of the Company. Lastly, Manila Water through the Gawad Kapit-Bisig award recognized 580 employees who worked on a noteworthy project that has successfully mitigated and resolved problems for the short and long term.

People empowerment is one of the major practices that Manila Water stretches to its employees. The Company ensures that employees, being Manila Water's primary stakeholders, are not only competently equipped with functional skills for work but are encouraged to stay passionate and driven regardless of their roles in the organization. In the 2021 Employee Satisfaction Survey, Manila Water Employees gave a 92% satisfaction score to the Company. The employees who participated in the survey expressed approval to the changes made in the Company's goals and objectives, Company image and competitive position, and overall career development.

To that end, the Company exerts efforts to make its employees' work experience more fun and exciting. Throughout the year, the Company organizes and implements various online activities, from town halls, group celebrations, and family-oriented holiday events, to stimulate employee interest. Doing so strengthens employee commitment and loyalty, making them more involved and motivated with their work.

The Company continuous to implement measures to keep a safe work environment at all times, across all Water facilities.

Employee Health and Well-being

Employee health and well-being remain the top priority of Manila Water. The Company has extended support for the availment of COVID-19 vaccination not only to the employees but up to five free dependents. To date, 99% of the total employee population has been fully-vaccinated against COVID-19. This milestone is essential in ensuring business continuity and uninterrupted service to customers, while ensuring safety for its employees, support to service providers, and customer access to services.

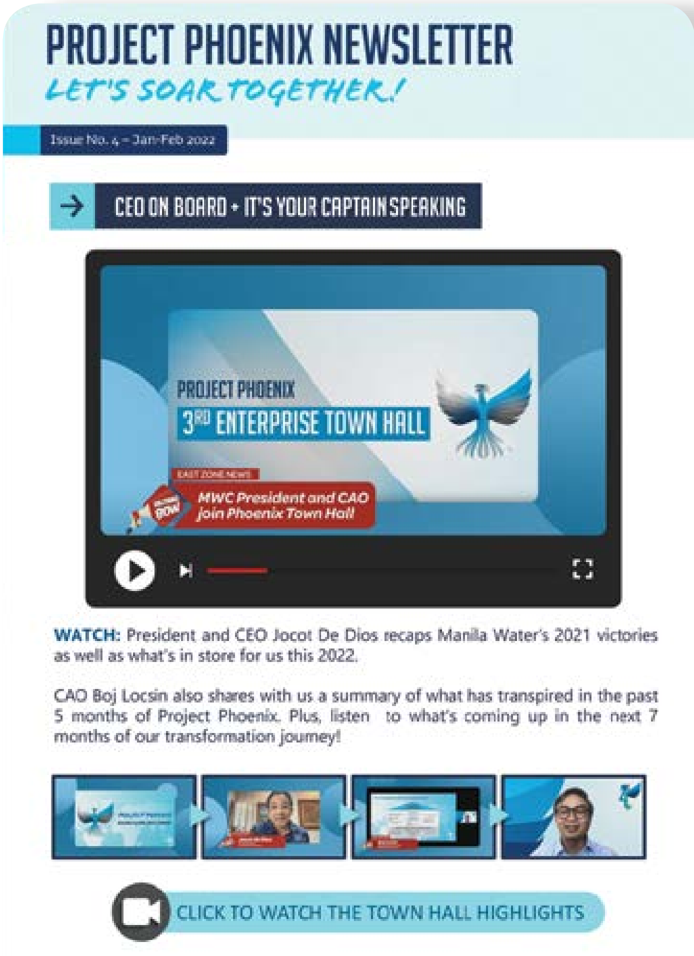
Apart from vaccination initiatives, Manila Water continues to implement programs to ensure overall employee well-being. The Company has implemented two major mental health initiatives – Employee Care Calls and Mental Wellness Counselling to ensure employees' well-being. These programs helped employees reach out to fellow employees to check on their well-being and assess if internal or external support related to health or work was needed.

Counselling Referral and Professional Friend Volunteer Program

Total Wellness Talks and Bulletins

Mahalaga Ka! Survey

SUSTAINABILITY AT MANILA WATER



Project Phoenix is a year-long transformation journey aimed at realizing the Company's aspiration of becoming a GLOBAL FILIPINO WATER COMPANY.

Transformation Journey: Project Phoenix

The experiences of Manila Water's workforce of recent years have strengthened the resolve of passionate and competent men and women to deliver results that make a difference. However, the Company believes that it can do more through the support of its competent pool of talents and fresh insights and strategies from its pioneering leaders. With the end goal of becoming a global water company, Project Phoenix was launched on August 25, 2021. It is a 12-month transformation journey aimed at realizing an aspiration of becoming a value-creating global Filipino water company.

Led by the Corporate Center Office's Chief Administrative Officer Roberto "Boj' Locsin, the new phase of Manila Water's transformation journey will slowly transition to a center-led organization, delivering corporate services across the enterprise. This strategic move will also allow the Company to have a full view of the needs and requirements of all business units in the East and Non-East Zone. As a "Katubig" employee, everyone in Manila Water is empowered and enabled to provide excellent customer service wherever they may be.

The first step of the Project Phoenix flight plan was to include a purpose statement into the Company's vision and mission to demonstrate the intent towards a new chapter of Manila Water. The vision and mission were realigned to revolve more on the Company's customer-centric focus and continuous effort to innovate with the help of world-class men and women to drive the business. In addition, Project Phoenix included tenacity and pioneering as two defining values of the Company in addition to care, excellence, collaboration, and integrity. Lastly, change agents were selected from different groups to champion and communicate the transformation journey to the rest of Manila Water.

Protecting the Environment

The Ipo watershed is part of the Umiray-Angat-Ipo-La Mesa water resource system which provides raw water to Metro Manila

Manila Water, being a water utility company, has a critical role in ensuring that the ecosystem it relies on is protected and restored. Without adequate and good quality water, the sustainability of its business is at risk, compromising its ability to provide reliable and 24/7 water supply.
The Company implements environmental management across its value chain including watershed protection and rehabilitation, wastewater treatment, operational efficiency, carbon reduction and methane avoidance, and circularity.

Managing Water Resources

GRI:2018 303-1, 303-3; SASB IF-WU-440a.1, IF-WU-440a.2, IF-WU-440a.3.

Commitment:

Take a proactive role in the development, protection, rehabilitation, and enhancement of water sources including watersheds, surface, and groundwater resources

Strategies and Performance:

Sustainable Water Abstraction

Manila Water sources 88% of raw water from surface water and 12% from groundwater. One hundred percent are freshwater, and no raw water was abstracted from high to extremely high baseline water stress region based on the WRI Aqueduct tool. The Company recovered and reused 1.083 million cubic meter (mcm)of backwash water to add to the production of potable water.

SUSTAINABILITY AT MANILA WATER

East Zone, the largest user of water, abstracts 99% of its raw water from Umiray, Angat, Ipo, La Mesa Manila Water System, and Laguna Lake, and only 1% comes from groundwater. Groundwater sources are intended to be an interim source only to meet the immediate water supply requirements while the new surface water projects are still being developed. By 2025, Manila Water will have additional raw water from Upper Marikina and Kaliwa Watersheds, and Laguna Lake.

Non-East Zone business units (BUs) in Boracay, Calbayog, Cebu, Laguna, Tagum, and Vietnam source raw water from surface water. For BUs that draw from aquifers due to the unavailability of surface water sources in their respective areas, Manila Water ensures that extractions comply with the guidelines and limits of water permits granted by the National Water Resources Board.

The recent groundwater studies conducted in the East Zone, Laguna Water, and Clark Water showed that abstractions are still at a sustainable level at the rate of abstraction. Furthermore, some BUs have medium to long-term plans to eventually source from surface water either through bulk water contracts or through developing their new water sources.

Clark Water has conducted feasibility studies in Sacobia, Marimla, and Bamban Rivers to explore surface water sources for the medium and long-term water requirements of the Clark Freeport Zone. Similarly, Bulakan Water has decommissioned four deep wells that it has taken over from the water district and begun to source raw water from the Bulacan Bulk Water Supply Project which provides surface water from the Angat Reservoir.

Manila Water's public-private partnership with the Provincial Government of Pangasinan on the 25-year Pangasinan Bulk Water Project will source water from Agno River using Riverbank Filtration technology. It will increase the water supply of the province, providing 200 million liters per day to at least 14 cities and municipalities in the province.

Water Withdrawal by Source (in mcm)

	2019	2020	2021
Groundwater	92.98	109.96	112.24
Surface Water	746.03	786.71	788.57
Bulk Water or Third-Party Water	4.63	5.36	5.03
Groundwater	0.19	0.27	0.34
Surface Water	4.44	5.08	4.68
Total	**843.64**	**902.03**	**905.83**

87% from surface water

12% from groundwater

1% from bulk water or third-party (surface water)

100% freshwater source

0% water abstracted from high to extremely high baseline water stress

1.083 mcm of backwash water recovered and reused

The Wawa-Calawis Water Treatment Plant will provide additional 80 MLD water supply for the East Zone.

Watershed Management

GRI 304-3, SASB IF-WU-440a.3

Manila Water anchors its management of key watersheds on partnerships, integrated approach, nature-based solutions, and environmental stewardship to mitigate the risks of deforestation and deterioration of raw water quality. This strategy also improves biodiversity and contributes to carbon sequestration to mitigate climate change.

Manila Water helps in the protection of 171,901 hectares in General Nakar, Ipo, La Mesa, Nabaoy, Pan-as Hayiban, Villa Maria watersheds. For its reforestation initiatives, the Company planted 62,823 native trees in 2021 reaching a total of 1,255,612 trees nurtured since 2006.

Manila Water also helped in the formulation of the Integrated Watershed Management Plan (IWMP) of General Nakar, La Mesa, and Upper Marikina watersheds. The Company will help in the development of an IWMP for Ipo to support the existing Ipo Watershed Management Framework Plan. Cebu Water in cooperation with Cebu Metropolitan Water Foundation is crafting the IWMP of Luyang Watershed.

East Zone through its implementing partners in La Mesa, Upper Marikina, and General Nakar watersheds planted 60,313 native trees in 2021. Trees planted in previous years were maintained and nurtured. The Company has been supporting the Annual Million Trees Challenge (AMTC) of the Metropolitan Waterworks and Sewerage System since the start of this program in 2017. For 2021, Manila Water's contribution to the AMTC is 40,000 trees planted in La Mesa Watershed for a total of 386,000 trees planted and nurtured in La Mesa and Upper Marikina Watersheds since 2017.

The Company provides funds for the continuing protection of Ipo and La Mesa watersheds through the B*antay Gubat* composed of Dumagats, and the ABS CBN Foundation's Bantay Kalikasan, respectively. Manila Water also supports the General Nakar Sustainable Integrated Area Development Project in General Nakar for the protection of the entire watersheds of Kaliwan, Kanan, Umiray and 13 minor watersheds through the patrolling of *Bantay Gubat*.

Manila Water will commission Forest Carbon Accounting in Ipo, La Mesa, and Upper Marikina Watersheds to determine the baseline of carbon sequestration and the carbon uptake of the trees planted in these watersheds. This will quantify the impact of the Company's reforestation and forest protection programs in capturing carbon from the atmosphere.

Manila Water in partnership with the Manila Water Foundation (MWF) is developing a Water Access, Sanitation and Hygiene (WASH) program for the Dumagat and Ipo watershed community. MWF together with Metropolitan Waterworks and Sewerage System (MWSS) and Worldwide Fund (WWF) has already conducted a technical and social assessment. A preliminary design for water supply has been prepared for approval.

Boracay Water adopted 40 hectares in Nabaoy Watershed for protection and reforestation in partnership with the DENR (Department of Environment and Natural Resources), LGU (Local Government Units), and the Nabaoy Forest Farmers Development Association (NAFFDA). This year, Boracay Water planted 885 native trees with seedlings brought from NAFFDA.

In 2021, Calbayog Water partners with the DENR, the Protected Area Management Office, Calbayog City Water District, and the Calbayog LGU for the watershed rehabilitation of Pan-As Hayiban Watershed using rainforestation farming. Calbayog Water targets to plant, nurture and monitor 782 indigenous trees in 1.25 hectares per year through partner communities. The project includes activities on improving the resilience of communities through community empowerment activities, refresher courses on rainforestation technology, and orientation on the Expanded National Integrated Protected Area System. DENR's nominated and deputized forest patrols/rangers will be assigned to conduct intensive forest foot patrol and surveillance. Forest patrol stations will also be established. Capacity building on rainforestation technology, learning sessions in leadership, financial management, and community organizing will be conducted for the partner agencies and community.

Clark Water through its partnership with DENR and Villa Maria Aeta Tribal Association adopted 16 hectares in Villa Maria, Pampanga for the protection and planting of bamboos from 2020 to 2025. This project aims to protect water reserves and provide a livelihood to the communities. The Company planted 1,000 bamboos in 2.75 hectares in 2021.

Watershed Protected and Restored in 2021

Watershed	Area protected, ha	Area Planted, ha	Trees planted
Ipo	6,600	0	0
La Mesa	2,659	100	40,000
General Nakar	162,613	33	20,313
Nabaoy	20	0.4	885
Pan-as Hayiban	1.25	1.25	625
Villa Maria	7.75	2.75	1,000
Total	171,901	137	62,823

2021 Watershed Management projects, partners, stakeholders, and the 2022-2025 action plans per watershed are listed in the ***2021 Integrated Report Microsite***

Since 2006

1,255,612 native trees planted and nurtured

For 2021:

171,901 hectares of forest area protected

127 hectares of area reforested

62,823 native trees planted and nurtured

Birds like the Mangrove Blue Flycatcher flourish at the La Mesa Watershed, a major water source and the "green lung" of Metro Manila. Photo by Jayce Japlit

Treating Wastewater Responsibly
GRI 303-2, GRI 303-4, SASB IF-WU-140b.1.

After water is used by customers, Manila Water collects and treats wastewater before discharging clean effluent back to the environment. This reduces the pollution of rivers and lakes and avoids the release of methane emissions from septic tanks and untreated wastewater.

Commitment:

- Treat wastewater in accordance with effluent standards
- Expand sewer coverage and/or desludging services in concessions with wastewater services

Strategies and Performance:

Sewerage and Sanitation Expansion

Manila Water operates 70 wastewater treatment plants with a total capacity of 530,407 cubic meter (m^3)/day across the Philippines. Nineteen of these facilities with a total capacity of 275,802 m^3/day are in medium to high flood zones (0.5 meter to more than 1.5-meter flood level) based on a 100-year flood. Wastewater treatment facilities within these zones are built or retrofitted such that operations will not be affected, or there will be minimal impact during flooding such that normal operations can resume promptly after a short downtime.

In 2021, the East Zone has expanded its sewer coverage to 33.5% equivalent to 2.3 million customers with sewerage access coming from 3% sewer coverage serving 45,000 customers at the start of the concession. The Company desludges septic tanks of unsewered areas every five years. From 2017 to 2021, an equivalent of 5.44 million population in the East Zone was provided with septic tank desludging. There is a regulator-approved wastewater master plan to expand sewer coverage to 99% in the East Zone by 2037 as a commitment to the Supreme Court Continuing Mandamus to clean up Manila Bay.

SUSTAINABILITY AT MANILA WATER

Groundbreaking at Aglipay STP that will treat additional 60 MLD (expandable to 120 MLD) wastewater in the East Zone.

To add to the existing 41 wastewater treatment facilities in the East Zone, the Company commenced the construction of its Mandaluyong West Sewerage System Project which includes a 53 km network and the Aglipay STP with a 60 million liter per day (MLD) capacity, expandable up to 120 MLD. It will serve 2,115 hectares of catchment area spanning across Mandaluyong, San Juan and Quezon Cities equivalent to 652,000 customers. The construction of the STP is expected to be completed by 2024 and the sewer network by 2025. Other STPs in the pipeline by 2025 are the Hinulugang Taktak STP with 16 MLD capacity and Quezon City East STP with 18 MLD capacity.

Boracay Water, Clark Water, Estate Water, and Laguna Water also operate their wastewater treatment facilities in their respective service coverage areas. Calbayog Water targets to construct and operate its septage treatment plant by 2025 to start desludging services in Calbayog.

Laguna Water provides desludging services in Sta. Rosa, Cabuyao, and Biñan, Laguna with an expansion in Pagsanjan in 2022. The collected septage is treated in the LTI Septage Treatment Plant. Bulacan Water started its desludging services in 2021 with a third-party service provider while Bulacan Aqua Estates and Obando are in the preparation stage which includes public consultations and refinement of LGU's ordinance on sanitation.

Biological Nutrient Removal

Manila Water complies to the DENR Revised General Effluent Standards of 2016 (DAO 2016-08), the new effluent standard, which requires the removal of nutrients such as nitrogen, potassium, and ammonia in wastewater to reduce the algal growth and further improve the quality of water bodies. The Company implemented operational adjustments and/or upgraded the facilities to meet the effluent standard. The upgrading and retrofitting of the wastewater facilities are in various stages in accordance with the DENR-approved Compliance Action Plan. The Company utilized several state-of-the-art technologies for biological nutrient removal such as Membrane Biological Reactor, Integrated Fixed Film Activated Sludge, Moving Bed Bioreactor, and Food Chain Reactor.

Manila Water continues to comply with the other parameters of the effluent standard and other regulations on wastewater. In 2021, the Company was able to achieve 100% compliance to effluent standards. The details of the effluent quality are in the **Environmental Performance Index of the 2021 Integrated Report (IR) microsite.**

Laguna Water upgraded its sewage treatment plant to remove nutrients from wastewater in compliance to the new effluent standards.

Wastewater Treatment

	2019	2020	2021
Wastewater treated, mcm	64.29	74.11	69.82
Bio-chemical oxygen demand (BOD) removed[1], tons BOD	13,525	12,613	8,795
Carbon dioxide avoided due to wastewater treatment[2], tons CO_2e	79,586	74,285	51,814

Notes:
1. BOD, or biochemical oxygen demand, is a proxy indicator of the quality (or organic content) of the waste. It pertains to the organic component removed from wastewater (in the form of sludge).
2. Computation of carbon dioxide avoided was based on the updated 2019 Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories
3. Wastewater treated, BOD removed and carbon dioxide avoided decreased in 2021 due to the lock-down and closure of some commercial establishments during the pandemic.

Improving Operational Efficiency

Continual improvement of operational efficiency across the value chain reduces the consumption of finite resources and costs in producing and distributing water and treating wastewater. Improved efficiency also reduces the Company's carbon footprint and impact on the environment.

Commitment:

- Sustain the non-revenue water based on economic level
- Continual improvement through innovations

SUSTAINABILITY AT MANILA WATER

Manila Water continuously implements its NRW reduction program through proactive measures and state-of-the-art technologies.

Strategies and Performance

Non-revenue water (NRW) reduction

The NRW program is implemented across all business units to further reduce the water losses in its water distribution network. The NRW was reduced to 10.2% across the enterprise through pressure management, use of Demand Monitoring Areas (DMAs), active leak control, selective meter replacement. New business units formed Demand Monitoring Areas to easily detect leaks and manage pressures.

East Zone's lower NRW in 2021 was due to the corporate focus and team effort in increasing leak detection and repair activities, replacing old customer meters, and balancing pressure with demand despite the lockdowns during the pandemic. To manage the risk of increasing NRW, Manila Water installed additional pressure regulating valves with an automated controller to balance the pressure with the demand, especially during off-peak hours.

Non-revenue Water	2019	2020	2021
End-of period NRW of the enterprise, %	**8.5%**	**12.2%**	**10.2%**
Non-revenue water losses, MCM	**69.92**	**104.89**	**112.97**

The % NRW per Business Unit is in the **2021 Environmental Performance Index**

Innovations in Operations

Efficient Use of Chemicals

Water supply's chemical consumption depends on the quality of the raw water. In 2021, chemical intensity improved due to better raw water from the sources. On top of the improved chemical intensity, Manila Water still seeks to optimize its processes. For instance, instead of purchasing, Laguna Water produces its own sodium hypochlorite.

For medium to long-term solutions, Manila Water strengthens its watershed protection and rehabilitation to prevent soil erosion and water turbidity during heavy rainfall and strong typhoons.

Manila Water utilizes energy efficient equipment and pro-actively maintains its equipment for optimum operations.

Chemical Consumption, tons

	2019	2020	2021
Water Supply	97,072	26,736	18,346
Wastewater	2,379	2,659	5,670
Total	**99,451**	**29,395**	**24,015**

Chemical Consumption Intensity

	2019	2020	2021
Water Supply, tons/MCM raw water abstracted	115.1	29.6	20.3
Wastewater, tons/MCM treated	37.0	35.9	81.2

On the other hand, there's a spike in chemical consumption in wastewater due to the new effluent standard that requires the removal of nutrients in wastewater. Additional and new chemicals were used to remove phosphorus through chemical precipitation.

Energy Efficiency

GRI 302-1, 302-3, 302-4, 305-1, 305-2, 305-3, SASB IF-WU-130a.1.

Water supply and wastewater operations are energy-intensive, making energy one of the highest operating expenses of Manila Water. The Company continuously innovates to further improve energy efficiency in its operations.

Business units undertake process improvements such as proper scheduling of operations, use of the appropriate size of pumps and blowers, adjustment of variable frequency drives to flow, refilling of tanks through gravity flow. Other innovations to improve energy efficiency are the replacement of pumps, motors, and blowers with more efficient technology, deep well rehabilitation, and the continuous NRW reduction program. This brought about savings of about 9.5 million kWh equivalent to Php75 million saved in 2021.
The water supply energy intensity improved meanwhile the wastewater energy intensity increased due to the additional processes of nutrient removal required by the new effluent standard.

SUSTAINABILITY AT MANILA WATER

Manila Water enrolled qualified facilities to Meralco's Peak/Off-peak program, disconnected inactive facilities to Meralco, and used capacitor banks for power factor improvement resulting to cost reduction.

Energy Consumption

	2019	2020	2021
Electricity, million kWh	244.87	275.32	271.93
Diesel, Liters	1,178,934	1,525,775	1,691,389
Gasoline, Liters	179,600	131,822	140,712

Energy Consumption, Gigajoules (GJ)

	2019	2020	2021
Electricity	881,517	991,159	978,938
Diesel	45,625	59,047	65,457
Gasoline	6,250	4,587	4,897
Total	**933,392**	**1,054,794**	**1,049,292**

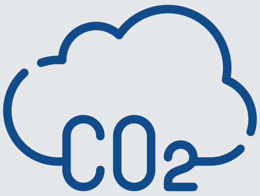
Energy Intensity

	2019	2020	2021
Water Supply, GJ/MCM billed volume	987	1,180	1,184
Wastewater, GJ/MCM wastewater treated	1,663	1,353	1,463

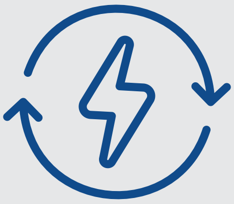
Sources of Energy

	2019	2020	2021
% grid electricity [1]	94.3%	93.5%	88.6%
% renewable energy[2]	0.1%	0.5%	4.7%
% fuel	5.6%	6.0%	6.7%

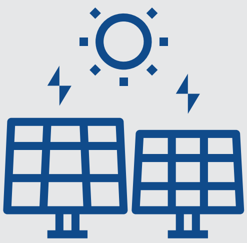
[1] Percent grid electricity – source from the grid, including open access non-renewable energy
[2] Renewable energy includes on-site renewable energy generated; purchased through a renewable power purchase agreement but excludes the renewable portion of the electricity grid that is outside the influence of the company (as per SASB definition)



9,102 tons CO_2e
reduced using renewable energy



13.63 mkwh
total renewable energy was purchased in 2021 through East Zone and Cebu Water



156,800 kWh RE
generated from on-site solar panels

9.5 million kWh
reduced through energy efficiency initiatives

Reducing and Avoiding Carbon Emissions

Manila Water through its environmental initiatives contributes to the reduction and avoidance of greenhouse gas emissions. Reduction is achieved through the Company's energy efficiency initiatives and use of renewable energy. Carbon avoidance is achieved by treating wastewater aerobically in sewage treatment facilities, avoiding the emission of methane in septic tanks. The Company also helps in carbon capture through its watershed protection and reforestation efforts.

The Company is set to develop a roadmap for its net zero target aligned to 1.5 C temperature increase which will include reduction of Scopes 1, 2, and 3 in near-term and long-term horizons and carbon neutralization through wastewater treatment and forest carbon capture.

Commitment:

- 60% carbon reduced and avoided from energy efficiency, renewable energy, and wastewater treatment by 2025
- Continue watershed protection and reforestation in key watersheds that can contribute to carbon se capture

Strategies and Performance:

Carbon Reduction

Aside from the energy efficiency initiatives implemented in each business unit discussed in the previous section, Manila Water harnesses renewable energy (RE) using onsite-solar panels in five facilities that generated 156,800 kWh RE. A total of 13.63 million kWh renewable energy was purchased in 2021 through East Zone and Cebu Water's purchase of 20% renewable energy in its Open Access electricity requirements starting mid-2021 and Thu Duc Water's purchased RE through a third-party provider. The use of RE reduced the Company's greenhouse gas emissions by 9,102 tons CO_2e in 2021.

Greenhouse Gas Emissions, tons CO_2e

	2019	2020	2021
Scope 1 [a]	4,913	5,418	6,428
Scope 2 [b]	175,745	197,229	187,167
Scope 3 [c]	1,564	1,046	1,532
Total	**182,222**	**203,694**	**195,127**

Scope 1 emissions are direct CO_2 emissions from the use of fuel for vehicles, generator sets, and other equipment. Updated gasoline emission factor from 2.34 kg CO_2e/L to 2.27 kg CO_2e/L, the latest emission factor of GHG (Greenhouse Gas) Protocol.
b Scope 2 emissions are indirect CO_2 emissions from the use of electricity of the Company. Scope 2 emission factor for Luzon and Visayas Grid (0.6836 kg CO_2e/kWh, Mindanao grid (0.7859 kg CO_2e/kWh) and Vietnam Grid (0.8795 kg CO_2e/kWh) were based on the latest available National Grid Emission Factor.
c Scope 3 emissions are CO_2 emissions from the desludging operations by contractors.

SUSTAINABILITY AT MANILA WATER

Laguna Water's onsite solar panels have a capacity of 57 kWp that provide clean energy and contribute to lower carbon emissions.

Carbon Avoidance and Carbon Capture

The wastewater sector is one of the focus areas of the Philippines Nationally Determined Contributions (NDCs) to the Paris Agreement that aims reduction and avoidance of greenhouse gas emissions of the country by 75% based on business as usual by 2030. The domestic wastewater sector's contribution is the expansion of their sewer and sanitation coverage to avoid methane emissions in septic tanks. Methane has 21x global warming potential compared to carbon dioxide. In 2021, Manila Water's wastewater treatment avoided 51,814 tons CO_2e carbon emission.

The continuing watershed protection and reforestation program of Manila Water in its relevant watersheds help in nature-based carbon capture. The Company will commence Forest Carbon Accounting in the Ipo, Upper Marikina, and La Mesa Watersheds to determine the baseline and carbon capture rate in these watersheds. As of 2021, Manila Water has planted and nurtured 1,255,612 trees since 2006.

	2019	2020	2021
Carbon dioxide avoided due to wastewater treatment, tons	79,085	74,030	51,814

Note: Computation of carbon dioxide avoided was based on the updated 2019 Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories

1,255,612
trees planted and nurtured since 2006

51,814
tons CO_2e carbon emission avoided through wastewater treatment

Ensuring Environmental Compliance
GRI 306-2, GRI 307-1

Manila Water takes a proactive approach in ensuring environmental compliance in every aspect of its undertaking. Manila Water had no significant environmental fines and penalties of more than Php50,000 nor non-monetary sanctions in 2021. The Company complies with standards and environmental requirements of regulatory bodies including the Department of Energy, Department of Health, Department of Environment and Natural Resources, National Water Regulatory Board, and Laguna Lake Development Authority.

Manila Water has Pollution Control Officers appointed for each facility who ensure compliance with all environmental regulatory requirements and whose performance is validated through regular internal audits. Waste minimization and pollution prevention are being implemented through operational control measures needed to address significant environmental aspects and impacts as identified in Hazard Identification, Risk Assessment, and Control (HIRAC) system.

To ensure that environmental and social impacts are addressed in a new environmentally critical project or project in an environmentally critical area, the Company performs an Environmental Impact Assessment and acquires an Environmental Compliance Certificate from DENR. The Company's environment unit and the Pollution Control Officers ensure that required permits are secured and up to date and reportorial requirements are submitted on time. To ensure compliance with all regulatory requirements of recently taken-over business units with inherent compliance matters, Manila Water made corrective measures and applied for the necessary permits.

Solid Waste Management

The largest contributor to non-hazardous solid wastes is wastewater treatment which converts organic pollution into microbial biomass in sludge, a by-product of aerobic treatment which further undergoes dewatering to yield biosolids. Laguna Water composts biosolids within its treatment facility while Clark Water dries and stores biosolids in a drying pond in its wide expansive property. Biosolids from the East Zone Concession and Boracay Water facilities are hauled, composted, and used as a soil conditioner in lahar-affected areas in Pampanga. Grits and screenings from raw wastewater are properly disposed of in sanitary landfills. Laguna Water composts biosolids within its treatment facility while Clark Water dries and stores biosolids in a drying pond in its wide expansive property. Other non-hazardous solid wastes generated in offices and facilities are segregated and disposed of properly. Recyclable materials are sold to junk shops while old meters are sold to recyclers.

Hazardous Waste Management

Manila Water fully complies with the regulatory requirements set by DENR on hazardous waste management. The Company shifted to LED lighting, reducing the amount of busted fluorescent lamps generated year-on-year. In 2021, a total of 63.18 tons of hazardous waste were generated. Hazardous wastes are safely stored in hazardous wastes storage and properly transported, treated, and disposed of through DENR-accredited service providers.

Developing Environmental Advocates

Manila Water continuously engages its stakeholders in environmental and sustainability topics to promote environmental protection and sustainability. The Company's information, education, and communication during the pandemic shifted to digital platforms such as bulletins, social media, and online seminars.

Lakbayan Water Trail Tour, a long-time water education program and environmental advocacy of Manila Water to help raise awareness on the value of water and wise and mindful consumption of water, conducted 59 sessions with a total of 1,934 participants in 2021. Five module videos that contain learning taught during actual visits were developed for the Lakbayan online sessions.

Non-hazardous Waste Disposed, tons

	2019	2020	2021
Biosolids	33,736	21,939	30,606
Grit and screenings	1,060	1,238	1,834
Total	**34,796**	**23,177**	**32,440**

	2019	2020	2021
Hazardous Waste Generated, tons	27.72	133.04	63.18

Note: High hazardous wastes generation in 2020 due to a one-time disposal. The amount generated per type of HW is in the IR 2021 microsite's Environmental Performance Indices.

SUSTAINABILITY AT MANILA WATER

The Toka Toka Movement is Manila Water's advocacy program that aims to inform and educate people on the need for wastewater management in communities, the value of personal commitment, and the collective impact of individual actions for the environment such as having septic tanks desludged, connecting houses to sewer lines where available, segregating solid waste and spreading the gospel of environmental sustainability among one's family and friends. In 2021, Manila Water recognized its Toka Toka partners from seven (7) National Government Agencies, five (5) private organizations, and 24 Local Government Units in its Gawad Katoka 2019, 2020 Achievers, and Toka Toka Awards 2021 for their support to the desludging initiatives of the Company.

The Lakbayan online sessions continue to educate stakeholders on environmental protection during the COVID-19 pandemic.

Community partners prepare Mabuhay balls that are infused with good microorganisms for the clean-up of the adopted creek in San Juan, Metro Manila.

In 2021, East Zone partnered with the DENR and several LGUs through a Memorandum of Agreement for the Adopt-an-Estero program to fully implement the cleanup and rehabilitation of San Juan River and its tributaries. Initiatives under the Adopt-an Estero Program include (1) monitoring of water quality of each adopted creeks, (2) a study to investigate the causes of stagnant water and technical solution and recommendation, (3) information and education campaign and river clean-up program (4) treatment of raw sewage from portable toilets and (5) desludging activities.

Helping Build Communities

GRI 103-1, 103-2, 103-3, SASB IF-WU-450A.4

Providing water and wastewater services as a key ingredient to sustainable communities.

Customers from Sitio Gulayan in Laguna are provided with reliable access to clean and affordable water.

Management Approach

Manila Water is a vital partner in every community it serves. The Company is committed to helping uplift the quality of life of communities by addressing their basic need for clean water and sanitation. This is the Company's contribution to the attainment of the target of the Sustainable Development Goals which seeks to increase the population with access to clean water and proper sanitation.

Water and Wastewater Access

In keeping with the people's right to clean water and sanitation, Manila Water continues to lower the barrier to access through its 'Tubig Para Sa Barangay' (TPSB) program, enabling 779 new connections in the East Zone's marginalized communities to avail themselves of the Company's water services for considerably lower costs and less stringent requirements. In the same manner, the Company endeavors to maximize the positive impacts of its operations by supplying clean water through 1,249,614[1] water service connections, translating to 11,796,256[2] people across the Philippines and Southeast Asia. The increase is attributable to the contribution of new operating business units such as Tagum Water, Calbayog Water, and South Luzon Water.

[1] Water service connections is the number of billed connections in the concession area, which is measured by count
[2] Population served with water includes all active and temporarily disconnected accounts

SUSTAINABILITY AT MANILA WATER

Performance

Water service connections

2021	1,249,614
2020	1,227,501

Desludged septic tank

2021	89,998
2020	84,543

TPSB connections

2021	219,056
2020	218,277

Sewer connections

2021	336,659
2020	320,465

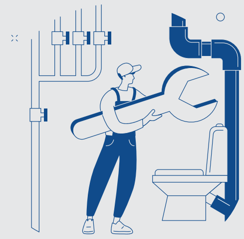
Population served with water

2021	11,796,256
2020	11,321,659

Customer Concern Resolution Rate

2021	98%
2020	96%

Manila Water provides for safe water beyond the immediate confines of their dwellings such as public markets, schools and hospitals.



1,249,614 water service connection
779 new TPSB connections in East Zone
11,796,256 population served w/ water
336,659 sewer connections
89,998 desludged septic tank

90% East Zone Customer Satisfaction Score
98% customer concern resolution rate w/in defined timeframe of each business unit's service obligation

Wash in Pandemic

921,079 individuals served
34 hygiene facilities constructed
3,700 hygiene kits distributed

Flagship Programs

273,462 individuals served through Lingap, Ahon Sanitasyon, Health in our Hands and Agapay

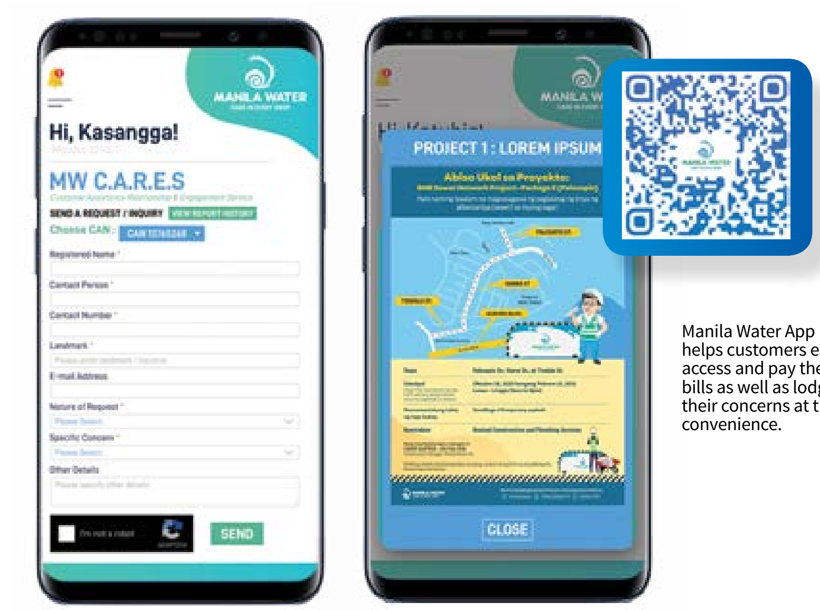
Manila Water also contributes to the improvement in overall health and sanitation conditions by desludging 336, 659 septic tanks. In addition, the Company continues to maintain its service levels on its sewer services with cumulative sewer connections at 341,908 and will push through with its wastewater coverage expansion projects.


Regular desludging every five years prevents untreated wastewater from directly flowing to waterways

Customer Experience

While Manila Water looks after the urban poor, it does not lose sight of the rest of its customer base. The Company ensures that its level of service is able to keep up with the heightened expectations and demands of its customers. 98% of billings and service customer concerns received for the year were resolved within the defined time frame of each business unit's service obligation.

The Company continues to reach out to as many customers as possible by increasing its communication channels such as customer service hotline, SMS bill inquiry, email, official Facebook, Twitter and Manila Water App. For 2021 Manila Water App includes more features for customers' convenience such as service advisories and interruptions, project and traffic advisories and lodging of service concerns through M.W. C.A.R.E.S.



Manila Water App helps customers easily access and pay their bills as well as lodge their concerns at their convenience.

Community Support

Manila Water is able to expand its operations even beyond the Company's requirements through the programs of the Manila Water Foundation. Responding to the needs of communities affected by Typhoon Odette, Manila Water Foundation in coordination with the Philippine Coast Guard, sent 3,000 units of 5-gallon Healthy & Pure drinking water and 300 cases of hygiene products donated by P&G Safeguard Philippines to displaced families in Cebu. This is the first of its series of deployments for those affected by the calamity.

Continuing the Company's support to the efforts of the government in addressing the threats of COVID-19, the WASH in Pandemic program has served 921,079 individuals through the provision of 3,700 hygiene kits, 34 hygiene facilities. In addition to its pandemic responses, Manila Water Foundation reaches out to the marginalized communities through its flagship programs: Lingap, Agapay, Ahon Sanitasyon, and Health in our Hands, reaching 273,462 individuals across the Philippines.

Safeguarding Health and Safety

GRI 416-1, 416-2

Ensuring public health through the delivery of clean water and proper sanitation.

Manila Water Laboratory Services commits to consistently provide accurate and reliable test results

Management Approach

Manila Water puts a high premium on safeguarding the health and safety of the general public, as well as its own employees, suppliers, and service providers. There are two means to achieve this end: ensuring the consistent quality of the water and wastewater services it provides and nurturing a culture of safety in the workplace including that of the supply chain.

Water Quality

Beyond the Company's consistent compliance to the Philippine National Standards for Drinking Water (PNSDW), Manila Water takes extra measures to ensure water safety throughout the value chain with the Company's Water Safety Plan, an extensive risk assessment, and risk management. East Zone, Laguna Water, Clark Water, and Boracay Water have secured the certification of their respective water safety plans while the remaining business units are awaiting the review and certification of the Department of Health.

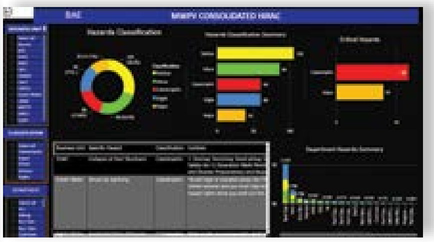
To honor its commitment to safeguarding public health and safety, Manila Water constantly holds rigorous water sampling and testing procedures to ensure water quality, thus attaining 100% compliance with the Philippine National Standards for Drinking Water (PNSDW). To maintain this level of performance, the Company collected and analyzed 94,359 water samples from various points of the water system – raw water sources, treatment plants, reservoirs, and customers' taps. In 2021, there were no health-based drinking water violations or significant exceedances recorded in bacteriological parameters.

Workplace Safety

Manila Water prides itself in having an excellent occupational health and safety record for its employees and supply chain. In 2021, the Company recorded 14,061,403 employee safe man-hours and 6,571,104 contractor safe man-hours. Several health and safety committees at the group, department, and facility levels monitor safety performance regularly and implement continuous improvement initiatives to address gaps and overlaps in processes. Health and Safety bulletins were also released through e-mails on topics such as occupational health and safety issues and practices, wellness tips, and treatment of serious and seasonal diseases.

Non-East Zone's health and safety committee were able to operationalize their online Environment, Health & Safety (EHS) and Hazard Identification (HIRAC) dashboards to carry out a uniform and consistent method for the reporting, identification, assessment, and significant evaluation and control of safety indicators. In addition, regular monitoring through the dashboards equips safety officers with a single source of reference in performing accident investigations and reducing critical hazards and impact.

Environment, Health & Safety (EHS) Dashboard



Hazard Identification (HIRAC) Dashboard

East Zone, Laguna Water, Clark Water, and Boracay Water

secured Water Safety Plans approval

94,359 samples collected and analyzed

100% PNSDW Compliance

0 health-based drinking water violation

14,061,403 Employee Safeman hours

0 Employee Work-related Fatalities

0 Employee Lost Time Injury rate

Online EHS and Hazard Identification Dashboard

operationalized for Non-East Zone

99% COVID-19

fully-vaccinated employees

Daily disinfection activities

in all facility premises

SARS-CoV-2 Analysis

in Wastewater to detect possible and emerging threats.

SUSTAINABILITY AT MANILA WATER

Manila Water extends COVID-19 vaccination to its employees and their dependents.

In a bid to ease the impact of the COVID-19 virus, East Zone concessionaire Manila Water constructed a molecular laboratory for SARS-CoV-2 wastewater surveillance.

Pandemic Response and Readiness

When the pandemic struck in early 2020, Manila Water formulated a pandemic response plan to ensure the safety of its employees and customers, as well as continue the provision of clean water and proper sanitation. In 2021, work arrangements continue to be on a split team schedule to minimize physical interactions. Daily disinfection activities are still recurring in all facility premises, including offices, vehicles, common areas, and shared equipment. The Company has also extended free COVID-19 vaccination support to employees and five free dependents through the Ayala Vaccination and Immunization Program. To date, 99% of the Company's employees are fully-vaccinated against COVID-19

In line with the national government's push towards eliminating the threat of the pandemic, Manila Water aims to leverage its wastewater surveillance data for rapid assessment of emerging threats and preparedness for a future pandemic. Asian Development Bank (ADB) has signified its support to the Company through competency building of molecular laboratories such as training on the use of equipment, training on detection of COVID-19 through wastewater-based epidemiology, knowledge sharing on molecular laboratory operation, and consumables for lab operation. To date, the pre-fabrication of the Smart House for the molecular laboratory has already started while the delivery of laboratory equipment is scheduled for March 2022.

Manila Water Laboratory Services Head Joy De Vera said that the, "project is part of the Company's COVID-19 response and is aimed to detect and quantify the SARS-COV-2 in wastewater using polymerase chain reaction (PCR) machines that are efficient in amplifying small segments of DNA or RNA. These data will be complementary to the current clinical testing and reports of confirmed positive cases."

Meanwhile, Manila Water Research & Development Head Emmanuel Jimenez underscored the key benefits of this project to communities. "Through this facility, they will have access to the game-changing technique and technology in tracking local outbreaks of COVID-19 or what is called 'wastewater-based epidemiology' (WBE). Also, data to be generated in this molecular lab can help communities formulate actions in mitigating COVID-19 in its early stages of emergence or re-emergence as WBE can detect the virus even before people show symptoms," Jimenez said. He also added that since wastewater sample contains waste from numerous individuals, the community will have access to a cost- and time-efficient screening approach to determine the level of infection not only of COVID-19 but other possible emerging and future threats.

Contributing to Local and National Economies

GRI 201-1, SASB IF-WU-240A.4

Helping create opportunities for people and businesses

Rehabilitation and improvement for the Balara Filter Plant is part of the Company's major investment components.

Management Approach

Manila Water is a vital partner in economic growth. In the course of expanding service coverage and providing customers with quality water and wastewater service, the Company invests heavily in vital infrastructure which creates jobs and opportunities with the organization and across the supply chain. Improved health of customers arising from water and wastewater services ensures optimal productivity of individuals which in turn fuels local and national economic growth and helps reduce poverty.

Economic Growth Contribution

Manila Water continued to sustain its performance despite the challenges it experienced due to the effects of the COVID-19 pandemic. The Company's investments in water and wastewater infrastructure render its operations reliable and efficient to provide clean water and contribute to pollution reduction in its service areas. Manila Water also exercises prudent spending in other supporting infrastructure including investments in information technology, security systems, energy, fleet, and other vital business infrastructure.

SUSTAINABILITY AT MANILA WATER

The Company's East Zone disbursed its highest capital expenditure of a total of Php13.7 billion in 2021. 65% was spent on the development of water sources projects such as Calawis, Kaliwa, and East Bay. The remaining capital expenditure was allocated for Biological Nutrient Removal (BNR) compliance and the development of new wastewater catchments. The total capital expenditures of the Philippine subsidiaries amounted to Php3.0 billion in 2021, growing by 33% from 2020. The capital expenditure disbursements of the subsidiaries have grown due to its own expansion projects on water and wastewater services.

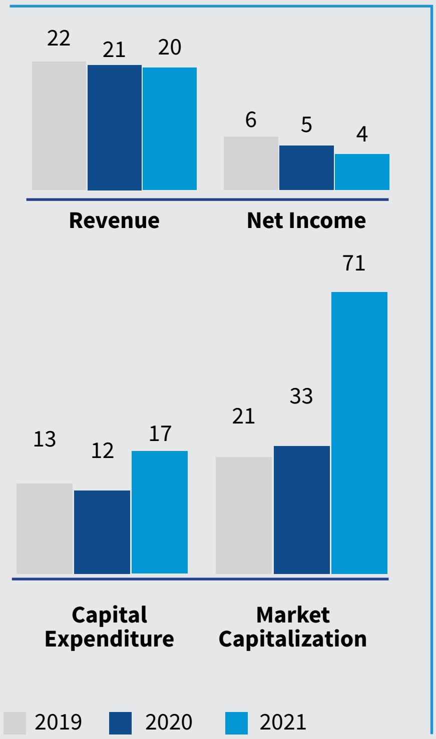
Sewage and septage treatment plants (STP) upgraded to include Biological Nutrient Removal

Sustainable Financing

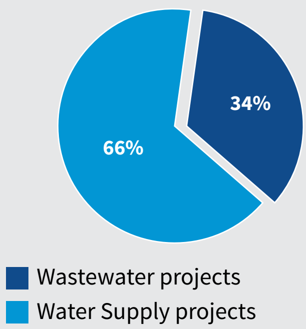
Manila Water has developed a Sustainable Financing Framework "Framework" under which the Company intends to issue Sustainability Bonds to fund projects on water security and environmental sustainability. In 2021, the Company has utilized USD 227M of the USD500M sustainability bond awarded to projects that fulfill the categories of sustainable water and wastewater management, terrestrial aquatic and biodiversity conservation, and affordable basic infrastructure.

Of the projects financed and refinanced by the sustainability bond, Rizal Province Water Supply Improvement has been completed and is able to increase water supply capacity in the East Zone by 100 MLD. There's also an increase of 175,000 m3/day in wastewater treatment capacity was brought by the completion of the Taguig North Sewerage System and Marikina North Sewage Treatment Plant. Lastly, in order to comply with the new standards, Manila Water will retrofit the design of 26 existing sewage and septage treatment plants (STP), and divert raw sewage flows from a cluster of 15 smaller STPs to 'mother' STPs which can accommodate additional infrastructure and equipment. The removal of nutrients from wastewater will significantly help minimize or even reverse the pattern of eutrophication in water bodies around Metro Manila, particularly Laguna de Bay, and address the problem of hypoxia in the waters of Manila Bay.

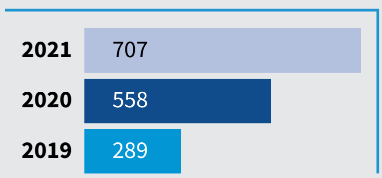
Financial Highlights, PHP Billion
GRI 201-1



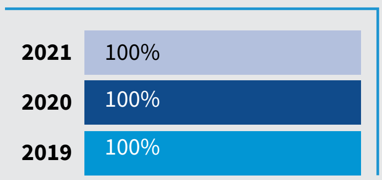
Sustainability Bond Allocated, in USD Million as of July 2021



Vendors Engaged



% of Local Spending




Manila Water invites interested applicants to participate in the Prequalification for the East Bay Water Transmission Pipeline Project – Lake Section

Supply Chain Engagement

The Company supports Small and Medium Enterprises (SMEs) and adopts policies that would allow them to be part of the Company’s supply chain. In 2021, Manila Water has allocated 100% of its spending to local vendors, translating to 832 vendor engagements. Moreover, Manila Water continues to engage the supply chain through online vendor forums held in February, July, and November this year. The forums were designed to engage suppliers on the project pipeline of the Company and conduct counseling sessions for vendors with performance issues.

Manila Water will continue to forge working partnerships with various stakeholders to find opportunities for Public-Private Partnerships or other forms of cooperation and collaboration that capitalize on the unique strengths of each partner, resulting in synergy and mutual benefits. Through the investments in local economies, Manila Water continues to perform the role of enhancing and sustaining economic progress in areas where it operates.


Supply Chain Management group continues to engage vendors to construct and improve water and wastewater facilities, such as the East Avenue Sewage Treatment Plant.

Manila Water Foundation
Agos ng Pagbabayanihan

Manila Water Foundation worked with like-minded organizations to bring water access, sanitation, and hygiene (WASH) to more institutions, communities, and families.

Sustaining the momentum it has built amid the pandemic, Manila Water Foundation forged on to pursue its vision of more communities having clean, safe, and potable water supply and safely managed sanitation facilities. With the demand for water access, sanitation, and hygiene (WASH) interventions more evident now than ever, Manila Water Foundation worked together with organizations with shared advocacies to reach more institutions, communities, and Filipino families.

In 2021, Manila Water Foundation was able to reach more than 1.2 million individuals collectively. The programs of the MWF carried on contributing to various UN Sustainable Development Goals (SDG), supporting Goal 6: Clean Water and Sanitation. Aside from this, MWF anchors its programs to Goal 1: No Poverty, Goal 3: Good Health and Well-Being, Goal 4: Quality Education, Goal 14: Life Below Water, Goal 11: Building Sustainable Cities and Communities, and Goal 17: Partnership for the Goals.

In summary, MWF has now reached out to 5,607,024 individuals nationwide since 2005 with the combined contributions of all its major programs and its WASH in Pandemic initiatives.

From the seismic activities of Taal Volcano in January to Typhoon Odette in the latter part of the year, Manila Water Foundation continued to support communities especially in times of emergencies amid the pandemic.

2021 Achievements of the WASH in Pandemic Project

Since 2020, Manila Water Foundation has been supporting the health and safety protocols directed by the national government through its WASH in Pandemic initiatives. It aimed to provide multi-faucet hand hygiene facilities, supplies, and education to communities and institutions as precautionary measures to address the threat of COVID-19. The WASH in Pandemic project was divided into three subcategories: WASH in Pandemic for Communities, WASH in Pandemic for Institutions, and WASH in Pandemic for Emergencies.

In partnership with the Department of Health and P&G Safeguard Philippines, Manila Water Foundation's WASH in Pandemic for Communities program built 14 hygiene facilities and provided 1,300 hygiene kits for public markets, health stations, and community centers.

Meanwhile, the WASH in Pandemic for Institutions paved the way to establish effective relationships with like-minded organizations to bring the necessary interventions to a targeted sector. Through its participation at the League of Corporate Foundations (LCF), Manila Water Foundation led the implementation of LCFWinS: *Lingap Eskwela sa Pandemya*, LCF's call for collective impact among its member corporations and corporate foundations. The collaboration with LCF was able to build 20 hygiene facilities and provide 2,400 hygiene kits with IEC to 45,121 individuals.

Lastly, for WASH in Pandemic for Emergencies, Manila Water Foundation reached out to local child-caring institutions, vaccination drives, community pantries, and IP communities to provide WASH support, serving around 15,220 individuals.

WASH in Pandemic Communities

860,738 individuals served
14 hygiene facilities constructed
1,300 hygiene kits with additional 4 boxes

WASH in Pandemic Institutions

45,121 individuals served
20 hygiene facilities constructed
2,400 hygiene kits with IEC distributed

WASH in Pandemic Emergencies

15,220 individuals served

Resident of Sitio Monicayo grateful for his family’s new toilet facility.

WASH
Water Access Sanitation Hygiene

2021 Achievements of the Integrated WASH Program

Under the Integrated WASH Program, Manila Water Foundation implements a holistic intervention of services: first, Manila Water Foundation provides access to clean and potable water in selected communities; second, Manila Water Foundation designs and builds toilets for communities to eliminate open defecation; finally, Manila Water Foundation educates communities on the importance of proper hygiene practices as key to good health aligning with the first two phases.

Integrated WASH in Pilot Communities

In 2021, Manila Water Foundation formally closed out its Integrated WASH interventions in its pilot communities at Sitio Monicayo in Mabalacat City, Pampanga.

Manila Water Foundation marked the official completion of the project in the community through the turnover of the Integrated WASH Program Accomplishment Report to the Mabalacat City Health Office, Clark Water Corporation, Clark Development Corporation, and the Lanêm Nên Aeta Monicayo, the group organized solely for the operations and maintenance of the WASH facilities in the community.

As Manila Water Foundation concludes the implementation of the Integrated WASH Program in the community, the operations and maintenance of the facilities continue. The community has been equipped through technical capacity-building activities that will ensure the sustainability of water supply and sanitation access in the area.

With Sitio Monicayo as the model community for WASH, Manila Water Foundation hopes to replicate its holistic and participatory approach to more communities in the country that need WASH systems the most and where there is great need.

Ipo Watershed

In July 2021, Manila Water Foundation conducted a technical and social assessment of water supply and sanitation conditions at the Ipo Watershed communities in Norzagaray, Bulacan. The area currently cradles 281 households, 80 of which are from indigenous people's families. With the Ipo Watershed Protection partners, MWF is looking into addressing the current WASH concerns of communities residing within the watersheds by improving the water systems and sanitation facilities in the area and safeguarding the water source for Metro Manila.

2021 Achievements of WASH Communities

Ahon is an infrastructure development program of stand-alone water supply or sanitation system in low-income communities. Under the Ahon program are two sub-programs: Ahon Tubig, an infrastructure development program of stand-alone water supply systems in low-income communities; and Ahon Sanitasyon, an infrastructure development program of stand-alone sanitation facilities in low-income communities.

Focusing on the earliest stages of child development, the Roots to Shoots program aims to foster the right conditions for children to take root, grow, and branch out to reach their full potential.

The highlight of the *Ahon* program in 2021 is the completion of 38 sanitation facilities for the partner households of the Roots to Shoots (RTS) program in Bombon and Pasacao, Camarines Sur. Manila Water Foundation currently leads the WASH component of RTS, a three-year multi-stakeholder, multi-sectoral initiative equally led in a consortium with Pilipinas Shell Foundation and World Vision Development Foundation. With a particular focus on the earliest stages of child development, the initiative aims to foster the right conditions for children to take root, grow, and branch out to reach their full potential.

Aside from the turnover sanitation facilities, Manila Water Foundation also spent the second year of the program to aid the rehabilitation of the Siembre Pumping Station, provide turbidity and residual chlorine meters, and capacity-building sessions for Bombon Water District.

Roots to Shoots: Bombon and Pasacao, Camarines Sur

38 Sanitation Facilities Built
190 individuals served
10 capacity-building sessions
13 capacity-building hours
6 capacity-building attendees

Agapay

193,069 individuals served

6,254 units of 5-gallon drinking water deployed

464 cases of hygiene products provided

Manila Water Foundation's Agapay program aims to immediately address the water supply and sanitation needs of affected communities.

Agapay is the provision of water access and sanitation services to disaster-affected communities. Under Agapay are two sub-programs: *Agapay Tubig*, a disaster response sub-program that distributes bottled drinking water and deploys water tankers to affected families to address their needs for drinking, bathing, and other hygiene-related activities; and *Agapay Sanitasyon*, a disaster response program that builds sanitation facilities for affected families and individuals who were displaced from their homes and communities.

From the seismic activities of Taal Volcano in January, the building fire at the Philippine General Hospital in May, to Typhoons Fabian, Maring and Odette in the latter part of the year, Manila Water Foundation's Agapay program was able to respond to a myriad of emergencies.

Overall, the program was able to provide 6,254 units of 5-gallon drinking water, donate a total of Php5 million, and distribute 464 hygiene products to affected 193,069 individuals.

Typhoon Odette

A major highlight of Manila Water Foundation's Agapay program is the response to Typhoon Odette. In coordination with the Philippine Army, Philippine Navy, and Philippine Coast Guard, more than 70,000 liters of drinking water and over 300 cases of P&G-donated hygiene products were


Under the Lingap Kapulisan synergy project, police personnel were not only protected against COVID-19 but were encouraged to force multipliers of the WASH advocacy.

transported to affected communities in Cebu, Bohol, Southern Leyte, Siargao, Dinagat Islands, and Surigao City.

“Thank you so much for reaching out to us and for helping us at this hour of great need,” Gov. Arthur Yap of Bohol Province said in a video sent to Manila Water.

Manila Water Foundation is grateful to its donors and partners for lending a helping hand to our fellow Filipinos in this difficult time: P&G Safeguard Philippines, ABS-CBN Foundation, Asociación de Alumnas de Poveda (AAP), Bloomberry Cultural Foundation, Healthy & Pure Drinking Water, Lalamove, Shopee Xpress, Manila Water and its business units Boracay Water, Cebu Water Laguna Water and Clark Water, and the local government units of Cebu, Bohol, Southern Leyte, Siargao, Dinagat Islands, and Surigao City.

2021 Achievements of WASH Institutions

MWF also reaches out to other marginalized communities through its WASH Institutions Program, namely *Lingap*, and Health in our Hands. These programs are for public institutions and low-income communities that have less to no capacity to install their stand-alone water supply system and need hygiene education.

Lingap is an infrastructure development program for hygiene and drinking facilities in public institutions such as schools, city jails, military and police camps and other special centers.

Recognizing the importance of hand hygiene in the fight against communicable diseases, Manila Water Foundation’s partners continued to support the Lingap program. In partnership with PNP Officers’ Ladies Club (OLC) and Soroptimist International Kaagapay, Manila Water Foundation led the Lingap Kapulisan initiative, constructing hygiene facilities for PNP regional offices from Region I to the Bagsamoro Autonomous Region in Muslim Mindanao (BARMM). With this partnership, police personnel were not only protected against COVID-19 but were encouraged to force multipliers of the WASH advocacy. Meanwhile, continuing its Lingap Eskwela initiatives, Manila Water Foundation was able to roll out the project implementation of SAFEWASH in Schools in partnership with P&G Safeguard Philippines to 11 schools in Jalajala, Rizal and 20 schools in Quezon City. Overall, the program was able to build 30 hygiene facilities, distribute 2,500 hygiene kits with IECs, and serve 45,756 individuals.

45,756 Individuals Served

30 hygiene facilities built

2,500 hygiene kits with IECs distributed

World Oral Health Day
2,360 individuals served
1,914,247 individuals reached

Global Handwashing Day
7,700 individuals served
3,625,042 Individuals reached

World Toilet Day
13,945 individuals served
3,317,481 Individuals reached

Health in Our Hands:
34,447 individuals served

685 Volunteer Manhours

155 Total Volunteers

41 Activities

1,000 peak audience

Supporting global campaigns on proper hygiene practices namely the World Oral Health Day, Global Handwashing Day, and World Toilet Day, Manila Water Foundation and its partners worked together to reach far communities, so no one is left behind.

Health in Our Hands is an educational program for institutions and communities to heighten awareness of the importance of proper hygiene practices as key to healthy living. While typically organized with large audiences, Manila Water Foundation's global hygiene celebrations sustained the virtual format to minimize direct contact while maximizing its online

resources. Manila Water Foundation utilized its social media platforms to inform, educate, and encourage its audiences, especially the youth who are learning from home. To complement the celebrations, MWF also reached out to special institutions and public spaces to distribute much-needed hygiene products that are essential in the fight against COVID-19.

WASH Volunteerism is a pool of Manila Water enterprise talents and external partners who selflessly share their time, skills, and resources with the Foundation's initiatives.

Harboring volunteers in the middle of the pandemic had several logistical challenges, but this did not hinder MWC's pool of talents to volunteer.

WASH Volunteerism

Technical volunteers provided their time and expertise as design engineers of the hygiene facilities built under the WASH in Pandemic program.

Recognizing the role of volunteers amid the pandemic, Manila Water Foundation celebrated volunteerism through the appreciation of WASH Advocates and Champions. In 2021, 17 WASH Volunteers were lauded during the recognition event.

In partnership with DOST and PTC, Manila Water Foundation organized a World Engineering Day for Sustainable Development (WEDforSusDev) webinar to talk about the impact of engineering to modern life, and the role of engineers in promoting sustainable development.

Special Projects
In partnership with DOST-Philippines and Philippine Technological Council (PTC), Manila Water Foundation led the 2021 celebration of **World Engineering Day for Sustainable Development** (WEDforSusDev).

WED for SusDev is a UNESCO international day that aims to increase awareness of engineering and its impact on modern life, which is crucial in advancing the United Nation's Sustainable Development Goals (SDGs).

The event featured science and technology advocates: Dr. Marlene Kanga of the World Federation of Engineering Organizations, Secretary Fortunato dela Pena of the Department of Science and Technology, Engr. Federico Monsada of the Philippine Technological Council, Engr. Abelardo Basilio of the Manila Water Company. Speakers of the webinar include Engr. Robert Michael Baffrey of the Manila Water Company, Dr. Enrico Paringit of DOST-PCIEERD, Dr. Lydia Tansinsin of the Philippine Technological Council, Mr. Carvey Ehren Maigue of Mapua University, and Dr. Joel Joseph Marciano, Jr. of the Philippine Space Agency.

Anchored on the enterprise's business expertise in water supply and sanitation, MWF continues to align itself with the Manila Water Company's sustainability framework by helping build communities, protecting the environment, safeguarding health and safety, contributing to local and national economies, and developing our employees. Amid the pandemic and beyond, Manila Water Foundation persists to be the heart of the Manila Water enterprise—delivering the breadth and depth of its WASH programs to more underserved communities through collaborations, thereby celebrating *Agos ng Pagbabayanihan*.

BUSINESS REVIEW

Manila Water's Net Income for the period ending December 31, 2021 declined 18% from the same period last year to Php3,673 million from Php4,500 million. Excluding one-offs, core income stood at Php4,126 million. Said performance was due to lower operating income with the increase in costs and operating expenses, coupled with lower billed volume and unimplemented tariff increases in the Parent Company. The decline was partly offset by improved performance of the non-East Zone businesses versus the previous year.

Php16.9 B
Capital Expenditures

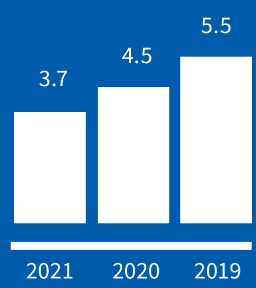
Capital Expenditure Contribution

82% East Zone

18% Non-East Zone

Revenues
(in billion Php)

Net Income
(in billion Php)




NWSA

East Zone Concession

In 2021, the far-reaching effect of COVID-19 pandemic continued to impact the business, greatly affecting customer demand and business operations. Despite the challenges, the Company pushed through with its CAPEX projects to ensure prudent compliance to regulatory/service commitments despite prevailing tariff freeze.

Revenues of the East Zone Concession declined by 6% for the year, with the full year impact of the pandemic on customer consumption weighing down across all sectors. Meanwhile, cost and expenses rose by 11% for the period to Php5.5 billion, driven by higher direct costs following the ramp up of repairs and maintenance, collection, connection and sanitation activities with the relative easing of community quarantines. This was partly offset by lower power and chemicals costs, aligned with lower production and better water quality at the Cardona Water Treatment Plant. Personnel costs increased due to higher headcount and higher variable pay. Similarly, overhead costs went up due to management and professional fees, higher provisions for expected credit losses (ECL) and consultancy fees.

These movements resulted in a 7% decline in EBITDA with an EBITDA margin of 61%. In all, the Parent Company posted a Net Income of Php3.6 billion, down 22% vs. previous year. Net Income margin stood at 23%.

As the East Zone Concession remains to be the largest business segment of the group, the Company will continue to protect and strengthen this core as it gears up for growth. Specifically, the Company will continue the ramp-up of CAPEX projects in the areas of water supply security, as well as in the expansion of service coverage and compliance to regulatory standards for wastewater treatment. To name a few of these projects, the East Bay Project Phase 1 is composed of a 50 million liter per day (MLD) water treatment

East Zone Concession

The East Zone Concession holds the exclusive right to provide water and wastewater services to the eastern side of Metro Manila. The concession area covers 1,400 square kilometers encompassing 23 cities and municipalities with a population of more than 7 million comprising a broad range of residential, semi-business, commercial and industrial customers.

- Covers 1,400sq km and 23 cities / municipalities including: Marikina, San Juan, Mandaluyong, Makati, Pasig, Pateros, Taguig and parts of Quezon City
- Population served: >7 million customers
- Total production capacity: 1,900 million liters per day (MLD)
- Service obligations: (i) water supply (ii)sewerage (iii) customer service (iv) payment of concession fees

plant with a 25 km transmission pipeline, pumping stations and a 21 km submarine pipeline. Said project will similarly extract water from Laguna Lake as with the now operational 100 MLD Cardona Plant. Furthermore, the Wawa Calawis Phase 1 project is composed of an 80 MLD water treatment plant and 10 km pipe network with reservoir and booster station. These projects will further augment the water supply available to the customers of the East Zone and ensure water security in the coming years. For wastewater projects, notable to mention is the North and South Pasig Sewerage System Project which is now at 74% completion. This is a 100 MLD Sewage Treatment Plant with a 65 km sewer network. Another is the Mandaluyong West – San Juan South – Quezon City South Sewerage System Project which is composed of a 60 MLD sewage treatment plant with 53 km combined sewer network. This project is targeted for completion in 2025.

(in mcm)	FY 2021	FY 2020	% Change
Billed Volume	488.5	506.4	-4%
Billed Connections	1,033	1,018	-2%
(in Million Php)			
Revenues	**16,084**	**17,104**	**-6%**
EBITDA	**9,803**	**10,145**	**-7%**
EBITDA margin	61%	62%	
Net Income	**3,618**	**4,666**	**-22%**

On March 31, 2021, MWSS and the Parent Company executed an RCA following the directive of government to review the provisions of the original CA. The resulting RCA retains important aspects of the original CA such as the Rate Rebasing mechanism, as well as the confirmation of the concession period duration to be until July 31, 2037.

One key feature of the RCA is the change in the rate of return. Specifically, in lieu of a market-driven appropriate discount rate, the Concessionaire is subjected to a 12% fixed nominal discount rate for expenditures. Furthermore, the RCA lowers the yearly inflation factor to 2/3 of the Consumer Price Index adjustment and sets a tariff cap on rate increases equivalent to 1.3x the previous standard rate for water and 1.5x the previous standard rate for wastewater. Another adopted feature of the RCA is the removal of the Foreign Currency Differential Adjustment on the tariff. Lastly, the RCA will be covered by an Undertaking Letter of the Republic which will apply to contracts and obligations existing at the time of execution of the agreement and upholds the provisions with regard to early termination payment.

In line with the execution of the RCA, no tariff increases will be implemented until December 31, 2022 as a way to help alleviate the customers' plight amid challenges brought about by the COVID-19 pandemic. Service obligations will be adjusted in line with the new standards under the RCA, with corresponding realignments to the 2018 Service Improvement Plan to be finalized with MWSS.

On February 16, 2022, the Parent Company and MWSS signed a Fourth Amendment to the RCA to further extend the effective start date of the RCA up to March 18, 2022 to allow more time for the completion of remaining conditions precedent to the effectivity of the RCA.

On December 10, 2021, the franchise of Manila Water (Republic Act 11601) was signed into law. This grants Manila Water the franchise to establish, operate and maintain a waterworks and sewerage system in the East Zone Service Area of Metro Manila and the Province of Rizal. It confirms the status of Manila Water as a public utility, consistent with the provisions of the Revised Concession Agreement executed between Metropolitan Waterworks and Sewerage System (MWSS) and Manila Water on March 31, 2021.

The franchise shall coexist alongside the RCA, wherein the RCA shall serve as the certificate of public convenience and necessity (CPCN) of Manila Water. Specifically, the RCA contains the terms and conditions of Manila Water's concession for the provision of water and wastewater services to the East Zone Service Area, Rizal, and Cavite. The RCA will remain valid unless terminated after due notice and hearing.

The term of the RCA is currently until 2037. However, the franchise authorizes MWSS to extend the term of the RCA up to the term of the franchise, when public interest for affordable water security requires and upon application by Manila Water, subject to notice and hearing.

KEY REGULATORY PROVISIONS	ORIGINAL CA	REVISED CA
Rate of Return	Appropriate Discount Rate (ADR) determined by RO every Rate Rebasing	12% fixed nominal Rate or Return
Customer Price Index (CPI)	Full CPI adjustment annually	CPI at 2/3
Foreign Currency Differential Adjustment (FCDA)	FCDA part of quarterly tariff adjustments	No FCDA mechanism
Rate Caps for water and wastewater rates	No rate caps on water and wastewater rates, subject to MWSS Charter limits	Rate cap of 1.3x for water and 1.5x for WW
Treatment of Corporate Income Taxes (CIT)	CIT included as part of Expenditures	CIT excluded the Expenditures

MWC FRANCHISE
25-year term until 2047
Confirms status of MWC as a Public Utility
Co-exists alongside RCA
The RCA shall serve as the certificate of public convenience and necessity (CPCN) of MWC
Authorizes MWSS to extend RCA term up to 2047, subject to application, notice and hearing

BUSINESS REVIEW

Manila Water Philippine Ventures

BORACAY WATER
A MANILA WATER PHILIPPINE VENTURES COMPANY

Efficient management of water and wastewater infrastructure in top resorts to align with the gradual return and recovery of tourism in the island

CLARK WATER
A MANILA WATER PHILIPPINE VENTURES COMPANY

Management of water and wastewater in one of the largest industrial parks in Philippines

ESTATE WATER
A MANILA WATER PHILIPPINE VENTURES COMPANY

Leverage on operations and maintenance expertise to serve the real estate development sector

LAGUNA WATER
A MANILA WATER PHILIPPINE VENTURES COMPANY

Continue gaining traction in water, wastewater and sanitation services in the province of Laguna with the adoption of appropriate business development strategies

On a consolidated MWPV level, revenues declined slightly by 1% to Php4,175 million which were mostly on account of the 38% drop in revenues in Boracay Water with the prevailing travel restrictions on the island, as well as lower supervision fees of Estate Water due to slowdown in its greenfield projects.

MWPV ended 2021 with a net loss of Php476 million. This is a 1% improvement from its net loss position of Php480 million last year.

Here is a snapshot of the operating and financial highlights of our core subsidiaries under Manila Water Philippine Ventures:

Manila Water Philippine Ventures

Manila Water Philippine Ventures (MWPV) is the growth platform of Manila Water in the Philippines via acquisitions and partnerships. MWPV focuses on developing strong partnerships with local government units, water districts as well as key players in the property sector with its core domestic operating subsidiaries namely, (1) Boracay Water, (2) Clark Water, (3) Laguna Water, and (4) Estate Water (a division of Manila Water Philippine Ventures).

LAGUNA WATER

Billed volume of Laguna Water increased by 2% driven by the increase in consumption of residential accounts with the energization of the Laguna Wellfield.

With the increase in expenses outpacing revenues, however, Laguna Water's net income decreased by 3% to Php466 million for the period.

ESTATE WATER

Billed volume of Estate Water declined 4% to 10.1 mcm due to lower consumption from its residential and commercial segments.

Estate Water experienced a significant drop in supervision fees as a result of lower construction progress in greenfield projects. Consequently, Estate Water closed the year with a net loss position of Php199 million.

BORACAY WATER

Billed volume of Boracay Water decreased by 29% in 2021 mainly due to travel restrictions amid the COVID-19 pandemic.

With the significant decline in revenues due to COVID-19, Boracay Water posted a net loss of Php175 million for the period.

CLARK WATER

Billed volume of Clark Water decreased by 4% to 12.8 mcm in 2021 due to the lower total consumption of its commercial and government accounts.

Despite the lower billed volume, Clark Water's performance improved significantly due to lower power costs and repairs and maintenance expenses, as well as the reversal of provision for tax exposures. Clark Water's net income stood at Php52 million for the period.

BUSINESS REVIEW

MWPV deployed capital expenditures amounting to Php2,994 million, 33% higher than 2020 CAPEX.

On September 30, 2021, Manila Water disclosed that the consortium between the Company and its wholly owned subsidiary, Manila Water Philippine Ventures (MWPV) received a Notice of Award from the Provincial Government of Pangasinan (PGP) for the implementation of joint venture project for the provision of bulk water supply to the Province of Pangasinan.
Upon completion of the conditions precedent the consortium and PGP shall sign a concession agreement to implement the project with an estimated capital expenditure program amounting to Php8 billion over the 25-year contract period. The project is expected to deliver a billed volume of 200 million liters per day by year 2025.

(in Million Php)	FY 2021	FY 2020	% Change
Clark Water			
Billed Volume (in mcm)	12.8	13.4	(4%)
Net Income (in Php Mn)	52	(80)	165%
Laguna Water			
Billed Volume (in mcm)	45.9	44.9	2%
Net Income (in Php Mn)	466	483	(3%)
Boracay Water			
Billed Volume (in mcm)	2.3	3.2	(29%)
Net Income (in Php Mn)	(175)	(115)	(52%)
Estate Water			
Billed Volume (in mcm)	10.1	10.5	(4%)
Net Income (in Php Mn)	(199)	(72)	(175%)

Pangasinan Bulk Water Supply Project
In partnership with the Provincial Government of Pangasinan

200MLD
Billed Volume

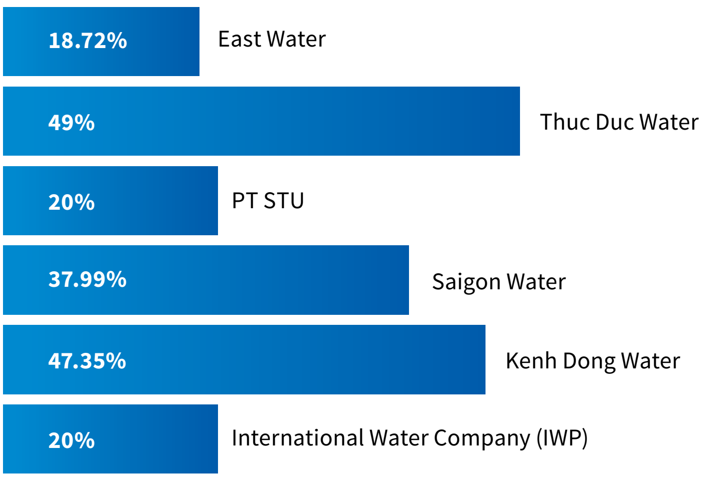
25 Years
Contract Duration

Php 8B
CAPEX

1.3M
(44% of the Pangasinan's
Total Population

BUSINESS REVIEW

Manila Water Asia Pacific



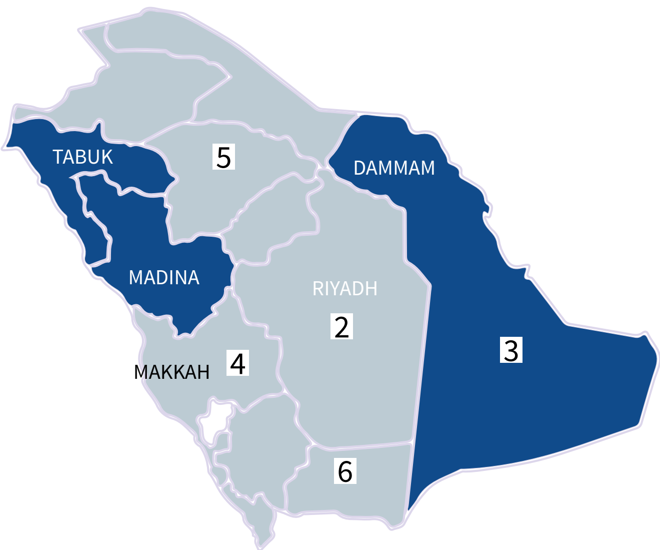
In October 2021, the Company disclosed that the consortium of Manila Water with Saur SAS and Miahona Company has been awarded the Management, Operation and Maintenance Contract (MOMC) by the National Water Company (NWC) of the Kingdom of Saudi Arabia (KSA) for its Eastern Cluster over a seven-year period.

Similar to the previously awarded Northwest Cluster to the same consortium, the MOMC will comprise the management, operations and maintenance of water and wastewater facilities and will entail implementation of enabling projects and deployment of key personnel to manage the cluster and achieve the Key Performance Indicators set by NWC.

With these recent developments, the total footprint of the Company in KSA now approximates a total demand of 2,700 MLD, serving an estimated population of 8 million in KSA. As a matter of context, these market characteristics are comparable

Manila Water Asia Pacific (MWAP)

Manila Water Asia Pacific (MWAP) is Manila Water's vehicle for international expansion with presence in Vietnam, Thailand, Indonesia, and more recently in the Kingdom of Saudi Arabia. On a consolidated MWAP level, equity share in net income of associates increased 166% due to positive performance of all associates except Saigon Water. This performance was led by East Water's notable recovery from the impact of drought and the COVID-19 pandemic in 2020, coupled with the lower Purchase Price Allocation (PPA) adjustment last year.



MOMC with KSA NWCfor East Cluster (Consortium among MWC, Sour and Miahona)	
Population	5.3 Mn (15% of KSA's Total Population)
Land Area	Over 520,000km2 (27% of KSA's Total Land Area)
Demand	~1,900 MLD
NRW (%)	43.7% (2020)
Total MWC Footprint in KSA (Northwest and East Clusters)	
Population	8.3Mn (nearly 25% of KSA's Total Population)
Land Area	Nearly 830,000 km2 (~40% of KSA's Total Land Area)
Demand	~2,700 MLD

to that of the East Zone Concession, with a total demand of nearly 1,400 MLD and a total population served of 6.6 million.

The creation and privatization of these Management, Operation and Maintenance clusters is in line with the KSA government's National Water Privatization Agenda 2030, wherein it endeavors to progress its public-private partnership framework into a full-blown concession.

(in Million Php)	FY 2021	FY 2020	% Change
Equity Share in Net Income of Associates	**569**	**214**	**166%**
East Water, Adjusted	158	(179)	188%
Thu Duc Water	276	267	3%
Kenh Dong Water	165	164	0%
Saigon Water	(61)	(37)	(62%)
PT STU	3	(1)	530%
IWP	28	-	100%

Compliance with Leading Practices on Corporate Governance

Board of Directors

The Company prides itself with its Board of Directors (the "Board"), composed of highly competent individuals who are well-recognized in their respective fields and in the business community. The Board provides a clear vision towards the formulation of sound corporate strategies, and oversees the systemization, improvement and upholding of transparency in governance. The Board provides guidance in achieving fairness and accountability in all major dealings of the Company, with the objective of protecting the interests of its stakeholders.

In this connection, the Board fulfills certain key functions, including: 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 and approving major capital expenditures, acquisitions and divestitures, monitoring the effectiveness of our governance practices and making changes as needed, selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning, aligning key executive and board remuneration with the longer term interests of the Company and its stakeholders, ensuring a formal and transparent board nomination and election process, and monitoring and managing potential conflicts of interest of management, board members, shareholders and stakeholders, including misuse of corporate assets and abuse in related party transactions.

Board Composition

The Board has eleven (11) members who are elected by the stockholders during the annual stockholders' meeting ("ASM").

The Board should have at least three (3) independent directors, or such number as to constitute at least one-third of the member of the Board, whichever is higher.[1]

[1]Ms. Sherisa P. Nuesa, Mr. Cesar A. Buenaventura, Mr. Octavio Victor R. Espiritu, and Mr. Eric Ramon O. Recto are the incumbent independent directors of the Company.

All nominations to the Board are undertaken in accordance with the Manual of Corporate Governance (the "Manual"), By-laws, the Charter of the Board, and the existing rules and regulations. Upon receipt of all nominations, the Nomination Committee convenes to evaluate the qualifications of nominees for election to the Board. In evaluating the nominations, the Nomination Committee adheres to the criteria for selection and the qualifications and disqualifications of directors set forth in the Manual, the Charter of the Board, the Charter of the Board Committees, the Securities Regulations Code (SRC), and those under existing laws, rules, and regulations. After deliberation, the Nomination Committee and the Board issue a resolution endorsing the election of the qualified nominees at the Annual Stockholders' Meeting (ASM). The members of the Board so elected at the ASM hold office for one year, and until their successors have been elected and qualified in accordance with the By-laws. The elected members of the Board are mandated to oversee the management of the Company, and, in the performance of their duties, must exercise their best and unbiased judgment to protect and promote the interest of the Company and its stakeholders.

The inputs and opinions of each Director are valued, it is ensured that a Director shall not be discriminated upon by reason of gender, age, ethnicity, political, religious, or cultural beliefs. Towards this end, the Board has adopted a policy of diversity in gender, age, and ethnicity, as well as religious, political, or cultural background. Through this policy, the Board encourages the shareholders to nominate and select individuals who will promote diversity in the membership of the Board.

Moreover, the Board ensures a formal and transparent board nomination and election process.

Principles and Procedures for Submission and Evaluation of Nominations and Endorsement for 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.

Moreover, the Board ensures a formal and transparent board nomination and election process. Towards this end, the following procedure and principles are observed in the nomination of candidates for election to the Board:

a) Every stockholder, including the minority and non-controlling, has a right to submit nominations for election to the Board.

   All nominations to the Board, whether for first time nominees or repeat nominees, or for independent directors, shall be submitted to the Nomination Committee, through the Office of the Corporate Secretary, at least thirty (30) working days before the date of the ASM. 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 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 Revised Corporation Code of the Philippines, the Manual, the Charter of the Board, the Securities Regulation Code (SRC) Rules, and the applicable laws, rules and regulations.

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

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

If the ground for disqualification of a nominated director becomes known prior to the scheduled ASM, the nominated director shall 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 ASM 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 ASM, 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 aforesaid director may be removed subject to the provisions of and procedures under Section 2.4.2 of the Charter of the Board.

iii. After evaluation of the qualification's disqualifications of the nominees, the Nomination Committee shall issue a resolution whether endorsing or not the nominees for election to the Board.

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.

c) Election of Directors

The directors of the Company shall be elected by majority vote at the ASM at which a quorum is present. The election of Directors shall be by ballot and each stockholder entitled to vote may cast the vote in person, by proxy, through remote communication, or in absentia, electronically or otherwise, to which the number of shares he owns entitles him, for as many persons as are Directors to be elected, or he may give one candidate as many votes as the number of Directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of Directors to be elected.

Qualifications and Disqualifications of Directors

General Qualifications of Directors

A nominee to the Board must 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.
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 of Directors

In addition to the General Qualifications, the following specific qualifications shall be required, if applicable:

a) Non-executive directors shall possess such qualifications and stature to effectively participate and help secure objective, independent judgement 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.
g) 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.
h) 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, except when the independent director takes the appropriate action to remedy or correct the disqualification within sixty (60) days from the occurrence of the ground, in which case, he may still be considered an independent director.

Permanent Disqualifications

A nominee to the Board with the following disqualifications shall never be nominated, 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 SRC, e.g. proprietary or non-proprietary membership certificate, commodity futures contract, or interest in a common trust fund, pre-need plan, pension plan or life plan; (ii) any crime arising out of the person's conduct as an underwriter, broker, dealer, investment corporation, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or, (iii) any crime arising out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
b) Any person who, by reason of any misconduct, after hearing or trial, is permanently or temporarily enjoined by order, judgment or decree of the SEC or any court or other administrative body of competent jurisdiction from: (i) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (ii) acting as a director or officer of a bank, quasibank, trust company, investment house, investment company or an affiliated person of any of them; (iii) engaging in or continuing any conduct or practice in connection with any such activity or willfully violating laws governing securities, and banking activities.

   Such disqualification shall also apply when such person is currently subject to an effective order of the SEC or any court or other administrative body refusing, revoking or suspending any registration, license or permit issued under the Corporation Code of the Philippines, SRC, or any other law administered by the SEC or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation promulgated by the SEC or BSP, or otherwise restrained to engage in any activity involving securities and banking. Such person is also disqualified when he is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from association with a member or participant of the organization;
c) Any person finally convicted judicially or administratively of an offense involving moral turpitude or fraudulent acts or transgressions such as, but not limited to, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation or perjury;
d) Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the SRC, the Revised Corporation Code of the Philippines, or any other law administered by the SEC, or any rule, regulation or order of the SEC or the BSP;

e) Any person judicially declared to be insolvent;
f) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations, or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;
g) Any person convicted by final and executory judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Revised Corporation Code of the Philippines, committed within five (5) years prior to the date of his election or appointment; and,
h) No person shall qualify or be eligible for nomination or election to the Board if he is engaged in any business which competes with or is antagonistic to that of the Company. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged –

    i. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of ten percent (10%) or more of any outstanding class of shares of, any corporation (other than one in which the Company owns at least thirty percent [30%] of the capital stock) engaged in a business which the Board, by at least three-fourths (3/4) vote, determines to be competitive or antagonistic to that of the Company, or
    ii. If he is an officer, manager or controlling person, or the owner (either of record or beneficially) of ten percent (10%) or more of any outstanding class of shares of any other corporation or entity engaged in any line of business of the Company, or when in the judgment of the Board, by at least three-fourths (3/4) vote, deems that the laws against combinations in restraint of trade shall be violated by such person's membership in the Board; 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 Disqualifications

The following shall constitute grounds for temporary disqualifications of directors:

a) Refusal to fully disclose the extent of his business interest as well as refusal to comply with all other disclosure requirements under the SRC and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.
b) Absence or non-participation in more than Fifty Percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency unless such absence was due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election.
c) Dismissal or termination from directorship of any publicly listed company, public company, registered issuer of securities and holder of a secondary license from the SEC. This disqualification shall be in effect until he has cleared himself of 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 exceed 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 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.

Roles and Responsibilities of the Board

The Corporate Governance 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." The Charter of the Board implements the aforesaid provision of the Manual.

The Board's Governance Responsibilities:

Article I, Section 1.4 of the Company's Corporate Governance Manual outlines the governance responsibilities of the Board.

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;
c. 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.
d. 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.
e. The Board should have the overall responsibility in ensuring that there is a groupwide 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.
f. 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).
g. 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.
h. 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.
i. 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.
j. 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.

Aside from these, Section 3.1. of the Charter of the Board also lists the following powers of the Board:

a. The Board should ensure 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.
b. The Board shall ensure a formal, transparent board nomination and election process.
c. The Board shall monitor the effectiveness of the Company's governance practices and make changes as needed.
d. The Board shall oversee the process of disclosure and communications
e. 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 directors of the Company.

Independent Directors

In compliance with the requirements of the law, the Company's Manual, and the rules and regulations of the SEC, the Company has four (4) independent directors as members of the Board.

Under the Charter of the Board, 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".

Under the Manual, a director is considered independent if he holds no interests or relationships with the Company that may hinder his independence from the Company or its management which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. More importantly, the Company also subscribes to the requirements of independence under existing laws, rules and regulations the SEC Memorandum Circular No. 16, Series of 2002. Hence, the Company ensures that its independent directors have all the qualifications and none of the disqualifications specified in the said SEC Memorandum Circular.

Board Committees

The Board is supported by several committees, namely: Executive Committee, Audit Committee, Operations Committee, Corporate Governance Committee, Board Risk Oversight Committee, Related Party Transactions Committee, Nomination Committee, Talent and Remuneration Committee, and the Committee of Inspectors of Ballots and Proxies. These Board Committees are required to report to the Board a summary of the actions taken on matters submitted to them for consideration at the next meeting of the Board. Each of the Board Committees has its own charter that provides guidance on the manner by which its members and the committees should exercise their functions and mandates.

The Executive Committee

The Executive Committee is composed of five (5) directors, with 1 member as Chairman of the Executive Committee. The Executive Committee acts by majority vote of all its members and is authorized to act and shall act on matters within the competence of the Board, except those with respect to:

a) the approval of any action for which shareholders' approval is also required;
b) the 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;
e) the distribution of cash dividends to shareholders;
f) the exercise of powers delegated by the Board exclusively to other committees, if any.

Executive Committee	Audit Committee	Board Risk Oversight Committee	Corporate Governance Committee	Related Party Transactions Committee	Nomination Committee	Talent and Remuneration Committee	Operations Committee*
Enrique K. Razon, Jr. (Chairman)							
Jose Rene Gregory D. Almendras (Member)							Jose Rene Gregory D. Almendras (Member)
						Antonio T. Aquino (Member)	Antonio T. Aquino (Chairman)
	Sherisa P. Nuesa (Chairperson)	Sherisa P. Nuesa (Member)	Sherisa P. Nuesa (Member)		Sherisa P. Nuesa (Member)		Sherisa P. Nuesa (Member)
	Cesar A. Buenaventura (Member)	Cesar A. Buenaventura (Chairman)	Cesar A. Buenaventura (Member)	Cesar A. Buenaventura (Member)	Cesar A. Buenaventura (Member)		
	Octavio Victor R. Espiritu (Member)		Octavio Victor R. Espiritu (Member)	Octavio Victor R. Espiritu (Member)	Octavio Victor R. Espiritu (Chairman)	Octavio Victor R. Espiritu (Member)	
		Eric Ramon O. Recto (Member)	Eric Ramon O. Recto (Member)	Eric Ramon O. Recto (Chairman)		Eric Ramon O. Recto (Member)	
Rafael D. Consing. Jr. (Member)	Rafael D. Consing. Jr. (Member)			Rafael D. Consing. Jr. (Member)			
Donato C. Almeda (Member)		Donato C. Almeda (Member)			Donato C. Almeda (Member)		
Jose Victor Emmanuel A. de Dios, Jr. (Member)						Jose Victor Emmanuel A. de Dios, Jr. (Member)	

**The Operations Committee was established on April 16, 2021 and dissolved on August 11, 2021.*

The Executive Committee meets as needed and performs such other functions as may be properly delegated to it by the Board. The Executive Committee held four (4) meetings in 2021.

Executive Committee	Meetings Attended/ Held
Fernando Zobel de Ayala[2]	1/1
Jose Rene Greogory D. Almendras	3/4
Antonino T. Aquino[3]	1/1
John Eric T. Francia[4]	1/1
Sherisa P. Nuesa[5]	1/1
Enrique K. Razon, Jr.[6]	1/1
Rafael D. Consing, Jr.[7]	3/3
Donato C. Almeda[8]	3/3
Jose Victor Emmanuel A. de Dios[9]	3/3

The Audit Committee

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

The Audit Committee is expected to support the corporate governance process through the provision of checks and balances, which are expected to bring positive results in supervising and supporting the management of the Company. It is responsible for ensuring the development of, compliance with, and periodic review of financial reporting policies and practices of the Company. The Audit Committee also oversees the activities of the Internal Audit. Moreover, the Audit Committee also recommends and/or concurs to the appointment, replacement, re-assignment and removal or dismissal of the Company's external auditors, including the rotation or change of external auditors and key engagement partners in accordance with applicable laws and regulations. Finally, the Audit Committee recommends and/or concurs to the appointment, replacement, re-assignment and removal or dismissal of the Chief Audit Executive to ensure that the external and internal auditors will function and operate independently of the management as required of their function.

[2] Mr. Zobel de Ayala served as the Chairman of the Executive Committee from January 1, 2021 until June 3, 2021.
[3] Mr. Aquino served as a member of the Executive Committee from January 1, 2021 until June 3, 2021.
[4] Mr. Francia served as the Vice-Chairman of the Executive Committee from January 1, 2021 until June 3, 2021.
[5] Ms. Nuesa served as a member of the Executive Committee from January 1, 2021 until June 3, 2021.
[6] Mr. Razon was elected as the Chairman of the Executive Committee on June 3, 2021 and serves the unexpired term of Mr. Ayala.
[7] Mr. Consing was elected as a member of the Executive Committee on June 3, 2021 and serves the unexpired term of Mr. Aquino.
[8] Mr. Almeda was elected as a member of the Executive Committee on June 3, 2021 and serves the unexpired term of Mr. Francia.
[9] Mr. De Dios was elected as a member of the Executive Committee on August 27, 2021. He serves the unexpired term of Mr. Gonzalez, who was elected on June 3, 2021 and served the unexpired term of Ms. Nuesa from June 3, 2021 until August 27, 2021.

All members of the Audit Committee are required to possess adequate understanding of accounting and auditing principles in general and of the Company's financial management systems and environment, in particular. Ms. Sherisa P. Nuesa, the Lead Independent Director and Chairperson of the Audit Committee, is a Certified Public Accountant. The Audit Committee meets at least every quarter and before the quarterly Board meetings and when needed.

On June 3, 2021, the Charter of the Audit Committee was amended to reduce the minimum number of non-executive directors who may be elected as members of the Committee. On November 9, 2021, the Audit Committee approved and the revision to their charter to include the Audit Committee's responsibility in assessing the independence, adequacy of resources, professional qualifications, and competence of the external auditor and ensuring that the rotation or change of external auditors and key engagement partners is in accordance with the requirements prescribed by applicable laws and regulations and that the required disclosure will be made in case of resignation, dismissal, or cessation from service of the external auditor. Moreover, the rules and procedures governing the Audit Committee in the conduct of its meetings and the Audit Committee remuneration is also included in this revision. These changes were ratified by the Board of Directors on November 18, 2021.

The Committee held four (4) regular meetings and two (2) special meetings in 2021.

Audit Committee	Meetings Attended/ Held
Oscar S. Reyes[10]	2/2
Gerardo C. Ablaza, Jr.[11]	4/4
Sherisa P. Nuesa[12]	4/4
Jaime C. Laya[13]	2/2
Jose L. Cuisia, Jr.[14]	2/2
Cesar A. Buenaventura[15]	4/4
Octavio Victor R. Espiritu[16]	4/4
Rafael D. Consing, Jr. [17]	2/2

The Operations Committee

The Operations Committee was established on April 16, 2021 for the purpose of discharging the responsibilities of the Board in overseeing the operations of the Company. These responsibilities included the review of environmental policy, planning, and compliance issues, safety policies and related issues, review and monitoring of issues of importance and strategic significance relating to the operations of the Company, and advising the Board on matters relating to Company operations and responsibilities assigned to it by the Board. The Committee was composed of three directors including the Chairman.

The Committee met two (2) times in 2021. On August 11, 2021, the Committee was formally dissolved by the Board of Directors.

Operations Committee	Meetings Attended/ Held
Antonino T. Aquino	2/2
Jose Rene Gregory D. Almendras	2/2
Sherisa P. Nuesa	2/2

The Corporate Governance Committee

The Corporate Governance (CG) Committee is composed of four (4) independent directors including the Chairman. The CG Committee is tasked with ensuring compliance with and proper observance of corporate governance principles and practices, and 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;

[10] Mr. Oscar S. Reyes served as the Chairman of the Audit Committee from January 1, 2021 until April 16, 2021.
[11] Mr. Ablaza served as a member of the Audit Committee from January 1, 2021 until June 3, 2021.
[12] Ms. Nuesa was elected as the Chairperson of the Audit Committee on April 16, 2021.
[13] Dr. Laya served as a member of the Audit Committee from January 1, 2021 until April 16, 2021.
[14] Amb. Jose L. Cuisia, Jr. served as a member of the Audit Committee from January 1, 2021 until April 16, 2021.
[15] Mr. Buenventura was elected as a member of the Audit Committee on April 16, 2021.
[16] Mr. Espiritu was elected as a member of the Audit Committee on April 16, 2021.
[17] Mr. Consing was elected as a member of the Audit Committee on June 3, 2021 and serves the unexpired term of Mr. Ablaza.

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 continuing education and training programs for directors, and assignment of tasks/projects to Board committees;
e) proposes and plans relevant trainings for the members of the Board;
f) reviews conflict-of-interest situations and provides appropriate remedial measures for the same;
g) 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;
h) monitors and assesses the Company's compliance with laws, rules and regulations relating to corporate governance policies;
i) evaluates and monitors compliance with the Company's policy in detection of fraud and whistle-blower program;
j) Evaluates and monitors compliance with the Company's Code of Business Conduct and Ethics; and
k) adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance.

On June 3, 2021, the Board of Directors approved the proposal to amend the required number of directors from three (3) to at least three (3) members, all of whom shall be independent directors.

The Compliance Officer, in coordination with the Corporate Secretary, shall support the Committee in the performance of its functions. The Corporate Governance Committee held two (2) meetings in 2021.

Corporate Governance Committee	Meetings Attended/ Held
Sherisa P. Nuesa[18]	1/1
Jaime C. Laya[19]	1/1
Jose L. Cuisia, Jr.[20]	1/1
Octavio Victor R. Espiritu[21]	1/1
Cesar A. Buenaventura[22]	1/1
Eric Ramon O. Recto[23]	1/1

The Board Risk Oversight Committee

The Board Risk Oversight Committee (BROC) is composed of four (4) members, majority of whom are independent directors, and is chaired by an independent director. In accordance with the BROC charter, Mr. Buenaventura, who chairs the Committee, does not sit as the chairman of the Board or of any other committee. The Board Risk Oversight Committee was established separately from the Audit Committee in order to further enhance governance on risk matters and align with the best practices in risk management and supported by the Enterprise Risk Management Department in the performance of its functions.

This committee is tasked to provide assistance in fulfilling the Board's oversight responsibilities in relation to risk governance in Manila Water, which includes ensuring that the Management maintains a sound and responsive risk management system across the organization; 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.

This committee is also responsible for ensuring that an overall set of risk management policies and procedures exist for the Company; reviews the Company's risk governance structure and the adequacy of the Company's risk management framework/process; reviews and endorses to the Board changes or amendments to the Enterprise Risk Management (ERM) Policy; performs oversight functions specifically in the areas of managing strategic, financial, compliance, regulatory, operational and other risks of the Company, and crisis management. In coordination with the Audit Committee, ensures 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.

On February 11, 2021, the Charter of the Board Risk Oversight Committee was amended to add additional roles and responsibilities and further define its governance and oversight function. The amendment was ratified by the Board of Directors during their meeting on February 24, 2021.

On June 3, 2021, the Board of Directors approved the proposal to amend the required number of members of the Committee from four (4) to at least three (3), majority of whom shall be independent directors of the Company.

[18] Ms. Nuesa served as the Chairperson of the Corporate Governance Committee until April 16, 2021.
[19] Dr. Laya served as a member of the Corporate Governance Committee until April 16, 2021.
[20] Amb. Cuisia served as a member of the Corporate Governance until April 16, 2021.
[21] Mr. Espiritu was elected as the Chairman of the Corporate Governance Committee on April 16, 2021.
[22] Mr. Buenaventura was elected as the Chairman of the Corporate Governance Committee on April 16, 2021.
[23] Mr. Recto was elected as the Chairman of the Corporate Governance Committee on April 16, 2021.

The Board Risk Oversight Committee held four (4) meetings in 2021. From the year 2020, the BROC meets every quarter as compared to the semi-annual frequency in previous years.

Board Risk Oversight Committee	Meetings Attended/ Held
Jaime C. Laya[24]	1/1
Gerardo C. Ablaza, Jr.[25]	2/2
Jose L. Cuisia, Jr. [26]	1/1
Oscar S. Reyes[27]	1/1
Cesar A. Buenaventura[28]	3/3
Sherisa P. Nuesa[29]	3/3
Eric Ramon O. Recto[30]	3/3
Donato C. Almeda[31]	2/2

The Related Party Transactions Committee

The Related Party Transactions Committee (RPT) Committee is composed of four (4) non-executive directors, majority of whom are independent directors. In accordance with the RPT Committee Charter, Mr. Recto, who is an independent director, is the Chairman of the Committee.

This committee is primarily tasked with the duty of enforcing and implementing the Related Party Transactions Policy of the Company. The Committee also ensures that material RPT shall have terms and conditions that are fair and equitable to the Company; the approval, award, processing and payment of RPT shall follow the same procedures as the other transactions and contracts of the Company, and therefore, no unusual privilege or special treatment shall be afforded a Related Party; and in case of doubt on the nature of a transaction subject of investigation or review pursuant to the RPT Policy, the Office of the Compliance Officer, in consultation with the RPT Committee, shall determine whether the transaction or relationship constitutes a RPT, and whether the same shall be pursued taking into consideration the cost and benefit to the Company.

On October 28, 2019, the Related Party Transactions Committee approved the amendments to the Company’s Policy on Related Party Transactions in order to comply with the provisions of the Rules on Material Party Transactions for Publicly Listed Companies of the SEC. The amendments to the Company’s Policy were ratified by the Board of Directors during its Regular Meeting on November 26, 2019.

On June 3, 2021, the Charter of the RPT Committee was amended reduce the minimum number of committee members from four (4) to at least three (3), and at least two (2) members shall be independent directors of the Company.

The RPT Committee met four (4) times in 2021.

Related Party Transactions Committee	Meetings Attended/ Held
Sherisa P. Nuesa[32]	1/1
Jaime C. Laya[33]	1/1
Jose L. Cuisia, Jr.[34]	1/1
Eric Ramon O. Recto[35]	3/3
Octavio Victor R. Espiritu[36]	3/3
Cesar A. Buenaventura[37]	3/3
Rafael D. Consing[38]	3/3

The Nomination Committee

The Nomination Committee is composed of at least three (3) directors, majority of whom are independent directors, and under its Charter is required to be chaired by an independent director.

This committee is tasked to install and maintain an evaluation process to ensure that all directors to be nominated to the Board during the annual stockholders' meeting have all the qualifications and none of the disqualifications stated in the Manual, the Charter of the Board and the Committees, and under existing laws and regulations undertakes the process of identifying the quality of directors consistent with the Company's strategic directions, and to ensure that the directors have the competence and professional background that will enable them to perform their duties as directors of Manila Water. For this reason, 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.

The Nomination Committee is also responsible for evaluating the qualifications of all officers nominated to positions in the Company which are appointed, or required to be appointed, by the Board and provides guidance and advice as necessary for the appointment of persons nominated to other positions. It also reviews and revises, if necessary, the succession plans for members of the Board and officers with ranks from Group Directors to the President and CEO.

[24] Dr. Laya served as the Chairman of the Board Risk Oversight Committee from January 1, 2021 until April 16, 2021.
[25] Mr. Ablaza served as a member of the Board Risk Oversight Committee from January 1, 2021 until June 3, 2021
[26] Amb. Cuisia served as a member of the Board Risk Oversight Committee from January 1, 2021 until April 16, 2021.
[27] Mr. Reyes served as a member of the Board Risk Oversight Committee from January 1, 2021 until April 16, 2021.
[28] Mr. Buenaventura was elected as the Chairman of the Board Risk Oversight Committee on April 16, 2021.
[29] Ms. Nuesa was elected as a member of the Board Risk Oversight Committee on April 16, 2021.
[30] Mr. Recto was elected as a member of the Board Risk Oversight Committee on April 16, 2021.
[31] Mr. Almeda was elected as a member of the Board Risk Oversight Committee on June 3, 2021. He serves the unexpired term of Mr. Ablaza.
[32] Ms. Nuesa served as the Chairperson of the RPT Committee from January 1, 2021 until April 16, 2021.
[33] Dr. Laya served as a member of the RPT Committee from January 1, 2021 until April 16, 2021.
[34] Amb. Cuisia served as a member of the RPT Committee from January 1, 2021 until April 16, 2021.
[35] Mr. Recto was elected as the Chairman of the RPT Committee on April 16, 2021.
[36] Mr. Espiritu was elected as a member of the RPT Committee on April 16, 2021.
[37] Mr. Buenaventura was elected as a member of the RPT Committee on April 16, 2021.
[38] Mr. Consing was elected as the fourth member of the RPT Committee on June 3, 2021.

The Nomination Committee also provides an assessment of the Board's effectiveness in directing the process of renewing and replacing Board members and in appointing officers or advisors. It also develops, and updates as necessary and recommend to the Board policies for considering nominees for directors, officers, or advisors.

The Nomination Committee met seven (7) times in 2021.

Nomination Committee	Meetings Attended/ Held
Jose L. Cuisia, Jr.[39]	2/2
Oscar S. Reyes[40]	2/2
Jaime C. Laya[41]	2/2
Octavio Victor R. Espiritu[42]	5/5
Sherisa P. Nuesa[43]	5/5
Cesar A. Buenaventura[44]	5/5
Donato C. Almeda[45]	4/4

The Committee of Inspectors of Ballots and Proxies

Membership consists of the Chief Audit Executive as Chairman, and the Head of the Legal and Corporate Governance Department and a representative of the external auditor of the Company as members.

This committee is mandated to validate proxies issued by the stockholders and to determine if the same are in accordance with existing laws, rules, and regulations prior to the annual stockholders' meeting. This committee also serves as the default inspector of ballots and tabulator of votes during the annual stockholders' meeting, and as such, is required to coordinate closely with the Office of the Corporate Secretary and the independent validator of votes appointed for the purpose.

The Committee met twice in 2021.

Committee of Inspectors of Ballots and Proxies	Meetings Attended/ Held
Rolando V. Caraig	2/2
Romelyn A. Obligacion (representing Gerardo M. Lobo II)	2/2
Representative from the External Auditor	2/2

Corporate Orientation and Corporate Governance Trainings for Directors

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. Under the Company's Manual, the members of the Board are also provided with such resources, trainings, and continuing education to enable each member to actively, independently, and judiciously participate in Board and Committee meetings.

Newly elected members of the Board undergo orientation programs for them to have a working knowledge of the statutory and regulatory requirements affecting the Company. They are also required to keep abreast with industry developments and business trends in order that they may promote the Company's competitiveness and sustainability. 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 Company also provides general access to training courses to its directors as a matter of continuous professional education as well as to enhance their skills as directors and keep them updated in their knowledge and understanding of the Company's business. The Board and Board Committees are also allowed to hire independent legal counsel, accountants, or other consultants to advise them when necessary.

At every board meeting, directors are 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. The corporate orientation program includes modules on the operations of the Company, as well as relevant 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 informs the Board of any updates on the matters covered by the orientation program. The corporate orientation program and updates are usually given during the regular meetings of the Board.

These programs notwithstanding, Manila Water encourages its directors to attend external trainings, courses or continuing professional education programs on corporate governance. The Directors are required to inform the Office of the Corporate Secretary of the trainings or courses attended for record and disclosure purposes.

[39] Amb. Cuisia served as the Chairman of the Nomination Committee from January 1, 2021 until April 16, 2021.
[40] Mr. Reyes served as a member of the Nomination Committee from January 1, 2021 until April 16, 2021.
[41] Dr. Laya served as a member of the Nomination Committee from January 1, 2021 until April 16, 2021.
[42] Mr. Espiritu was elected as the Chairman of the Nomination Committee on April 16, 2021.
[43] Ms. Nuesa was elected as a member of the Nomination Committee on April 16, 2021.
[44] Mr. Buenaventura was elected as a member of the Nomination Committee on April 16, 2021.
[45] Mr. Almeda was elected as a member of the Nomination Committee on June 3, 2021.

Corporate Governance Programs Attended by the Board of Directors in 2021

<table>
<tr><th>Name of Director</th><th>Date of Training</th><th>Title of Training</th></tr>
<tr><td>Enrique K. Razon Jr.</td><td>December 14, 2021</td><td>2021 Corporate Governance Training:
Reframe the Future</td></tr>
<tr><td>Fernando Zobel de Ayala</td><td>October 21, 2021</td><td>The Board’s Agenda 2021:
The Pathway to Recovery Through ESG</td></tr>
<tr><td>Jose Victor Emmanuel A. de Dios</td><td>December 14, 2021</td><td>2021 Corporate Governance Training:
Reframe the Future</td></tr>
<tr><td>Jose Rene Gregory D. Almendras</td><td>October 21, 2021</td><td>The Board’s Agenda 2021:
The Pathway to Recovery Through ESG</td></tr>
<tr><td>Antonino T. Aquino</td><td>October 21, 2021</td><td>The Board’s Agenda 2021:
The Pathway to Recovery Through ESG</td></tr>
<tr><td>Rafael D. Consing, Jr.</td><td rowspan="2">December 14, 2021</td><td rowspan="2">2021 Corporate Governance Training:
Reframe the Future</td></tr>
<tr><td>Donato C. Almeda</td></tr>
<tr><td rowspan="2">Sherisa P. Nuesa</td><td>March 18, 2021
March 25, 2021</td><td>Distinguished Corporate Governance Speaker Series</td></tr>
<tr><td>October 21, 2021</td><td>The Board’s Agenda 2021:
The Pathway to Recovery Through ESG</td></tr>
<tr><td>Cesar A. Buenaventura</td><td>November 24-25, 2021</td><td>Pilipinas Shell Petroleum Corporation
2021 In-house Corporate Governance Training</td></tr>
<tr><td>Octavio Victor R. Espiritu</td><td>November 9-10, 2021</td><td>Corporate Governance Orientation Program</td></tr>
<tr><td>Eric Ramon O. Recto</td><td>September 8, 2021</td><td>Aboitiz Group of Companies
2021 In-house Corporate Governance Training</td></tr>
</table>

Board Meetings

Under the Charter of the Board, the Board institutionalized a policy of holding at least six (6) meetings in a year. These include the organizational meeting of the Board which is held immediately after the annual stockholders' meeting. Under the By-laws, special meetings may be called by the Chairman, Vice Chairman, President or at the instance of a majority of the members of the Board.

To promote transparency, the Board has a policy of requiring the presence of at least one independent director in all its meetings. In the past years, the Board has not conducted a meeting without the presence of at least one independent director.

Under the Manual, a director’s absence, or non-participation, for whatever reason in more than fifty percent (50%) of all Board meetings, both regular and special, in a year is a ground for temporary disqualification in the succeeding election.

Attendance of Directors in Board Meetings

In 2021, a total of fifteen (15) meetings were held by the Board (exclusive of the Annual Stockholders’ Meeting), as follows:

1. Regular Board Meeting held on February 24, 2021
2. Organizational Board Meeting held on April 16, 2021
3. Special Board Meeting held on May 3, 2021
4. Regular Board Meeting held on May 11, 2021
5. Special Board Meeting held on June 3, 2021
6. Special Board Meeting held on July 1, 2021
7. Special Board Meeting held on August 1, 2021
8. Regular Board Meeting held on August 11, 2021
9. Special Board Meeting held on August 25, 2021
10. Special Board Meeting held on August 27, 2021
11. Special Board Meeting held on September 16, 2021
12. Regular Board Meeting held on October 11, 2021
13. Special Board Meeting held on October 25, 2021
14. Regular Board Meeting held on November 18, 2021
15. Non-Executive Directors’ Meeting held on November 26, 2021

Mr. Jose Victor Emmanuel A. de Dios, the Company's President and Chief Executive Director, and Mr. Donato C. Almeda, the Company's Chief Regulatory Officer, are Executive Directors and were not a party to the meeting of the Non-Executive Directors held on November 26, 2021.

During the 2021 Annual Stockholders' Meeting held on April 16, 2021, and conducted virtually via http://www.ayalagroupshareholders.com/, the Chairman of the Board of Directors, President and CEO of the Company, and the Chairman of the Audit Committee along with the other directors and executive officers of the Company, were in attendance. Their attendance was duly recorded in the minutes of the said meeting.

Name	ATTENDANCE IN 2021 BOARD MEETINGS	
	Board Meetings Attended	Percentage Present
Enrique K. Razon, Jr.[46]	10/10	100%
Fernando Zobel de Ayala	13/14	93.33%
Jaime Augusto Zobel de Ayala[47]	3/5	60.00%
Jose Rene Gregory D. Almendras	14/14	100.00%
Antonino T. Aquino	14/14	100.00%
Gerardo C. Ablaza, Jr.[48]	5/5	100.00%
Delfin L. Lazaro[49]	5/5	100.00%
John Eric T. Francia[50]	5/5	100.00%
Oscar S. Reyes[51]	1/1	100.00%
Sherisa P. Nuesa	14/14	100.00%
Jaime C. Laya[52]	1/1	100.00%
Jose L. Cuisia, Jr.[53]	1/1	100.00%
Cesar A. Buenaventura[54]	13/13	100.00%
Octavio Victor R. Espiritu[55]	13/13	100.00%
Eric Ramon O. Recto[56]	13/13	100.00%
Rafael D. Consing, Jr.[57]	10/10	100.00%
Donato C. Almeda[58]	9/10	90.91%
Christian Martin R. Gonzalez[59]	6/6	100.00%
Jose Victor Emmanuel A. de Dios[60]	4/4	100.00%

39 Amb. Cuisia served as the Chairman of the Nomination Committee from January 1, 2021 until April 16, 2021.
40 Mr. Reyes served as a member of the Nomination Committee from January 1, 2021 until April 16, 2021.
41 Dr. Laya served as a member of the Nomination Committee from January 1, 2021 until April 16, 2021.
42 Mr. Espiritu was elected as the Chairman of the Nomination Committee on April 16, 2021.
43 Ms. Nuesa was elected as a member of the Nomination Committee on April 16, 2021.
44 Mr. Buenaventura was elected as a member of the Nomination Committee on April 16, 2021.
45 Mr. Almeda was elected as a member of the Nomination Committee on June 3, 2021.
46 Mr. Razon was elected as a Director on June 3, 2021 and serves the unexpired term of Mr. Jaime Augusto Zobel de Ayala.
47 Mr. Zobel de Ayala served as a Director from January 1, 2021 until June 3, 2021.
48 Mr. Ablaza served as a Director from January 1, 2021 until June 3, 2021.
49 Mr. Lazaro served as a Director from January 1, 2021 until June 3, 2021.
50 Mr. Francia served as a Director from January 1, 2021 until June 3, 2021.
51 The term of Mr. Reyes ended on April 16, 2021.
52 The term of Dr. Laya ended on April 16, 2021.
53 The term of Amb. Cuisia ended on April 16, 2021.
54 Mr. Buenaventura was elected as a Director during the Annual Stockholders' Meeting on April 16, 2021.
55 Mr. Espiritu was elected as a Director during the Annual Stockholders' Meeting on April 16, 2021.
56 Mr. Recto was elected as a Director during the Annual Stockholders' Meeting on April 16, 2021.
57 Mr. Consing was elected as a Director on June 3, 2021 and serves the unexpired term of Mr. Ablaza.
58 Mr. Almeda was elected as a Director and June 3, 2021 and serves the unexpired term of Mr. Lazaro. As the Company's Chief Regulatory Officer, he was not a party to the meeting of the Non-Executive Directors held on November 26, 2021.
59 Mr. Gonzalez was elected as a Director on June 3, 2021 and served the unexpired term of Mr. Francia. He resigned on August 31, 2021.
60 Mr. de Dios was elected as a Director effective September 1, 2021 and serves the unexpired term of Mr. Gonzalez. As President and Chief Executive Officer, he was not a party to the meeting of the Non-Executive Directors held on November 26, 2021.

Quorum in Board Meetings

Under the By-Laws of the Company, 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.

Board Remuneration

The Board determines 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 their performance of numerous responsibilities of a Board member. The Talent and Remuneration Committee is responsible for recommending to the Board the fees and other compensation for directors. In fulfilling this duty, the Talent and Remuneration Committee is guided by the objective of ensuring that the proposed fees should fairly compensate the directors for the work required consistent with the Company's size and industry.

In a special meeting held on April 11, 2011, the Board approved an increase in the Board remuneration. The approved remuneration for each member of the Board consists of ₱500,000.00 as a fixed annual retainer fee, ₱200,000.00 for each meeting of the Board actually attended, and ₱50,000.00 for each Committee meeting actually attended. This Board remuneration structure was approved by the stockholders in its annual stockholders' meeting held on April 11, 2011. In the same annual meeting, the stockholders approved the amendment of the By- laws, giving the Board of Directors the authority to determine the amount, form, and structure of the fees and other compensation of the directors.

On November 18, 2021, the Board resolved that Executive Directors shall not receive per diem remuneration for his participation and attendance in the meetings of the Board and Board Committees.

On February 24, 2022, the Board approved to discontinue the payment of per diems of directors for their attendance and participation in asynchronous meetings of the Board and Board Committees.

The directors of the Board received the following gross per diem remuneration for attending eleven (11) Board meetings, the meeting of the Non-Executive Directors, the annual stockholders' meeting, and their respective Committee Meetings in 2021:

NAME	2021 RETAINER FEE	ATTENDANCE IN THE MEETINGS OF THE BOARD AND STOCKHOLDERS	ATTENDANCE IN THE MEETINGS OF BOARD COMMITTEES	TOTAL
Enrique K. Razon, Jr.	₱375,000	₱1,800,000	₱150,000	₱2,325,000
Fernando Zobel de Ayala	₱500,000	₱3,000,000	₱150,000	₱3,650,000
Jaime Augusto Zobel de Ayala	₱125,000	₱800,000	-	₱925,000
Jose Rene Gregory D. Almendras	₱500,000	₱3,200,000	₱250,000	₱3,950,000
Antonino T. Aquino	₱500,000	₱3,200,000	₱150,000	₱3,850,000
Gerardo C. Ablaza, Jr.	₱250,000	₱1,200,000	₱300,000	₱1,750,000
Delfin L. Lazaro	₱250,000	₱1,200,000	-	₱1,450,000
John Eric T. Francia	₱250,000	₱1,200,000	₱50,000	₱1,500,000
Oscar S. Reyes	-	₱400,000	₱350,000	₱750,000
Sherisa P. Nuesa	₱500,000	₱3,200,000	₱1,000,000	₱4,700,000
Jaime C. Laya	-	₱400,000	₱350,000	₱750,000
Jose L. Cuisia, Jr.	-	₱400,000	₱450,000	₱850,000
Cesar A. Buenaventura	₱500,000	₱2,800,000	₱800,000	₱4,100,000
Octavio Victor R. Espiritu	₱500,000	₱2,800,000	₱700,000	₱4,000,000
Eric Ramon O. Recto	₱500,000	₱2,800,000	₱400,000	₱3,700,000
Rafael D. Consing	₱375,000	₱2,000,000	₱400,000	₱2,775,000
Donato C. Almeda	₱250,000	₱1,600,000	₱400,000	₱2,250,000
Christian Martin R. Gonzalez	₱125,000	₱1,200,000	₱50,000	₱1,375,000
Jose Victor Emmanuel A. de Dios	₱125,000	₱600,000	₱100,000	₱825,000
TOTAL	**₱5,625,000**	**₱33,800,000**	**₱6,050,000**	**₱45,475,000**

Purpose, Vision, Mission and Core Values

To ensure good governance of the Company, the Board is mandated under the Manual to formulate strategic objectives, key policies, and procedures for the management of the Company. Furthermore, the Board has established the mechanism for monitoring and evaluating the performance of the Management, especially that of the President and CEO. Under its Charter, the Board is enjoined to periodically review the vision, mission, corporate strategic objectives, and key policies of the Company to sustain the Company's market competitiveness and enhance shareholder value. During a special meeting held on August 25, 2021, the Board approved the new mission and vision statements of the Company. In addition, the Board approved the Company's purposes statement and core values, as representative of its strategic and corporate objectives:

Purpose: Better lives and resilient economies throughout critical infrastructure.

Vision: A global leader in providing quality water & environmental services supportive of sustainable development.

Mission: Deliver world-class services tailored to the needs of the communities we serve, through sustainable solutions and purpose-driven, empowered, innovative teams.

Core Values:

Care (Malasakit)
We demonstrate our innate Filipino value of genuine compassion and ownership to fulfill our mission to our employees, customers, environment, and our nation.

Excellence (Kahusayan)
We create meaningful value and deliver high returns for all our stakeholders by delivering the highest quality products and services, investing in projects that improve quality of life while upholding the welfare of our employees.

Tenacity (Katatagan)
We bravely face challenges head-on with a 'can do, must do' attitude and we follow through on our promises with maximum effort and persistence. We quickly embrace change and ensure competent completion of every job we commit to.

Collaboration (Bayanihan)
We live and breathe the work that we do, and we seek out colleagues and partners that share the same commitment to utilize our diverse strengths and work together in synergy towards our purpose.

Integrity (Integridad)
We are ethical, fair, and transparent in our business practices at every level of our organization. We always choose to do what's right and take accountability for our actions.

Pioneering (Tagapanguna)
We apply new approaches, explore new methods and ideas, in order to create innovative solutions and deliver lasting impact for the communities in which we operate.

Annual Board Evaluation

The Board has an annual evaluation process that is required to be accomplished by the directors, which enables an informed and objective assessment of the following:

1. Board and Board Committee processes and meetings;
2. Compliance with the responsibilities and functions of the Board and Board Committees;
3. Board-Management relationship;
4. Board Member self-evaluation; and
5. Evaluation of the performance of the President and CEO and Senior Management

This evaluation enables the Board and the Management to determine areas that need improvement on the very scope and criteria of the evaluation process. It also allows the Board to explain their respective ratings and to provide their own comments on the matters discussed in the evaluation. The scope and criteria for the Board Evaluation Process is contained in the Charter of the Board of Directors. The Charter of the Board is available for download at the Company's website.

In addition to the annual Board evaluation process, the Audit Committee adopted SEC Memorandum Circular No. 4 Series of 2012 on the Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Philippine Stock Exchange which took effect on June 30, 2012. Pursuant to this, an annual evaluation is also being conducted to assess the performance of the Audit Committee.

These annual evaluation processes are facilitated by the Office of the Corporate Secretary in coordination with the Corporate Governance Committee.

Office of the Corporate Secretary

The Corporate Secretary ensures that the Board and the Management follow internal and external rules and regulations and facilitates clear communications between the Board and Management. More importantly, the Company recognizes the mandate of the Office in championing the compliance of the Board and the Company with good corporate governance practices and policies. For this purpose, the Office of the Corporate Secretary, under its Charter, is mandated to coordinate with the Office of the Compliance Officer with regard to the formulation and implementation of the corporate governance practices of the Company, especially those relevant to and affecting the Board. This is to ensure that sound corporate governance practices are embedded across the entire organization.

The Management

The Management is primarily responsible for the operations of the Company. As part of its accountability, the Management is required to provide the Board with adequate, regular, and timely information on the operations and affairs of the Company.

The roles of the Chairman, and the President and CEO were made separate to ensure an appropriate balance of authority, increased accountability, and greater capacity of the Board for independent decision- making.

The Manual requires the Company to disclose the relationship between the Chairman, and the President and CEO, if any, in its annual report to the SEC. The Chairman of the Board, Mr. Enrique K. Razon, Jr., and the President and CEO of the Company, Mr. Jose Victor Emmanuel A. de Dios, are not related to each other.

Succession Planning

The Board, with the assistance of the Remuneration Committee, the Nomination Committee, and the Company's Corporate Human Resources Group, has adopted a professional development program for employees, officers, and senior management. Through its robust succession management, the Company has put in place a process to determine the competencies, potential for growth, knowledge and experience necessary for particular roles and positions. This enables the company to identify key talents for purposes of succession in both leadership and technical roles.

The development of a leadership and technical talent pool is crucial to the success of Manila Water in the future. Hence, it is one of the top strategic priorities of the Company. For the succession of the top key management and technical positions, the Company has formed an Acceleration Pool composed of selected high potential key talents within the organization. Given the highly technical nature of the business, the succession of technical talent pool is given equal emphasis as the leadership roles to ensure that we build the right talents to sustain our operations and support our growth.

Talents identified to be part of the Acceleration Pool undergo the following:

1. Assessment that gauges a talent's business driver readiness and leadership competencies;
2. Creation of an Individual Development Plan that outlines possible developmental areas and stretched assignments; and
3. Coaching and mentoring sessions.

The Company's Corporate Human Resources Group, with strong sponsorship from our CEO and our senior leaders in the company, manages the succession process but it is ultimately driven by the CEO and business leaders who work with HR and devote their time and energy to spot, develop and retain high performing and high potential talents who eventually become part of the leadership team of the organization.

The Compliance Officer

In accordance with the Manual, and in order to ensure adherence to the principles and best practices in corporate governance, the Board appoints a Compliance Officer whose primary role is to operationalize the Manual and monitor overall compliance with its provisions and requirements.

Moreover, the Compliance Officer is tasked with the duty to communicate with the SEC on matters relating to the Company's compliance with the Manual and the clarification of matters required by the said Commission. Together with his primary function, the Compliance Officer is also tasked to oversee the implementation of the Company's Code of Business Conduct and Ethics and the Related Party Transactions Policy.

The Corporate Governance Office

The Enterprise Corporate and Contract Advisory Services Department, (the "Department") which is under the Legal and Corporate Governance Group is the unit tasked to formulate and implement the initiatives and policies on good corporate governance. The Department, on matters of corporate governance, reports directly to the Compliance Officer under the supervision of the Corporate Governance Committee. The Department has been active in the continuous conduct of orientation to all Manila Water employees and business partners on the Company's governance policies, particularly on matters contained in the Manual and the Code of Business Conduct and Ethics, such as transparency, whistle blower policy, honesty and fair dealing, and prompt and adequate disclosure of material information, among other policies.

Among the mandates of the Department is the continuous identification of gaps and challenges on corporate governance practices across the organization. This allows the Department to propose improvements on the Company's policies based on international corporate governance standards.

Finally, the Department, in coordination with the Office of the Corporate Secretary, also provides timely updates to the Board and the Management on the current and best practices on corporate governance in the industry and globally.

The Internal Audit

The Internal Audit (IA) Department conducts an independent, objective assurance and consulting activity designed to add value and improve the organization's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The activities of IA are governed by a separate Internal Audit Charter approved by the Audit Committee and the Board.

The IA reports to and supports the Audit Committee in the effective discharge of the Committee's oversight roles and responsibilities. The IA consists of talents and professionals who are either a Certified Public Accountant, Certified Internal Auditor, Certified Information Systems Auditor, Certified Internal Control Auditor, Certified Forensic Accountant, Electronics and Communication Engineer, Electrical Engineer, or a mix thereof.

A risk-based internal audit plan is prepared and approved by the Audit Committee annually, which is reassessed quarterly to consider emerging risks. The Audit Committee reviews and approves the annual work plan and all deviations therefrom and ensures that internal audit examinations cover the evaluation of adequacy and effectiveness of controls encompassing the company's governance, operations, and information systems; reliability and integrity of financial and operational information; safeguarding of assets; and compliance with laws, rules, and regulations.

The IA conducts its activities guided by the Institute of Internal Auditors' (IIA) Professional Practices Framework (IPPF) and its mandatory elements namely: (1) Core Principles for the Professional Practice of Internal Auditing; (2) Definition of Internal Auditing; (3) Code of Ethics; and (4) International Standards for the Professional Practice of Internal Auditing. In December 2017, the external auditing firm Punongbayan & Araullo conducted an independent validation of the internal audit function's Quality Assessment Review and concurred that the internal audit activity "Generally Conforms" to IPPF. The Standards require that the external assessment be conducted at least once every five (5) years, thus the next one will be performed in 2022.

On November 9, 2021, the Audit Committee approved the amendments to the Charter of the Internal Audit to include the mission and vision statement and the revision of the reporting and working relationships, and reporting lines of the Internal Audit. The changes were ratified by the Board of Directors during their regular meeting on November 18, 2021.

The Chief Risk Officer

The Chief Risk Officer (CRO) oversees the entire risk management function and leads the development, implementation, maintenance, and continuous improvement of Enterprise Risk Management (ERM) program, processes, and tools. The CRO is the Vice Chairman of the Enterprise Risk Management Executive Committee (ERMEC). He also leads the Enterprise Risk Management (ERM) Department in facilitating the ERM process and in collecting and analyzing key business risk information for reporting to the risk management committees (ERMEC and RMEC) and to the Board Risk Oversight Committee (BROC).

Enterprise Risk Management Department

The Enterprise Risk Management (ERM) Department is responsible for the sustained implementation of the Enterprise Risk Management Program across the Manila Water Enterprise, acts as the primary driver of developing a risk-aware culture, and ensures that key risks are identified and managed by the respective risk owners .

Investor Relations Team

The Investor Relations Team (IR) keeps the Company's investors and other relevant stakeholders regularly informed of developments in the Company's business. For this purpose, IR conducts briefings on quarterly business results, supported as necessary by meetings/ calls with shareholders, fund managers, and analysts. These activities are aimed to keep investors updated on the financial and operating performance of the Company, along with other material information and developments. Furthermore, in collaboration with the Company's Corporate Communications team, a press briefing is held each year immediately following the annual stockholders' meeting to engage other stakeholders, specifically the media.

The IR Team may be reached through:

Mailing Address:
Manila Water Company, Inc.
Investor Relations
2F MWSS Administration Building
489 Katipunan Road, 1105 Balara
Quezon City, Philippines

E-mail: invrel@manilawater.com

Contact Person:
Mark S. Orbos
Head of Investor Relations

The Sustainability Officer

The Sustainability Officer monitors and reports on the environmental, sustainability and social impacts of the Company's business operations and communicates sustainability concerns, risks, and initiatives from the management to the Board of Directors through the Committee. The Sustainability Officer has, among others, the following duties and responsibilities:

a. Map out enterprise-wide sustainability issues and opportunities and act on them;
b. Provide management with material insights in formulating and implementing an overall sustainability strategy where social, economic and environmental goals intersect;
c. Set short- and long-term enterprise-wide sustainability targets which align with the Company's societal commitments as well as expectations of external stakeholders;
d. Manage existing and emerging business risks through collaboration with stakeholders by identifying short- and long-term tactics to address sustainability issues, in accordance with the sustainability framework and commitments of the Company;

e. Undertake material indicator assessments to determine key sustainability-related issues, in particular, those having significant impact on the external environment and stakeholders and on the long-term ability of the Company to create value;
f. Take the lead in the Company's response to evolving sustainability frameworks (and their associated indicators) vis-à-vis developments in the operating environment;
g. Identify material economic, environmental, ethical and social impact of the Company's operations and craft strategies to address their effect on the sustainability of the business;
h. Monitor and analyze the enterprise-wide non-financial performance of the Company vis-à-vis stated sustainability targets;
i. Align sustainability performance communications with key advocacy initiatives of the Company which address operating risks and further enhance business opportunities;
j. Prepare the Sustainability Report for submission to the Securities and Exchange Commission and ensure that the Company is compliant with the prescribed reporting standards and frameworks for Sustainability Reporting; and
k. Take the lead in developing and nurturing an environmental and sustainability ethic and competencies of all employees through sharing of leading-edge sustainability knowledge and providing training.

As of January 1, 2022, Ms. Sarah Bergado, was appointed as the Company's Sustainability Head.

The Corporate Governance Manual

Manila Water is dedicated to observing the highest standards of corporate governance in order to serve the best interests of it is stakeholders, including the investing public. The Board, the Management, the employees, and shareholders of the Company believe that sound and effective leadership is fundamental to its continued success and stability. These principles and practices enable the company to create and sustain increased value for all the shareholders.

The corporate governance policy of Manila Water is primarily contained in its Manual of Corporate Governance (the "Manual"). The Company's corporate governance framework is based on the principles of accountability, fairness and transparency, and sustainability. The Manual is available for download at the Company's website.

The Manual contains the governance principles that the Company applies in all its undertakings and supplements Manila Water's Articles of Incorporation and By-laws, Code of Business Conduct and Ethics and other related Company policies. The Manual instituted the policies on:

a) the Board of Directors', the Board Committees' and management's roles, functions and responsibilities in relation to good governance;
b) the institution of training for the Board of Directors, executive directors and employees;
c) evaluation of the Board and Management's performance;
d) the enhanced roles of the Corporate Secretary and Audit Committee in corporate governance;
e) general guidelines on related party transactions; and
f) conflict of interest and prompt and adequate disclosures.

Manila Water is in full compliance with the code of corporate governance and all disclosure rules of the Philippines Stock Exchange and the Securities and Exchange Commission.

As a key policy, the members of the Board and key executives of the Company are required to disclose to the Board any material interest, whether direct or indirect, that they may have in any transaction or matter that directly affects the Company. The Company commits, at all times, to adequately and timely disclose all material information that could potentially affect Manila Water's share price and such other information that are required to be disclosed pursuant to the Securities Regulations Code (SRC) and its and its Implementing Rules and Regulations (IRR) and other relevant laws. This information includes, but is not limited to, results of earnings, acquisition or disposal of significant assets, off-balance sheet transactions, changes in Board membership, as well as changes in shareholdings of majority shareholders, directors and officers, and related party transactions. The Company also discloses its corporate governance practices, corporate events calendar, and other material information on its website in a timely manner.

The directors are required to comply with all disclosure requirements of the Manual and the SRC and its IRR, and to voluntarily disclose any conflict of interest, whether actual or potential, upon its occurrence. The disclosure of any conflict of interest, including related party transactions, is required to be made fully and immediately. In cases where related party transactions exist, it is the Company's policy that complete information on such transaction be immediately disclosed, and, if a director or officer is involved, the director or officer concerned shall not be allowed to participate in the decision-making process. The policy also mandates that a director who has a continuing conflict of interest of a material nature shall be required to resign, or if the Board deems appropriate, be removed as a member of the Board.

The Company's Manual is continuously being revised in accordance with the directives and issuances of the SEC and to comply with the highest standards of corporate governance. For the year 2021, the Manual was amended on June 3, 2021, August 11, 2021, and November 18. 2021.[61]

Related Party Transactions

To further instill the Company's policies on related party transactions, the Board adopted the Policy on Related Party Transactions (the "RPT Policy"). 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.

Any related party transactions entered into by the Company or its affiliates shall be in accordance with applicable law, rules and regulations, and the RPT Policy. Related party transactions entered into by the Company with one or more of its directors or officers are voidable at the option of the Company, unless the transaction is deemed fair and reasonable under the circumstances and at arm's length, and the procedure for the procurement and approval for similar transactions was strictly complied with.

The RPT Policy provides for the process of approving related party transactions, as well as the implications for violations. In addition, the RPT Policy prohibits related party transactions involving loans and/or financial assistance to a director and loans and or financial assistance to members of the Management, except when allowed pursuant to an established Company benefit or plan. Under the RPT Policy, the approval of the Related Party Transactions Committee is required for material related party transactions.

On November 26, 2019, the Board approved the amendments Company’s Policy on Related Party Transactions in order to comply with the provisions of the Rules on Material Related Party Transactions for Publicly Listed Companies of the SEC. The amendments updated the definition of Company-Recognized Material Related Party Transactions, SEC-Defined Materiality Threshold, Related Party Registry, Related Party Transactions, Related Parties, Affiliate, Associate, Substantial Shareholder, and Significant Influence.

The Code of Business Conduct and Ethics

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.

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.

Honesty and Fair Dealing

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. Directors, Officers and employees shall act honestly, ethically and in comply with all applicable laws, rules and

[61]The amendments on June 3, 2021 included the amendment of the Charter of the Audit Committee, the Charter of the Board Risk Oversight Committee, the Charter of the Corporate Governance Committee, the Charter of the Related Party Transactions Committee, and the Charter of the Talent and Remuneration Committee. The amendment on August 11, 2021 was the removal of the Charter of the Operations Committee after its dissolution. The amendments on November 18, 2021 included the amendment of the Audit Committee and the amendment of the Charter of the Internal Audit.

regulations and protect the name and reputation of the Company. 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. 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.

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.

Reporting of Fraudulent or Dishonest Acts (Whistle Blower Policy)

The Whistle Blower Policy provides for procedures to be followed to encourage all covered persons to report fraudulent or dishonest acts in order to protect the good name and reputation of the Company, and in the process, discourage the commitment of such acts.

Directors, officers, employees and third parties 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, employees and third parties. 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, employees and third parties as may be warranted.

To ensure protection of the reporter from any form of retaliation or discrimination, the identity of the person making the report and the contents of the report shall be kept confidential to the extent legally permissible.

Conflict of Interest

The policy prohibits conflict of interest situations involving all directors, officers, employees and their relatives up to the fourth degree of consanguinity and/or affinity, including common law relationships.

Under the policy, a conflict of interest arises when a director, 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 conflict by an impartial observer.

All contracts/arrangements by directors, officers and employees, and their relatives that violates this policy on conflict of interest shall be terminated immediately and correspondingly reported to the Office of the Compliance Officer, for appropriate action under the Code.

Corporate Entertainment and/or Gifts

The Company's policy on regarding Corporate Entertainment and/or Gifts Prohibits all officers and employees from accepting corporate entertainment/ gifts from suppliers, contractors and other business partners, which can be viewed as influencing the manner by which an officer or employee may discharge his duties.

Insider Trading

The Company's Insider Trading Policy prohibits directors, officers and confidential employees from trading in Manila Water shares five (5) days before and two (2) days after the release of quarterly and annual financial statements; and two (2) days after the disclosure of any material information other than those disclosed through quarterly and annual financial results.

All Directors, Key Officers, employees, consultants, advisers of the Company, and members of the immediate families of directors and key officers (the "Covered Persons") who are living in the same household as the directors and key officers who have 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, shall:

a) Not trade in the Company's securities directly or indirectly; and
b) Not communicate, directly or indirectly, such material non-public information to any person until the material non-public information is disseminated to the public and two (2) trading days have lapsed from the disclosure thereof to allow the market to absorb such information.

Directors and officers who may be covered by the reporting requirements of the SEC and the Philippine Stock Exchange (PSE) in respect of their shareholding in the Company or any changes thereof, are required to report their dealings in Company shares within three (3) business days after the transaction. Likewise, all other Covered Persons shall likewise report to the Office of the Compliance Officer within ten (10) calendar days from the end of each quarter their trades with Company's securities during such quarter. 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) days from the end of the quarter.

In alignment with the law, the definition of material non-public information has been amended.

Disclosure

The disclosure policy encourages 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.

Creditor Rights
The policy regarding Creditor Rights institutionalizes the Company's adherence to its loan covenants and agreements for the protection of the rights of the creditors of the Company. No distribution or disposal of assets of the Company shall be made except: when allowed by the law; or by decrease of capital stock; or upon lawful dissolution and after payment of all its debts and liabilities; when allowed by the material agreements of the Company, but without prejudice to vested rights.

Anti-Corruption

The Anti-Corruption Policy strictly prohibits giving and facilitating of 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.

Anti-Sexual Harassment

This policy is included in the Code of Conduct and Discipline. Said policy recognizes the Company's protection of the dignity of its human resources, stakeholders, and customers. All forms of sexual harassment shall be dealt with appropriately and in accordance with the applicable and all relevant laws, rules and regulations.

Diversity in Board Membership

Promotes equality among the members of the Board regardless of gender, age, ethnicity, or political, religious or cultural beliefs.

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 Manila Water. Officers and employees of the Company involved in the procurement process for services, materials, supplies and equipment for Manila Water are required to strictly comply with its Procurement Policies.

The Vendors' Code of Conduct

The Vendors' Code of Conduct sets out the rules that will guide Manila Water's vendors in the performance of their obligations and/or transacting business with Manila Water, thus avoiding acts contrary to standards, policies, laws and morals. As business partners of Manila Water, 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 Manila Water. The Vendors' Code of Conduct is deemed incorporated in the contracts of Manila Water with its suppliers, vendors and contractors.

A copy of the Vendor's Code of Conduct is downloadable at the Company website.

The Enterprise Risk Management Policy

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.

In order to bolster the risk oversight and management functions relating to strategic, financial, operational, compliance, legal and other risks of the Company, the Board, on August 11, 2015, approved the establishment of a separate Board Risk Oversight Committee (BROC). Subsequently, on November 26, 2015, the Board approved the Charter of the BROC, which transferred the risk oversight and management functions to the BROC from the Audit Committee.

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 performance and services.

Stockholder Rights

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

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.

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 stockholders’ favor.

Right to Propose the Holding of and to Attend Meetings

The Manual provides that the minority shareholders shall 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.

Furthermore, the Company adheres to Memorandum Circular No. 7-2021 of the Securities and Exchange Commission which allows stockholders holding at least 10% of the outstanding capital stock to request to hold a physical meeting.

Right to Make Nominations to the Board of Directors

Every stockholder, including non-controlling, 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.

Voting Right and Right to Participate at Stockholders Meetings

a) 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.
b) Voting shall be by poll and the Company shall provide the mechanism to implement the same at every stockholders' meeting.
c) Under the Company's By-laws, the affirmative vote of stockholders as of the record date constituting over one-half of the stock is present or represented may approve resolutions except in cases where the applicable law requires a greater number.
d) 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.
e) 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.
f) 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. The draft minutes of the 2021 Annual Stockholders Meeting was posted on the Company's website on April 23, 2021.

In addition, the Company is compliant with Memorandum Circular No. 14-2020 of the Securities and Exchange Commission which allows stockholders holding at least 5% of the outstanding capital stock to request to submit proposals on items for inclusion in the agenda of the meetings of stockholders.

Dividend Rights

The Company continues its practice of offering its shareholders an equitable share of the Company's profits. In 2013, the Board of Directors confirmed its dividend payout policy which entitles holders of common shares and participating preferred shares to annual cash dividends equivalent to 35 percent of the prior year's net income payable at least semiannually, on such dates as may be determined by the Board of Directors, subject to applicable rules and regulations on record dates and payment dates. The participating preferred shares participate in the earnings at a rate of 1/10 of the dividends paid to a common share. As a matter of policy, payment dates of dividends declared are fixed within thirty (30) days from date of declaration.

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 an amendment thereto. They shall have the right to subscribe to the capital stock of the Company. 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 Revised Corporation Code.

Right to Information and Inspection

In addition to regular posting and disclosure of material information at the Company website, a shareholder shall be provided with periodic reports regarding the performance of the Company upon written request for a legitimate purpose. Shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Revised Corporation Code and shall be provided an annual report, including financial statements, without cost or restrictions.

Appraisal Right

In accordance with the Corporation Code, shareholders may exercise appraisal right 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 Corporate Code; and
iii. In case of merger or consolidation.

Quorum and Voting Procedures at the Stockholders Meetings

Unless otherwise provided by law or the By-laws, stockholders as of Record Date constituting over one-half of the stock present or represented is necessary to constitute a quorum. The stockholders participating in person, by proxy, through remote communication, or in absentia electronically or otherwise shall be counted in determining the existence of a quorum. The affirmative vote of stockholders constituting over one-half of the stock present or represented is required to approve matters requiring stockholders' action, except in cases where the applicable law requires a greater number.

In all items for approval, each share of stock entitles its registered owner as of the record date to one vote.

For the election for directors, every stockholder shall have the right to vote 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 to distribute such votes on the same principle among as many candidates as he shall see fit.

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

In addition, a stockholder may vote electronically *in absentia* using the online web address provided by the Company subject to validation purposes. A stockholder voting electronically *in absentia* shall be deemed present for purposes of quorum.

All votes will be counted and tabulated by the Office of the Corporate Secretary and the Committee of Inspectors of Ballots and Proxies. The results of voting will be validated by SGV & Co., the independent party appointed for the purpose.

For the election of the eleven (11) members of the Board of Directors, the eleven (11) nominees receiving the highest number of votes will be declared elected as directors of the Company. However, if there are only eleven (11) nominees, all nominees shall be declared elected upon approval of motion.

Public Ownership

The Company is compliant with the requirement of the PSE on minimum public ownership with 37.28% of its shares subscribed and owned by the public as of December 31, 2021. In compliance with the requirements of the PSE, the Company regularly and timely discloses its public ownership report and immediately makes a public disclosure of any change thereon.

Summary of Legal and Beneficial Ownership of the Board, Key Officers and Major Shareholders

Name	December 31, 2021	Class of Shares	December 31, 2020	Class of Shares
Directors				
Enrique K. Razon, Jr.	900,052,260	Common	N.A.	N.A.
Fernando Zobel de Ayala	1	Common	1	Common
Jose Victor Emmanuel A. de Dios	10	Common	N.A.	N.A.
Antonino T. Aquino	12,749,543	Common	12,749,543	Common
Jose Rene Gregory D. Almendras	5,000	Common	5,000	Common
Donato C. Almeda	1,000	Common	N.A.	N.A.
Rafael D. Consing	100	Common	N.A.	N.A.
Sherisa P. Nuesa	5,093,607	Common	5,093,607	Common
Cesar A. Buenaventura	570,001	Common	N.A.	N.A.
Octavio Victor R. Espiritu	188,300	Common	N.A.	N.A.
Eric Ramon O. Recto	10,000	Common	N.A.	N.A.
Officers				
Silverio Benny J. Tan	74,500	Common	N.A.	N.A.
Roberto Jose R. Locsin	23,500	Common	N.A.	N.A.
Gigi Iluminada T. Miguel	18,000	Common	N.A.	N.A.
Abelardo P. Basilio	1,069,700	Common	1,069,700	Common
Melvin John M. Tan	29,970	Common	N.A.	Common
Esmeralda R. Quines	707,590	Common	707,590	Common
Janine T. Carreon	514,800	Common	514,800	Common
Liwayway T. Sevalla	63,000	Common	63,000	Common
Maidy Lynne B. Quinto	175,000	Common	175,000	Common
Arnold Jether A. Mortera	342,900	Common	342,900	Common
Robert Michael N. Baffrey	470,723	Common	470,723	Common
Evangeline M. Clemente	309,400	Common	309,400	Common
Gerardo M. Lobo II	184,600	Common	184,600	Common
Rolando V. Caraig	N.A.	N.A.	N.A.	N.A.
Mark Tom Q. Mulingbayan*	144,100	Common	144,100	Common

MAJOR SHAREHOLDERS				
	December 31, 2021	**Class of Shares**	**December 31, 2020**	**Class of Shares**
Trident Water Company, Inc.	900,052,160	Common	N.A.	N.A.
Ayala Corporation	866,946,195**	Common	866,946,196*	Common
Trident Water Company, Inc.	2,691,268,205	Participating Preferred	N.A.	N.A.
Philwater Holdings Corporation	1,308,731,793	Participating Preferred	3,999,999,998	Preferred

** As of January 1, 2022, Ms. Sarah Bergado, was appointed as the Company's Sustainability Head and leads the duties and responsibilities of the CSO.*
** * Includes shares held through PCD Nominee Corporation (21,409,000 shares) and Michigan Holdings, Inc. (1,00,000), a wholly owned subsidiary of Ayala Corporation*

Company Website

In the pursuit of the Company's thrust to continuously improve awareness of best practices in the conduct of its business and operations especially in corporate governance across the organization, including dealings with its business partners and customers, Manila Water constantly updates its website, www.manilawater.com with a section dedicated to corporate governance and investor relations. The Corporate Governance section of the website contains all disclosures made by the Company to the PSE and SEC, as well as its Manual, the Code, the Charters of the Board and its Committees, the various corporate governance policies and other matters and information of relevance to the stockholders and all stakeholders. The Company discloses its corporate governance practices, corporate events calendar, and other material information on its website in a timely manner.

The Investor Relations section houses all information that may be required by the investors, shareholders and stakeholders. The site has been enhanced to be user-friendly and is accessible to the public at all times.

Corporate Governance Recognition and Awards

The Company's commitment to uphold the highest standards of good corporate governance has again been confirmed and recognized through the prestigious awards it has received.
On February 19, 2021, the Company received a 3-star arrow recognition from the Institute of Corporate Directors for its performance rating against the 2019 ASEAN Corporate Governance Scorecard. The Company also received the same recognition for its rating against the 2018 ASEAN Corporate Governance Scorecard. In 2018, it was also named as one of ASEAN's Top 50 Publicly Listed Companies on Corporate Governance at the 2018 ASEAN Corporate Governance Awards, Top 10 Philippine Publicly Listed Companies, and Top 5 Industry Sector by the Institute of Corporate Directors, and Platinum Awardee for Excellence in Environmental, Social and Governance Practices by the Asset.

Independent Public Accountants

The principal accountants and external auditors of the Company is SyCip Gorres Velayo & Co. (SGV), a member practice of Ernst & Young Global (EY). SGV is the leading and largest professional services firm in the Philippines that offers integrated solutions drawn from diverse and deep competencies in assurance, tax, consulting, and strategy and advisory services.

SGV provides independent assurance on financial and nonfinancial information to meet regulatory and other stakeholder requirements utilizing world-class business-process-based methodologies and supporting tools. SGV utilizes an audit methodology and documentation approach which is risk-based and focuses on the drivers of the business, the associated risks, and the potential effects on financial statements accounts.

The same accounting firm is being recommended for re-election at the meeting for a remuneration of ₱2.89 Million, exclusive of VAT and out-of-pocket expenses.
The agreement with SGV covers the annual audit of the Company.

Representatives of SGV for the current year and for the most recently completed fiscal year are expected to be present at the annual stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Pursuant to Revised Securities Regulation Code (SRC) Rule 68, Part I (3) (B) (iv), the Company has engaged SGV as its external auditor. Ms. Djole S. Garcia has been the partner-in-charge since 2018.

a) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

SGV has been the external auditor of the Company since 1997 and continues to perform the same services for the Company up to the present date. The Company has had no disagreements with SGV on accounting and financial disclosures.

b) Audit and Audit-Related Fees

The Company's Audit Committee[62] reviews and approves the scope of audit work of the external auditor and the amount of audit fees for a given year. The amount of audit fees will then be presented to the stockholders for approval in the annual meeting. The scope of and payment of services rendered by the external auditor other than the audit of financial statements are also subject to review and approval by the Audit Committee.

The aggregate fees billed by SGV are shown below with the comparative figures f or 2021:

External Audit Fees	Audit and Audit-Related Fees of the Company	
	2021	2020
Audit Fees	₱3,652,400.00	₱2,288,000.00
Audit-related Fees		8,000,000.00
Consultancy Fees		-
Non-Audit Fees[63]	431,000.00	89,000.00
Total[64]	**₱4,083,400.00**	**₱10,377,000.00**

[62] The Audit Committee is composed of the following: Sherisa P. Nuesa (Chairman and Lead Independent Director), Cesar A. Buenaventura (Independent Director), Octavio Victor R. Espiritu (Independent Director), and Rafael D. Consing, Jr.
[63] Includes proxy validation, validation of ASM votes and hedge accounting advisory services.
[64] Audit fees are exclusive of VAT and out-of-pocket expenses.

BOARD OF DIRECTORS

Board of Directors

Name	Position/Board Committee Membership
Enrique K. Razon Jr.	Chairman of the Board of Directors Chairman of the Executive Committee
Fernando Zobel de Ayala	Member of the Board of Directors
Jose Victor Emmanuel A. de Dios	Member of the Executive Committee Member of the Talent and Remuneration Committee
Jose Rene Gregory D. Almendras	Member of the Executive Committee
Antonino T. Aquino	Member of the Talent and Remuneration Committee
Donato C. Almeda	Member of the Executive Committee Member of the Board Risk Oversight Committee Member of the Nomination Committee
Rafael D. Consing, Jr.	Member of the Executive Committee Member of the Audit Committee Member of the Related Party Transactions Committee
Sherisa P. Nuesa	Chairperson of the Audit Committee Member of the Board Risk Oversight Committee Member of the Corporate Governance Committee Member of the Nomination Committee
Cesar O. Buenaventura	Chairman of the Board Risk Oversight Committee Member of the Audit Committee Member of the Corporate Governance Committee Member of the Related Party Transactions Committee Member of the Nomination Committee
Octavio Victor R. Espiritu	Chairman of the Corporate Governance Committee Chairman of the Talent and Remuneration Committee Chairman of the Nomination Committee Member of the Audit Committee Member of the Related Party Transactions Committee
Eric Ramon T. Recto	Chairman of the Related Party Transactions Committee Member of the Board Risk Oversight Committee Member of the Corporate Governance Committee Member of the Talent and Remuneration Committee

ENRIQUE K. RAZON JR.
Filipino, 62 years old
Chairman of the Board of Directors since June 3, 2021

Enrique K. Razon Jr. is Chairman of the Board and President of International Container Terminal Services, Inc. (ICTSI), a Philippine-based company involved in the management and operation of 34 ports and terminals in 20 countries. He is also Chairman of Bloomberry Resorts Corporation (BRC), developer of Solaire Resort and Casino, a US$1.2 billion integrated resort complex in the Philippines' Entertainment City. ICTSI and BRC are listed in the Philippine Stock Exchange.

Mr. Razon belongs to the third generation of a family involved in marine cargo handling. The Razon Group has a long-standing reputation of being pioneers and innovators in the management and development of ports, terminals and related facilities. The group's proven track record stems from over 90 years' experience in integrated cargo handling, stevedoring and other port services in the Philippines and abroad.

In 1987, the Razon Group and the Soriano Group incorporated ICTSI, initially to bid for the Manila International Container Terminal (MICT) in the Philippines. After winning the MICT contract 1988, Mr. Razon spearheaded the MICT's development program. The MICT today is the country's premier international gateway. ICTSI also operates 10 other terminals in the Philippines.

After consolidating and strengthening its base and flagship operation at the MICT, ICTSI launched an international and domestic expansion program in 1994. Today, ICTSI is recognized as a leading operator, innovator and pioneer in port management with a track record that confirms its ability to rapidly adapt to different operating environments, add substantial value to its terminals by enhancing their efficiency at every level while focusing on sustainable development. The company continues to pursue prospects in Asia, the Middle East, Africa, the Americas and Europe.

Mr. Razon is on the board of most ICTSI subsidiaries worldwide and of several leading foreign and Philippine corporations. Mr. Razon also chairs the ICTSI Foundation, Inc., which oversees and implements the ICTSI Group's corporate social responsibility advocacies. He is also chairman of Pilipinas Golf Tournaments, Inc., which stages the Philippine Golf Tour, Southeast Asia's largest professional golfing circuit.

Mr. Razon's other investments are in power, mining, oil and gas exploration, and leisure facilities including a golf course in the Philippines.

FERNANDO ZOBEL DE AYALA
Filipino, 61 years old
Director of Manila Water since May 15, 1997

Mr. Zobel de Ayala holds the following positions in publicly listed companies: Vice-Chairman, President and Chief Executive Officer of Ayala Corporation (AC), Chairman of Ayala Land, Inc. (ALI), and AC Energy Corporation (ACEN). He is Co-Vice Chairman of Globe Telecom, Inc. (GLO), He is a director of the Bank of the Philippine Islands (BPI), and Integrated Micro- Electronics, Inc. (IMI); and serves as an Independent Director of Pilipinas Shell Petroleum Corporation (SHLPH).

He is the Chairman of AC International Finance Ltd., Liontide Holdings, Inc., AC Energy and Infrastructure Corporation, Ayala Healthcare Holdings, Inc., Automobile Central Enterprise, Inc., Alabang Commercial Corporation, Accendo Commercial Corp., Ayala Group Club, Inc., BPI Foundation, Inc., and Hero Foundation, Inc. He serves as Co-Chairman of Ayala Foundation, Inc. He is the Vice-Chairman of AC Industrial Technology Holdings, Inc., ALI Eton Property Development Corporation, Ceci Realty Inc., Fort Bonifacio Development Corporation, Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshires Holdings, Inc. AKL Properties, Inc., AC Ventures Holdings Corp., and Bonifacio Art Foundation, Inc.

He is a Director of AG Holdings Ltd., AC Infrastructure Holdings Corporation, Asiacom Philippines, Inc., BPI Asset Management and Trust Corporation, Altaraza Development Corporation, and Manila Peninsula.

He is a Director of INSEAD Business School and Georgetown University; Member of the International Advisory Board of Tikehau Capital and of the Hispanic Society Museum & Library International Advisory Council; Vice Chairman of the Philippine-Singapore Business Council, member of the Chief Executives Organization; Co-Chair of the Tate Museum Asia-Pacific Acquisitions Committee; Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, National Museum and Asia Society; and Member of Habitat for Humanity International's Asia Pacific Development Council, Asia Philanthropy Circle and The Metropolitan Museum International Council.

Mr. Zobel de Ayala graduated from Harvard College with B.A. in Liberal Arts. He also holds a Certificate in Global Management (CIM) from INSEAD, France.

JOSE VICTOR EMMANUEL A. DE DIOS
Filipino, 57 years old
Director, President and Chief Executive Officer since August 27, 2021

Prior to this appointment as an Executive Director, President & Chief Executive Officer of Manila Water, Mr.

de Dios was Chief Executive Officer of Prime BMD Corporation. He is a member of the board of the following publicly listed companies: Oriental Petroleum and Minerals Corp. (OPM) and Phoenix Petroleum Philippines (PNX). He has extensive experience as a corporate chief executive, business leader and attorney.

Mr. de Dios graduated from the Ateneo School of Law in 1990 and obtained his Master of Laws degree from Harvard Law School in 1994. He spent his early professional years practicing law starting in the Supreme Court as Senior Law Clerk to then Associate Justice Hilario Davide, Jr. before eventually moving to private practice at the Romulo Law Office where he specialized in Corporate, Energy, Commercial and Securities Law.

From 2001 to 2004, he served as Undersecretary at the Philippine Department of Energy, overseeing preparation of the country's Philippine Energy Plans and creation of the agency's Natural Gas Office. He also supervised the country's downstream oil sector which became a showcase in Asia. He was then appointed Chairman of the Philippine National Oil Company-Exploration Corp. where he served until 2005.

In 2007, Mr. de Dios was appointed President of Nido Petroleum Philippines and then in 2008 as CEO/Managing Director of Nido Petroleum Pty, an ASX-listed oil exploration company. While based in Perth, Western Australia, he led the company's multiple drilling campaigns in the prolific Palawan basins.

He subsequently moved to GE Philippines in 2012 where he served as Chairman of the Board and CEO. He was also Chairman and COO, GE Oil & Gas Philippines, Inc. Chairman and President, GE Power and GE Lighting Philippines Inc. Branch Manager, General Electric International Inc., and Managing Director, GE Government Affairs & Policy, Asia Pacific. As CEO of GE, he led the growth of the company's businesses in the Philippines which included Energy (Power, Renewable Energy and Grid Solutions), Healthcare, Water and Aviation. He headed the Government Affairs & Policy portfolio covering the Asia Pacific region, developing strategies for GE businesses and executing on these strategies with global GE teams and regional stakeholders.

Concurrent to his appointment as President and CEO of Manila Water, he also serves as the Chairman of Boracay Island Water Company, Inc.[2*], Clark Water Company, Inc., and Manila Water Total Solutions Corp. He is also the President of Manila Water Foundation, Inc.[*]

Mr. de Dios is passionate about education, having taught many years at the Ateneo School of Law, Lyceum of the Philippines University and UP College of Business from which he graduated (BsBA, 1986) and was recognized as one of the Outstanding Alumni in 2014. He is also an active business mentor through the Endeavor Network. He previously served as a member of the board of the American Chamber of Commerce in the Philippines and is currently active in other non-profit organizations as board member/trustee.

JOSE RENE GREGORY D. ALMENDRAS
Filipino, 61 years old
Director since May 14, 2019

Mr. Almendras also serves as Chairman of Light Rail Manila Holdings 6, Inc. and MCX Tollway, Inc. He is a Director and President of AC Infrastructure Holdings Corporation. He is a Director of Light Rail Manila Holdings, Inc., Light Rail Manila Holdings 2, Inc., Light Rail Manila Corporation, A2 Airport Partners, Inc., and AC Energy, Inc. and also serves as a member of the Board of Trustees of Manila Water Foundation, Inc. He is a Senior Managing Director of Ayala Corporation and heads its Public Affairs Group. He also serves as Executive Vice-President of Asiacom Philippines, Inc.

He previously served as President of Manila Water Company, Inc. from 2009 to 2010, and from August 2019 until June 2021. He was also a former officer of Ayala Land, Inc. He served as the Secretary of Foreign Affairs for the Republic of the Philippines from March to June 2016, as Cabinet Secretary under the Office of the President from November 2012 to March 2016, and Secretary of the Department of Energy from July 2010 to October 2012. He was Co-chair of the Long-Term Strategy for the International Renewable Energy Agency (IRENA) held in Abu Dhabi in 2011, and a Member of the Executive Board of the International Energy Forum (IEF) in 2011.

Mr. Almendras received the ASEAN Individual Excellence in Energy Management in 2013 and was an Order of Lakandula and Rank of Gold Cross Bayani awardee in 2016. Under his leadership, the Department of Energy ranked as one of the Top 10 Performers, in a survey among government agencies on government performance specifically in ensuring integrity in public service. In June 2013, he was given the rare privilege of addressing the United Nations Economic and Social Council (ECOSOC) at the Palais des Nations, Geneva and then again in December 2013 for the United Nations' Special Meeting of the ECOSOC in New York.

During his term as the President and CEO of Manila Water from 2009 to 2010, the Company was awarded as one of the Best Managed Companies in Asia, the Best in Corporate Governance, one of the Greenest Companies in the Philippines and hailed as the world's Most Efficient Water Company.

2 [*] As of January 2022.

ANTONINO T. AQUINO
Filipino, 74 years old
Director since April 24, 1998

Mr. Aquino first joined Manila Water as Group Director for Corporate Affairs and was later appointed President and CEO in January 1999. He left Manila Water to take on the position of President of Ayala Land, Inc. in April 2009 up to 2014, but remained a Director of the Company.

At present, Mr. Aquino also serves as a Director of Ayala Land, Inc. He is also a Director of the following non-listed companies: AIA Philippines Life & General Insurance Co., Nuevocentro, Inc., Anvaya Beach and Nature Club, and Manigo Amiga Academy, Inc.

He was named "Co-Management Man of the Year 2009" by the Management Association of the Philippines for his leadership role in a very successful waterworks privatization and public-private sector partnership. Recently he was conferred as Honorary Fellow by the Institute of Corporate Directors (ICD).

Mr. Aquino has been with the Ayala Group in various capacities for the past forty-one (41) years and has held the position of Senior Managing Director in Ayala Corporation. He was President of the Ayala Property Management Corporation from 1989 to 1999 and Senior Vice President of Ayala Land, Inc. from 1989 to 1998. He was also a Business Unit Manager at IBM Philippines, Inc. from 1968-1980. He is also a member of the Multi Sectoral Advisory Board of the Philippine Army and the Multi Sector Governance Council of the Armed Forces of the Philippines. Mr. Aquino is in the Advisory Board of Hero Foundation.

Mr. Aquino completed earned his bachelor's degree in science, majoring in Management from Ateneo de Manila University. He also completed academic units leading towards a master's degree in Business Management from the Ateneo Graduate School of Business.

DONATO C. ALMEDA
Filipino, 67 years old
Director and Chief Regulatory Officer since June 3, 2021

Mr. Almeda is also a Director of Bloomberry Resorts Corporation (BRC) and Bloomberry Resorts and Hotels, Inc. He is also a Director of Bloomberry Cruise Terminals Inc., MORE Electric & Power Corporation, and is the President of Bloomberry Cultural Foundation Inc. He is the Chairman of Manila Water Foundation, Inc. He is designated as Vice-Chairman for Construction and Regulatory Affairs of Bloomberry Resorts Corporation, Bloomberry Resorts and Hotels, Inc., and Sureste Properties, Inc. BRC is a publicly listed company.

He served as President and CEO of Waterfront Philippines Inc. He also served as: President of Waterfront Cebu City Hotel, Waterfront Mactan Hotel and Fort Ilocandia Hotel, Managing Director of Waterfront Promotions Ltd. (a gaming company) and President of Insular Hotel in Davao.

He earned his Industrial Engineering Degree from De La Salle University.

RAFAEL D. CONSING
Filipino, 53 years old
Director since June 3, 2021

Mr. Consing also serves as the Senior Vice President and Chief Financial Officer of International Container Terminal Services, Inc. (ICTSI), a publicly listed company. He was appointed to the role in October 2015 and as the Compliance Officer on February 9, 2016. Prior to this, he was the Vice President and Treasurer of ICTSI.

Concurrently, he is a Director and Treasurer of the following ICTSI subsidiaries:, Subic Bay International Terminal Corp., Subic Bay International Terminal Holdings, Inc., ICTSI Subic Inc., Cordilla Properties Holdings, Inc., IW Cargo Handlers, Inc., IWI Container Terminal Holdings, Inc., ,., Cavite Gateway Terminal, Inc.,; an alternate member of Sociedad Puerto Industrial Aguadulce S.A., a Director of Hijo International Port Services, Inc. Falconer Aircraft Management, Inc., Tecplata S.A., Contecon Manzanillo S.A., Terminal Maritima de Tuxpan, S.A. de C.V., Operadora Portuaria Centroamericana S.A. de C.V., Motukea International Terminal Limited, South Pacific International Container Terminal Limited, Victoria International Terminal Limited, ICTSI South Pacific Limited, ICTSI Oregon, Inc., Global Procurement Ltd., ICTSI Honduras Ltd., Aeolina Investments Limited, Crixus Limited, ICTSI Georgia Corp., ICTSI QFC LLC, ICTSI Project Delivery Services Co. Pte. Ltd., ICTSI South Asia Pte. Ltd., ICTSI Mauritius Ltd., Consultports S.A. de C.V., Asiastar Consultants Limited, ICTSI Far East Pte. Ltd., and Manila North Harbour Port, Inc.; the Chairman of Laguna Gateway Inland Container Terminal, Inc., CGSA Transportadora S.L. and SPIA Spain S.L.; a Director and the Deputy Chairman of ICTSI Ltd. and International Container Terminal Holdings, Inc.; a Director A of ICTSI Capital B.V., Royal Capital B.V., ICON Logistiek B.V., ICTSI Americas B.V., ICTSI Cameroon B.V., Tecplata B.V., Global Container Capital B.V., CGSA B.V., SPIA Colombia B.V., CMSA B.V., TSSA B.V., ICTSI Treasury B.V., ICTSI Cooperatief U.A., ICTSI Oceania B.V., ICTSI Tuxpan B.V., ICTSI Africa B.V., ICTSI Global Cooperatief U.A., and ICTSI Global Finance B.V.; a Commissioner of PT ICTSI Jasa Prima Tbk.; and a Treasurer of Intermodal Terminal Holdings, Inc.

He is also a Director and Treasurer of Trident Water Company Holdings, Inc.

Mr. Consing began his career at the Multinational Investment Bancorporation in June 1989. From 1999 to 2007, he assumed various roles in HSBC, including Director and the Head of Debt Capital Markets for the Philippines, and subsequently for South East Asia. He later became the Managing

Director and the Head of the Financing Solutions Group, Asia Pacific. In HSBC, Mr. Consing was involved in strategic and situational financing and advisory activities, including acquisition and leveraged finance, debt capital markets, credit ratings and capital advisory. He also held positions in investment banking with Bankers Trust NY, Deutsche Bank and ING Barings. In 1993 to 1995, Mr. Consing served as the Vice President and the Treasurer of Aboitiz & Company, Inc. and Aboitiz Equity Ventures, Inc.

Mr. Consing received his A.B. degree, major in Political Science, from the De La Salle University, Manila, in 1989. He is an alumnus of the Emerging CFO: Strategic Financial Leadership Program of the Stanford Graduate School of Business.

SHERISA P. NUESA
Filipino, 67 years old
Lead Independent Director
since April 16, 2021
Independent Director
since April 4, 2014
Member of the Board of Directors since
April 15, 2013

Ms. Nuesa also serves as a Director of the following publicly listed companies: Far Eastern University (FEU), Integrated Micro Electronics Inc. (IMI), AC Energy, Inc. (ACEN), and Ayala Land, Inc. (ALI). She is also a director of FERN Realty Corporation, a non-listed company.

Ms. Nuesa is a Senior Board Adviser of Metro Retail Stores Group (MRSGI), Board Adviser of Vicsal Development Corporation, Chairman of the Board of the Judicial Reform Initiative, and a Trustee of the Financial Executives Institute of the Philippines (FINEX) Foundation.

Ms. Nuesa was a Managing Director of Ayala Corporation where she served in various senior management positions until December 2011. She was the President and a Director of the ALFM Mutual Funds Group from 2012 to 2021. She was a member of the Boards of Generika/Actimed Group from 2017 to 2019, Psi Technologies, Inc. from 2010 until 2015, and the Blackhorse Emerging Enterprises Fund (Singapore) from 2009 to 2014. She was the Chief Finance Officer and Chief Administrative Officer of Integrated Micro-Electronics, Inc. from January 2009 to July 2010, the Chief Finance Officer of Manila Water Company, Inc. from January 2000 to December 2008, Group Controller and later Vice President for Commercial Centers of Ayala Land, Inc. from January 1989 to March 1999. She also served as a board member of various subsidiaries of Ayala Land Inc., and Integrated Micro-Electronics. She was also a member of the board of trustees of Manila Water Foundation, Inc. She also served as Vice Chairman and Trustee of the Institute of Corporate Directors until June 2021.

Ms. Nuesa was awarded the ING-FINEX Chief Finance Officer of the year in 2008 and an Outstanding Alumna of the Far Eastern University in 2008. She earned her bachelor's degree in Commerce from Far Eastern University where she graduated summa cum laude. She completed her MBA at the Ateneo-Regis Graduate School of Business. She was part of the Advanced Management Program at Harvard Business School, and the Financial Management Program of Stanford University. She also completed an Audit Committee Seminar at Harvard Business School. Ms. Nuesa is a Certified Public Accountant.

CESAR A. BUENAVENTURA
Filipino, 92 years old
Independent Director
since April 16, 2021

Aside from serving as an Independent Director of Manila Water, Mr. Buenaventura also serves as an Independent Trustee of Manila Water Foundation, Inc.

Mr. Buenaventura also serves as an Independent Director of International Container Terminal Services, Inc. (ICTSI) since February 12, 2019. On June 18, 2020, he was appointed as the member of Audit Committee, Environment, Social and Governance Sub-Committee, Board Risk Oversight Committee, Related Party Transactions Committee, and a Chairman of Corporate Governance Committee. He is the Director and Chairman of Mitsubishi Hitachi Power Systems Phils. Inc. and Buenaventura Echauz and Partners, Inc., Director and Vice Chairman of DMCI Holdings, Inc. (DMCI), Director of Semirara Mining and Power Corp. (SCC), iPeople, Inc. (IPO), Petroenergy Resources Corp. (PERC), Concepcion Industrial Corp. (CIC), Pilipinas Shell Petroleum Corp. (SHLPH), DM Consunji Inc., and The Country Club. He is likewise a Trustee and Chairman of Pilipinas Shell Foundation Inc., and Trustee of Bloomberry Cultural Foundation and ICTSI Foundation, Inc. He was formerly a Director of Philippine American Life Insurance Co., AG&P Co. of Manila, Ayala Corporation, First Philippine Holdings Corp., Philippine Airlines, Philippine National Bank, Benguet Corporation, Asian Bank, Ma. Cristina Chemical Industries, Maibarara Geothermal Inc., and Manila International Airport Authority. ICTSI, DMCI, SMC, IPO, PERC, CIC, and SHLPH are publicly listed companies.

His career started with Engineer David Consunji in 1951. Mr. Buenaventura then moved to the Shell Group of Companies in 1956 where he served as the first Filipino CEO and Chairman from 1975 until his retirement in 1990. He served 2 more years in the capacity of non-executive chairman until 1992. He was appointed member of the Monetary Board of Central Bank of the Philippines representing the private sector from 1981 until 1987.

Mr. Buenaventura is the founding chairman of the Pilipinas Shell Foundation Inc. and founding member of the Board of Trustees of the Makati Business Club. He was a member of the Board of Regents of the University of the Philippines from 1987 to 1994, the Board of Trustees of the Asian Institute of Management from 1994 to 2007, and President of Benigno Aquino S. Foundation from 1985-2010.

He is a recipient of many awards, among which are – Most Distinguished Alumnus, College of Engineering, University of the Philippines in 1977, the Management Man of the year by the Management Association of the Philippines in 1985, Outstanding Professional in Engineering by the Professional Regulatory Commission in 1997, Outstanding Fulbrighter in the field of business by the Philippine Fulbright Association in 2008, recipient of Centennial Award as one of the UP's Top 100 Alumni Engineering Graduates.

In 1991, Mr. Buenaventura was made Honorary Officer of the Order of the British Empire (OBE) by Her Majesty Queen Elizabeth II.

Mr. Buenaventura received his Bachelor of Science degree in Civil Engineering from the University of the Philippines and his master's degree in Civil Engineering majoring in Structures from Lehigh University Bethlehem, Pennsylvania in 1954, as a Fulbright scholar.

OCTAVIO VICTOR R. ESPIRITU
Filipino, 78 years old
Independent Director since April 16, 2021

Mr. Espiritu holds the following positions in the following public-listed companies: Independent Director of Bloomberry Resorts Corporation (BRC), and Director of the Bank of the Philippine Islands (BPI).

He is also a Director of Philippine Stratbase Consultancy, Inc., Pueblo de Oro Golf and Country Club and The Country Club, Inc. He is also currently the Chairman of GANESP Ventures, Inc. and MAROV Holding Company, Inc. and a trustee board member of the Carlos P. Romulo Foundation.

Formerly, Mr. Espiritu was a three-term former President of the Bankers Association of the Philippines, a former President and Chief Executive Officer (CEO) of Far East Bank and Trust Company, and Chairman of the Board of Trustees of the Ateneo de Manila University for fourteen (14) years.

Mr. Espiritu received his primary, secondary, and college education from the Ateneo de Manila University where he obtained his AB Economics degree in 1963. In 1966, at the age of 22, he received his master's degree in Economics from Georgetown University in Washington DC, USA.

ERIC RAMON O. RECTO
Filipino, 58 years old
Independent Director since April 16, 2021

Mr. Recto has served as the Chairman of the Philippine Bank of Communications since May 2012. At present he holds the following positions in public listed companies: Independent Director of Aboitiz Power Corporation, Independent Director of PH Resorts Group Holdings, Inc., and Director of DITO CME Holdings Corp. (formerly ISM Communications Corporation).

He is the Chairman and President of Bedfordbury Development Corporation, Vice-Chairman of Alphaland Corporation, Vice-Chairman and President of Atok-Big Wedge Co., Inc., President of Q-Tech Alliance Holdings, Inc., and the owner of Premium Wine Exchange, Inc. He also serves as an Independent Director of Waterfront Cebu City Casino Hotel, Inc., and Davao Insular Hotel Company, Inc.

Mr. Recto served as the Chairman and President of DITO CME Holdings, Corp. from April 2005 until January 2020. He was also a Director of Petron Corporation from February 2014 until May 2018, and also served as its President from October 2008 to February 2014. He was a Director of San Miguel Corporation from May 2010 until June 2014. He was the Vice-Chairman of Philweb Corporation from July 2007 until July 2014, and served as its President from April 2005 until July 2007. He was a Director of Manila Electric Company from June 2010 until December 2013. From January 2010 until December 2013, he served as the President of Top Frontier Investment Holdings.

He served as Vice-Chairman and Director of the Philippine Bank of Communications from July 2011 until May 2012. From May 2005 until March 15, 2010, he was an Independent Director and Chairman of the Executive Committee of Philippine National Bank. During this period, he was also the Chairman of PNB Securities, Inc. He was a Director of Philex Mining Corporation from August 2008 to November 2009. He served as a Director and member of the Executive Committee of Maynilad Water Services, Inc. from March 2007 until May 2009. From June 2006 to May 2008, he was an Independent Director of Metro Pacific Investment Corporation. From March 2000 to August 2002, he served as Senior Vice-President and Chief Financial Officer of Alaska Milk Corporation. From March 1994 to February 2000, he served as Senior Vice-President and Chief Financial Officer of Belle Corporation.

Mr. Recto also served as an Undersecretary of the Department of Finance from September 2002 until March 2005 and was in charge of handling both the International Finance Group and the Privatization Office.

Mr. Recto graduated with a bachelor's degree in Industrial Engineering from the University of the Philippines. He earned his master's degree in Business Administration from the Johnson School, Cornell University.

Senior Leadership Team

Roberto Jose R. Locsin
Chief Administrative Officer

Melvin John M. Tan
Chief Operating Officer,
Non-East Zone and
International Businesses

Gigi Iluminada T. Miguel
Chief Finance Officer,
Treasurer, and Group Director
for Finance and Strategy

Abelardo P. Basilio
Chief Operating Officer, East Zone

Donato C. Almeda
Chief Regulatory Officer

Jose Victor Emmanuel A. de Dios
President and Chief Executive Officer

Executive Officers

Janine T. Carreon
Group Director,
Corporate Human Resources

Esmeralda R. Quines
Group Director,
East Zone Business Operations

Liwayway T. Sevalla
Chief Information Officer,
Data Protection Officer,
and Group Director for
Corporate Information Technology

Maidy Lynne B. Quinto
Group Director,
Subsidiary Operations

Arnold Jether A. Mortera
Group Director,
Corporate Operations

Robert Michael N. Baffrey
Group Director,
Corporate Project Management

Evangeline M. Clemente
Group Director,
Corporate Strategic Management

Silverio Benny J. Tan
Corporate Secretary

Ana Mari B. Bentilanon
Group Controller

Rolando V. Caraig
Chief Audit Executive
and Chief Risk Officer

Gerardo M. Lobo II
Assistant Corporate Secretary
and Compliance Officer

2021 Awards and Citations

Corporate Governance and Management

- 2021 Client of the Year, FIDIC Contract Users' Awards, International Federation of Consulting Engineers (FIDIC)
- 2021 Asia-Pacific Water Utility Customer Value Leadership Award, Frost & Sullivan Best Practices Awards
- 2021 "Doing Business, Competitiveness Ranking Mover - Dealing with Construction Permits (DWCP)" Award, Ease of Doing Business Summit, Anti-Red Tape Authority (ARTA)

Operations and Technical Excellence

- 2021 Utility of the Future, Utilities of the Future Initiative, World Bank's Water Global Practice

Human Resource and People Management

- 2021 No. 3 on Top 15 Companies (Best Workplaces) in the Philippines, LinkedIn

Manila Water Membership/Affiliation

International

1. International Water Association (IWA)
2. Asia Water Council (AWC)
3. Asia Business Council (ABC)

Local

1. Philippine Water Works Association (PWWA)
2. European Chamber of Commerce of the Philippines (ECCP)
3. British Chamber of Commerce Philippines (BCCP)
4. Philippine Chamber of Commerce and Industry (PCCI)
5. Management Association of the Philippines (MAP)
6. Philippine Board of Investment
7. Philippine Business for Social Progress (PBSP)
8. The American Chamber of Commerce, Philippines AMCHAM
9. Makati Business Club (MBC)
10. People Management Association of the Philippines. (PMAP)
11. American Chamber of Commerce-Philippines (AMCHAM)

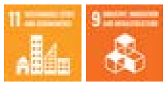
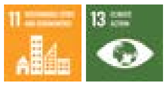
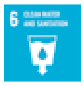
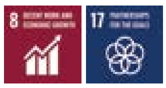
Sustainability Content Indices

This document indices all the contents of Manila Water Company's 2021 Environmental, Social, Governance, and Business highlights aligned with the following sustainability reporting standards:

- Global Reporting Initiative (GRI) Standards: With reference
- United Nations Sustainable Development Goals (UN SDG)
- Sustainability Accounting Standards Board (SASB)
- Task Force on Climate-related Financial Disclosures (TCFD)

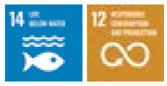
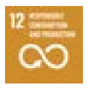
GRI	Page number(s) and/or Content Microsite link	SASB	UN SDGs
General Disclosures			
GRI 2: General Disclosures 2021			
2-1 Organizational details	Manila Water Company, Inc. 2-3		
2-2 Entities included in the organization's sustainability reporting	2-3		
2-3 Reporting period, frequency and contact point	2-3, 294		
2-4 Restatements of information	Restatement of 2020 surface water abstraction, total water abstraction, water supply chemical consumption, water supply chemical consumption intensity and electricity consumption to include the data of Calbayog Water and Tagum Water which became operational in 2021; 2019 and 2020 Scope 1, 2, and 3 emissions due to the updating of emission factors of fuel and electricity		
2-5 External assurance	144-147		
2-6 Activities, value chain and other business relationships	20-21		
2-7 Employees	16 - 17, 24		
2-8 Workers who are not employees	Economic and Social Performance Indices		

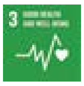
GRI	Page number(s) and/or Content Microsite link	SASB	UN SDGs
2-9 Governance structure and composition	96-123		
2-10 Nomination and selection of the highest governance body	96-123		
2-11 Chair of the highest governance body	124-131		
2-12 Role of the highest governance body in overseeing the management of impacts	96-131		
2-13 Delegation of responsibility for managing impacts	96-123		
2-14 Role of the highest governance body in sustainability reporting	96-123		
2-15 Conflicts of interest	96-123		
2-16 Communication of critical concerns	96-123		
2-17 Collective knowledge of the highest governance body	96-123		
2-18 Evaluation of the performance of the highest governance body	96-123		
2-19 Remuneration policies	96-123		
2-20 Process to determine remuneration	96-123		
2-22 Statement on sustainable development strategy	26-27		
2-23 Policy commitments	96-123		
2-24 Embedding policy commitments	96-123		
2-25 Processes to remediate negative impacts	96-123		
2-26 Mechanisms for seeking advice and raising concerns	96-123		
2-27 Compliance with laws and regulations	96-123		
2-28 Membership associations	136		
2-29 Approach to stakeholder engagement	42-44		
2-30 Collective bargaining agreements	48		
Material Topics			
GRI 3: Material Topics 2021			
3-1 Process to determine material topics	44		
3-2 List of material topics	44		
3-3 Management of material topics	45-46		

GRI	Page number(s) and/or Content Microsite link	SASB	UN SDGs
Economic Performance			
GRI 201: Economic Performance 2016			
201-1 Direct economic value generated and distributed	18, 73-75	IF-WU-240A.4	
201-2 Financial implications and other risks and opportunities due to climate change	36-41	IF-WU-450a.4	
201-4 Financial assistance received from government	The Manila Water Group has not received any financial assistance or subsidy from the government for the current year		
GRI 203: Indirect Economic Impacts 2016			
203-1 Infrastructure investments and services supported	76-83		
203-2 Significant indirect economic impacts	76-83		
GRI 204: Procurement Practices 2016			
204-1 Proportion of spending on local suppliers	22-23		
GRI 205: Anti-corruption 2016			
205-1 Operations assessed for risks related to corruption	96-123		
205-2 Communication and training about anti-corruption policies and procedures	96-123		
Environmental Performance			
GRI 301: Materials 2016			
301-1 Materials used by weight or volume	24, 60-61 Chemical Consumption per BU Chemical Intensity per BU		

HOW WE CREATE SHARED VALUES
MANILA WATER FOUNDATION
BUSINESS REVIEW
INDICES

GRI	Page number(s) and/or Content Microsite link	SASB	UN SDGs
GRI 302: Energy 2016			
302-1 Energy consumption within the organization	24, 61-62 Energy Consumption	IF-WU-130a.1	
302-2 Energy consumption outside of the organization	Diesel Consumption - Desludging of Service Providers		
302-3 Energy intensity	61-62 Energy Intensity		
302-4 Reduction of energy consumption	61-62		
GRI 303: Water and Effluents 2018			
303-1 Interactions with water as a shared resource	53-57 Surface Water Sources Watershed Profile and Projects	IF-WU-140b.1 IF-WU-440a.3	
303-2 Management of water discharge-related impacts	57-59	IF-WU-140b.1 IF-WU-140b.2 IF-WU-250a.1 IF-WU-250a.2	
303-3 Water withdrawal	24, 53-54 Raw Water Abstraction per BU	IF-WU-440a.1 IF-WU-440a.3	
303-4 Water discharge	17, 24, 57-59 Wastewater Treated	IF-WU-450a.1	
GRI 304: Biodiversity 2016			
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	53-56 Watershed Profile and Projects		
304-3 Habitats protected or restored	24 Watershed Protected Total Trees Planted		

GRI	Page number(s) and/or Content Microsite link	SASB	UN SDGs
GRI 305: Emissions 2016			
305-1 Direct (Scope 1) GHG emissions	41, 63 Scope 1 Emissions per BU		
305-2 Energy indirect (Scope 2) GHG emissions	41, 63 Scope 2 Emissions per BU		
305-3 Other indirect (Scope 3) GHG emissions	41, 63 Scope 3 Emissions per BU		
305-4 GHG emissions intensity	GHG Intensity of Water Facilities per BU GHG Intensity of Wastewater Facilities per BU		
305-5 Reduction of GHG emissions	24, 63-64		
GRI 306: Waste 2020			
306-1 Waste generation and significant waste-related impacts	65		
306-2 Management of significant waste-related impacts	65		
306-3 Waste generated	65		
306-4 Waste diverted from disposal	24, 65		
306-5 Waste directed to disposal	24, 65		
GRI 308: Supplier Environmental Assessment 2016			
308-1 New suppliers that were screened using environmental criteria	24 100% of the new vendors were screened using environmental criteria		

GRI	Page number(s) and/or Content Microsite link	SASB	UN SDGs
Non-GRI Environmental Performance			
Non-revenue water	17, 60 End-of period Non-revenue water	IF-WU-140a.2	
Social Performance			
GRI 401: Employment 2016			
401-1 New employee hires and employee turnover	17, 24, 48		
GRI 403: Occupational Health and Safety 2018			
403-1 Occupational health and safety management system	70-71		
403-2 Hazard identification, risk assessment, and incident investigation	70-71		
403-3 Occupational health services	70-71		
403-4 Worker participation, consultation, and communication on occupational health and safety	70-71		
403-6 Promotion of worker health	70-71		
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	70-71		
403-9 Work-related injuries	Health and Safety Data		
403-10 Work-related ill health	Health and Safety Data		
GRI 404: Training and Education 2016			
404-1 Average hours of training per year per employee	49		
404-2 Programs for upgrading employee skills and transition assistance programs	50		
404-3 Percentage of employees receiving regular performance and career development reviews	50		
GRI 406: Non-discrimination 2016			
406-1 Incidents of discrimination and corrective actions taken	There were no incidents of discrimination		

GRI	Page number(s) and/or Content Microsite link	SASB	UN SDGs
GRI 411: Rights of Indigenous Peoples 2016			
411-1 Incidents of violations involving rights of indigenous peoples (IPs)	There were no incidents of violation involving the rights of IPs		
GRI 413: Local Communities 2016			
413-1 Operations with local community engagement, impact assessments, and development programs	76-83	IF-WU-240a.4 IF-WU-420a.2	  
GRI 416: Customer Health and Safety 2016			
416-1 Assessment of the health and safety impacts of product and service categories	70-71	IF-WU-250a.1	
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	There were no incidents of non-compliance concerning health and safety impacts of products and services	IF-WU-140b.1	

TCFD Core Elements	Disclosure	Page number(s) and/or Content Microsite link
Governance Disclosure of the organization's governance around climate-related risks and opportunities	Executive Board's oversight of climate-related risks and opportunities	37
	Management's role in assessing and managing climate-related risks and opportunities	37
Strategy Disclosure of the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	Description of climate-related opportunities and risks	37
	Impact of climate-related risks on the organization's businesses, strategy, and financial planning	37-39
	Resilience of the organizational strategy	On-going Climate-scenario assessment for the Manila Water Enterprise
Risk Management Disclosure of how the organization identifies, assesses, and manages climate-related risks	Organization's processes for identifying and assessing climate-related risks	28-30, 39
	Organization's processes for managing climate-related risks	28-30, 39
	Integration of processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	39
Metrics & Targets Disclosure the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	Metrics used by the organization to assess climate-related risks and opportunities	39-41
	Disclosure of Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions	41, 63 Scope 1, 2 and 3 Emissions per BU
	Targets used by the organization to manage climate-related risks and opportunities	39-41, 63

INDEPENDENT ASSURANCE STATEMENT

Introduction

DNV AS Philippine Branch (‘DNV’) has been commissioned by the management of Manila Water Company Inc. (‘MWC’ or ‘the Company’, Securities and Exchange Commission Identification Number: A199611593) to undertake an independent assurance of the sustainability / non-financial disclosures in MWC’s 2021 Integrated Report (‘the Report’) in its printed format for the year ended 31 December 2021. The intended users of this Assurance Statement are the management of the Company.

We performed a limited level of assurance using DNV’s assurance methodology VeriSustain™[1], which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements (ISAE) 3000 Revised*, along with the Global Reporting Initiative’s (‘GRI’s’) Principles for Defining Report Content and Report Quality and the Sustainability Accounting Standards Board’s (‘SASB’s’) industry-specific Standards. The verification engagement was carried out from December 2021 to March 2022.

Scope and Boundary of Assurance

The scope of assurance included a review of sustainability related disclosures and performance data from MWC Parent Company and all Manila Water operating subsidiaries, namely East Zone Concession of the Metropolitan Waterworks and Sewerage System (MWSS), Manila Water Philippine Ventures (MWPV), and Manila Water Asia Pacific (MWAP).

Our assurance engagement included limited level of verification of sustainability performance disclosures for the identified material topics of MWC as detailed under the section ‘Materiality Assessment Process’ in the Report i.e., covering entities over which MWC has operational control or has seconded employees in operations. Our verification applies a ±5% uncertainty threshold towards errors and omissions for the performance data brought out in the Report.

Responsibilities of the Management of MWC and of the Assurance Provider

The Company’s management has sole responsibility for the integrity of the Report and this responsibility includes designing, implementing and maintaining internal controls over collection, analysis, aggregation and preparation of data, fair presentation of the information, ensuring that data is free from material misstatement and maintaining the integrity of their website under digital domain. The Board has complete oversight and is responsible for the Company’s sustainability reporting. MWC has stated that this Report has been prepared based on the Guiding Principles and Content Elements of the International <IR> Framework (the ‘<IR> Framework’) and has adopted general disclosures and selected topic-specific disclosures related to identified material topics from the GRI Standards (2018 and GRI 306: Waste 2020) as well as the SASB Standards 2018 (Water Utilities & Services) and TCFD for climate-related financial disclosures.

In performing our assurance work, DNV’s responsibility is solely towards the Management of MWC in accordance with terms of reference agreed, however this assurance statement represents our independent opinion and is intended to inform the outcome of the assurance to the Company’s stakeholders. DNV’s responsibility is to form an independent conclusion. In doing so, we carried out the sampling procedures required for the evidence for a limited level of assurance based on VeriSustain i.e., DNV is responsible for planning and performing the engagement to obtain assurance about whether the selected information is free from material misstatement and meets the disclosure requirements.

Basis of our Opinion

We planned and performed our work to obtain the evidence considered necessary to provide a basis for our assurance opinion as part of the assurance engagement. We adopted a risk-based approach, i.e., we concentrated our verification efforts on the issues of high material relevance to MWC and its key stakeholders. A team of sustainability assurance specialists reviewed non-financial disclosures related to the Head Office at Quezon City, and selected sites of MWC (East Zone and Clark Water – both the sites have water and wastewater treatment plants) in the Philippines, based on DNV’s sampling plan. Due to the COVID-19 pandemic and associated travel restrictions, we undertook remote audits in line with DNV’s remote assessment methodology as site visits were not possible. We undertook the following activities:

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[1] The VeriSustain protocol is available on www.dnv.com

* Assurance Engagements other than Audits or Reviews of Historical Financial Information.

- Review of the non–financial sustainability-related disclosures in this Report;
- Review of approaches to materiality determination and review of outcomes of stakeholder engagement; DNV did not have any direct engagement with external stakeholders;
- Review of information provided to us by the Company on its reporting and management processes related to sustainability performance for the reporting year based on the framework adopted by MWC;
- Interviews with select members of leadership team, and senior managers responsible for management of sustainability issues and review of selected evidence to support generic disclosures. We were free to choose interviewees and interviewed those with overall responsibility for the programmes to deliver the targets for medium- and long-term vision, mission and milestones;
- Performed desk review of selected sustainability parameters for sampled entities, and discussed findings and resolved with the Corporate Sustainability Team;
- Carried out remote assessments with two (2) sites - East Zone and Clark Water (both the sites have water and wastewater treatment plants), to review the processes and systems for preparing site level sustainability data and implementation of sustainability strategy. We were free to choose the sites for remote assessment or verification;
- Review of supporting evidence for key claims and data disclosed in the Report. Our verification processes were prioritized based on risk-based approach, i.e., relevance of identified material topics and sustainability context of the business;
- Review of the processes for gathering and consolidating the performance data and, for a sample, checking the data consolidation at site and corporate levels.

Opinion and Observations

On the basis of the assurance engagement undertaken, nothing has come to our attention to suggest that MWC's 2021 Integrated Report does not properly describe the non-financial performance of identified material topics based on the Guiding Principles and Content Elements of the International <IR> Framework ("<IR> Framework"). Without affecting our assurance opinion, we also provide the following observations against the principles of VeriSustain:

Stakeholder Inclusiveness

The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.

The Report has brought out key stakeholders (for example: Employees, Community/Customers, Regulators, National Government Agencies, Local Government Units, Supply chain, Finance Community, Media, etc.) to engage with, to build trust based on significant influence on MWC's sustainability performance. The Report also describes the engagement modes such as meetings, involving, or collaborating with each stakeholder considering based on the extent of influence and articulates the value MWC seeks to deliver through various engagement platforms including MWC's responses to the key concerns through various disclosures on strategies and value creation in the Report.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Stakeholder Inclusiveness.

Materiality

The process of determining the issues that are most relevant to an organization and its stakeholders.

The Report brings out MWC's process for identification and prioritization of the Company's material matters. Aligned with the GRI framework, the Company completed an online materiality assessment process with its internal and external stakeholder groups, considering the requirements of the <IR> Framework's Guiding Principles. The material topics identified for 2021 also includes top risks identified in the Enterprise Risk Management Program (ERM) as MWC considers these are most significant to the business and stakeholders.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Materiality.

Responsiveness

The extent to which an organization responds to stakeholder issues.

The Report brings out the Company's responses to identified material topics, key challenges faced and significant issues including risks which have arisen during the reporting period through disclosures on Governance, Business Review, strategic responses to key stakeholders' concerns, to deliver shared values. Further the Report also brings out its non-financial performance related to its material topics through selected GRI Topic Specific Standards and SASB industry-specific Standards as Performance Indices. The Report may further strengthen on this Principle in future reporting periods by bringing out the long- and medium-term targets towards value creation related to its identified material topics.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Responsiveness.

Reliability
The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

The majority of the performance disclosures verified through offsite verification, i.e., at the Head Office and sampled sites, and through desk reviews, were found to be fairly accurate, reliable, identifiable and traceable to the source. Considering the limited sampling, we did not detect any major errors related to data collection or aggregation. We also reviewed the calculations and related assumptions used for its suitability, taking into account the principle of Reliability, however our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems. Some of the data inaccuracies identified during the verification process were found to be attributable to interpretation and aggregation errors. These identified errors were communicated, and the responses and corrections made to the reported data and information were reviewed.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Reliability.

Completeness
How much of all the information that has been identified as material to the organization and its stakeholders is reported.

The Report discloses the Company's non-financial disclosures based on the <IR> Framework and performance during the reporting period 2021 related to its material issues using appropriate GRI Topic Specific Standards and SASB disclosures, for the identified boundary of operations and covers the Company's approaches to value creation during the reporting period.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Completeness.

Neutrality
The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.

The Report presents disclosures related to the Company's performance, challenges and concerns of stakeholders during the reporting period in a neutral, consistent and balanced manner, applying adequate consideration to not unduly influence stakeholders' opinion made based on the reported data and information.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Neutrality.

Limitations

DNV's assurance engagements are based on the assumption that the data and information provided by the Company to us as part of our review have been provided in good faith, are true, and is free from material misstatements. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. The engagement excludes the sustainability management, performance, and reporting practices of MWC's suppliers, contractors, and any third parties mentioned in the Report. The Company's position statements, the statements for the management approach, and case studies and examples are excluded from the scope of our work. We did not interview external stakeholders as part of this assurance engagement.

We understand that the reported financial data and related information are based on statutory disclosures and Audited Financial Statements[#], which are subject to a separate independent statutory audit process. We did not review financial disclosures and data as they are not within the scope of our assurance engagement

The procedures performed in a limited assurance engagement vary in nature and are shorter in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained if a reasonable assurance engagement had been performed. During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement.

Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2015 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct[2] during the assurance engagement and maintain independence wherever required by relevant ethical requirements.

This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of any statement or datum included in the Report except for this Assurance Statement. DNV maintains complete impartiality toward internal stakeholders interviewed during the assurance process.

DNV has provided assurance to Ayala Corporation, Bank of the Philippine Islands, Ayala Land Inc., AREIT, AC Energy Corporation and Globe Telecom, Inc. In our opinion, there is no conflict of interest in the assurance engagement provided to the business units of Ayala Group. We provide a range of other services to MWC, none of which in our opinion, constitute a conflict of interest with this assurance work

Purpose and Restriction on Distribution and Use

This report, including our conclusion has been prepared solely for the Company in accordance with the agreement between us. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our work or this report.

For and on behalf of DNV AS Philippine Branch

Kaliaperumal, Thamizharasi Digitally signed by Kaliaperumal, Thamizharasi Date: 2022.03.30 23:09:04 +08'00' **Thamizharasi Kaliaperumal** **Lead Verifier** **Sustainability Services** **DNV Business Assurance India Private Limited.**	Lakdawalla, Percy Digitally signed by Lakdawalla, Percy Date: 2022.03.30 20:54:17 +08'00' **Percy Lakdawalla** **Regional Manager – APAC** **Supply Chain and Product Assurance** **DNV Business Assurance Singapore Pte. Ltd.**	Nagarajan, Sathishkumar Digitally signed by Nagarajan, Sathishkumar Date: 2022.03.30 20:05:10 +08'00' **N Sathishkumar** **Assurance Reviewer** **Head, Sustainability Services** **DNV Business Assurance Singapore Pte. Ltd.**

30 March 2022, Manila, The Philippines.

DNV AS Philippine Branch is part of DNV, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. www.dnv.com

[2] The DNV Code of Conduct is available from the DNV website (www.dnv.com)
Dated 02nd March 2022

Management's Discussion & Analysis of Results of Operations and Financial Condition

The following management's discussion and analysis (MD&A) of Manila Water Company, Inc. and subsidiaries' (Group) financial condition and results of operations should be read in conjunction with the Group's audited financial statements, including related notes. This report may contain forward-looking statements that involve risks and uncertainties. The actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to, economic, regulatory, socio-political, financial and other risk factors.

Any references in this MD&A to "our", "us", "we", "MWCI" or the "Group" shall refer to Manila Water Company, Inc., including its subsidiaries. Any reference to "Manila Water Company", "Manila Water", "MWC" or the "Company" shall refer to the Parent Company only.

Additional information about the Group, including recent disclosures of material events and annual/ quarterly reports, are available at our corporate website at www.manilawater.com.

OVERVIEW OF THE BUSINESS

Manila Water Company holds the right to provide water and used water services to the eastern side of Metro Manila (Manila Concession or East Zone) under a Concession Agreement (CA) entered into between the Company and the Metropolitan Waterworks and Sewerage System (MWSS) in August 1997. The original term of the concession was for a period of 25 years to expire in 2022. The Company's concession was extended by another 15 years by MWSS and the Philippine Government in 2009, thereby extending the term from May 2022 to May 2037.

The Company provides water treatment, water distribution, sewerage and sanitation services to more than seven million people in the East Zone, comprising a broad range of residential, semi-business, commercial and industrial customers. The East Zone encompasses 23 cities and municipalities spanning a 1,400-square kilometer area that includes Makati, Mandaluyong, Pasig, Pateros, San Juan, Taguig, Marikina, most parts of Quezon City, portions of Manila, as well as the following towns of Rizal: Angono, Antipolo, Baras, Binangonan, Cainta, Cardona, Jala-Jala, Morong, Pililia, Rodriguez, San Mateo, Tanay, Taytay, and Teresa.

Under the terms of the CA, the Company has the right to the use of land and operational fixed assets, and the right, as agent and concessionaire of MWSS, to extract and treat raw water, distribute and sell water, and collect, transport, treat and dispose used water, including reusable industrial effluent discharged by the sewerage system in the East Zone. The Company is entitled to recover over the concession period its operating, capital maintenance and investment expenditures, business taxes, and concession fee payments, and to earn a rate of return on these expenditures for the remaining term of the concession.

On March 31, 2021, MWSS and the Company executed a Revised CA (RCA) following the directive of government to review the provisions of the original CA. The resulting RCA retains important aspects of the original CA such as the Rate Rebasing mechanism, as well as the confirmation of the concession period duration to be until July 31, 2037.

On December 10, 2021, the franchise of Manila Water (Republic Act 11601) was signed into law and became effective on January 25, 2022. Said law grants Manila Water the franchise to establish, operate and maintain a waterworks and sewerage system in the East Zone Service Area of Metro Manila and the Province of Rizal. It confirms the status of Manila Water as a public utility, consistent with the provisions of the RCA.

Aside from the Manila Concession, the Group has a holding company for all its domestic operating subsidiaries in Manila Water Philippine Ventures, Inc. (MWPV). Currently under MWPV are (1) bulk water supply businesses Metro Ilagan Water Company, Inc. (Ilagan Water), Manila Water Consortium, Inc. (MW Consortium), with subsidiary MW Consortium – Cebu Manila Water Development, Inc. (Cebu Water), Davao del Norte Water Infrastructure Company, Inc. (Davao Water), with subsidiary Davao Water – Tagum Water Company, Inc. (Tagum Water); (2) water distribution and used water services businesses namely, Boracay Island Water Company (Boracay Water), Clark Water Corporation (Clark Water), Laguna AAAWater Corporation (Laguna Water), Filipinas Water Consortium Holdings Corp. (Filipinas Water), subsidiaries of Filipinas Water – Obando Water Company, Inc. (Obando Water), MWPV South Luzon Water Corp. (South Luzon Water) and Bulakan Water Company, Inc. (Bulakan Water), Metro Ilagan Water Company, Inc. (Ilagan Water), Calbayog Water Company, Inc. (Calbayog Water), North Luzon Water Company, Inc. (North Luzon Water) and Leyte Water Company, Inc. (Leyte Water). Another subsidiary of Manila Water is Calasiao Water Company, Inc. (Calasiao Water), a water supply project for the Calasiao Water District; and (3) business-to-business water and wastewater service businesses are comprised of Aqua Centro MWPV Corp. (Aqua Centro), Bulacan MWPV Development Corporation (BMDC), Manila Water Technical Ventures, Inc. (MWTV), EcoWater MWPV Corp. (EcoWater); and Estate Water, a division under MWPV which operates and manages the water systems of townships developed by Ayala Land, Inc. Beginning 2021, Estate Water provides wastewater services to Ayala Malls. On April 19, 2021, MWPV and Aqua Centro entered into a Novation Agreement with Adauge Commercial Corporation whereby MWPV assigns and transfers its rights, duties and obligations under the MOA with ALI Group to Aqua Centro for Atria Development (Iloilo City). As of December 31, 2021, MWPV is still operating Atria Development.

On May 31, 2021, MWPVI and the ALI Group signed an Amended and Restated MOA, wherein it states that MWPV shall have a preferred status with regards to the provision of water and used water services to all property development projects of the ALI Group except for several excluded developments.

On December 29, 2021, MWPVI entered into a Deed of Absolute Sale with Amaia Land Corp. (Amaia) and BellaVita Land Corp. (BellaVita) whereby MWPV sells, conveys, transfers, assigns and delivers the properties and all rights, title, and interest to Amaia and BellaVita for the excluded developments under the Amended and Restated MOA with ALI Group. As of December 31, 2021, MWPV completed the sale and transfer of said properties to Amaia and BellaVita.

The holding company for Manila Water's international ventures is Manila Water Asia Pacific Pte. Ltd. (MWAP). Under MWAP are two affiliated companies in Vietnam, namely Thu Duc Water B.O.O. Corporation (Thu Duc Water) and Kenh Dong Water Supply Joint Stock Company (Kenh Dong Water), both supplying treated water to Saigon Water Corporation (SAWACO) under a take-or-pay arrangement. Also, under MWAP are Saigon Water Infrastructure Corporation (Saigon Water), a holding company listed in the Ho Chi Minh City Stock Exchange, and Cu Chi Water Supply Sewerage Company, Ltd. (Cu Chi Water). Apart from its operations in Vietnam, MWAP has associates in Thailand and Indonesia through Eastern Water Resources Development and Management Public Company Limited (East Water), a fully integrated water supply and distribution company listed in the Stock Exchange of Thailand (SET), and PT Sarana Tirta Ungaran (PT STU), an industrial water supply operation in Indonesia, respectively. In the Middle East, Manila Water has two Management, Operation and Maintenance Contracts (MOMC) with the National Water Company (NWC) of the Kingdom of Saudi Arabia for its North West and Eastern Clusters. These contracts will be implemented over a seven-year period and will be undertaken through the consortium of Manila Water with Saur SAS and Miahona Company. The MOMC will comprise the management, operations and maintenance of water and wastewater facilities and will entail implementation of enabling projects and deployment of key personnel to manage the cluster and achieve the Key Performance Indicators set by the NWC.

Lastly, Manila Water Total Solutions Corp. (MWTS), a wholly-owned subsidiary, handles after-the-meter products and services including pipe-laying, integrated wastewater services, and the incubation of new sector businesses.

CONSOLIDATED FINANCIAL PERFORMANCE

Group net income for the period ending December 31, 2021 declined 18% from the same period last year to 3,673 million from 4,500 million. Excluding one-offs, core income stood at 4,126 million. Said performance was due to lower operating income with the increase in costs and operating expenses, coupled with lower billed volume and unimplemented tariff increases in the Parent Company. The decline was partly offset by improved performance of the non-East Zone businesses versus the previous year.

The Group's key financial performance indicators are discussed below:

	For the years ended December 31			
(in millions)	**2021**	2020	Increase (Decrease)	%
Total revenues	**20,292**	21,125	(833)	-4%
Total cost and expenses (excluding depreciation and amortization)	**9,220**	8,338	882	11%
Other income (expenses) - net	**377**	(334)	711	213%
Equity share in net income of associates	**569**	214	355	166%
Other expenses - net	**(192)**	548	356	-65%
EBITDA*	**11,449**	12,453	(1,004)	-8%
Depreciation and amortization expense	**3,628**	3,523	105	3%
Income before interest income and expense and foreign exchange gains and losses	**7,821**	8,930	(1,109)	-12%
Interest expense - net	**(2,165)**	(1,757)	(408)	23%
Foreign exchange losses - net	**(348)**	(510)	162	-32%
Income before income tax	**5,308**	6,663	(1,355)	-20%
Provision for income tax	**1,539**	1,749	(210)	-12%
Net income from continuing operations	**3,769**	4,914	(1,145)	-23%
Net loss after tax from discontinued operations[1]	**(15)**	(369)	354	96%
Net income	**3,754**	4,545	(791)	-17%
Noncontrolling interests	**81**	45	36	78%
Net income attributable to MWC	**3,673**	4,500	(827)	-18%

**Starting 2021, EBITDA excludes net foreign exchange gains and losses for the year*

Consolidated operating revenues declined 4% to 20,292 million in 2020 from 21,125 million the previous year. This was driven by lower billed volume across all customer segments in the East Zone Concession, along with lower average tariff due to the shift in consumption contribution to the domestic segment due to the COVID-19 pandemic. Similarly, outside the East Zone there was a decline in billed volume from Boracay Water with the imposition of travel restrictions for tourists, as well as lower availability charges of Estate Water coming from slower progress in the construction of greenfield projects. The Group derived 79% of its operating revenues from the sale of water, while 16% came from environmental and sewer charges. Other revenues, which account for the balance, are comprised of supervision fees, connection fees, after-the-meter services, and service income from bulk water arrangements, among others.

[1] For years ended December 31, 2021 and 2020, the Group presented as a single amount in its consolidated statement of income the post-tax net loss of its discontinued operations in Zamboanga Water and the Healthy Family division of MWTS.

	For the years ended December 31			
(in millions)	**2021**	2020	Increase (Decrease)	%
Personnel costs	**2,466**	2,267	199	9%
Direct costs	**3,973**	3,729	244	7%
Overhead costs	**1,720**	1,567	153	10%
Premises costs	**394**	361	33	9%
Other cost and expenses	**667**	414	253	61%
Total cost and expenses	**9,220**	8,338	882	11%

Consolidated cost of services and expenses increased by 11% to 9,220 million in 2021 from 8,338 million due to higher costs across all categories versus the same period last year. Total fixed costs increased by 14% driven notably by repairs and maintenance following the ramp-up of postponed activities with the relative easing of quarantine restrictions, along with personnel costs and management and professional fees. Similarly, power costs increased by 2% as the higher consumption of Laguna Water's new operating facilities offset the lower power costs of the Parent Company. Other variable costs related to desludging, collection and connection activities likewise increased with the improved mobility for business operations in 2021. These increases were offset by a 17% reduction in chemicals costs from lower production as well as better raw water quality.

Net other income totaled 377 million for the period, a reversal from the negative 333 million position the previous year. This was driven by the higher equity share in net income of associates which increased to 569 million, combined with the absence of one-time fair value adjustment in East Water investment and provisions for probable losses for Cu Chi Water. Other income in 2021 is net of goodwill impairment loss of 130 million related to the investment in Clark Water as the carrying value already exceeded its value in use as of year-end.

Consequently, consolidated earnings before interest, income taxes, depreciation, and amortization (EBITDA) declined by 8% to end at 11,449 million in 2021, with an EBITDA margin of 56%. Depreciation and amortization rose by 3% to 3,628 million mainly attributable to the completed capital expenditures in the East Zone Concession and subsidiaries last year.

Net interest expense was higher by 23% at 2,165 million from the same period last year, driven by the full-year impact of the USD Sustainability bonds, as well as new loan drawdowns of several domestic subsidiaries.

BUSINESS UNITS' FINANCIAL AND OPERATING PERFORMANCE
Parent Company – East Zone

Net income of the Parent Company stood at 3,618 million for the full year of 2021, 22% lower than the 4,666 million level the previous year. This was driven primarily by the full-year impact of the pandemic on customer consumption and business operations, coupled with the continued imposition of the tariff freeze.

	For the years ended December 31			
	2021	2020	Increase (Decrease)	%
Operating Highlights				
Billed volume (in million cubic meters)	**488.5**	506.4	-17.9	-4%
Average tariff (in Pesos per cubic meter)	**32.0**	32.6	-0.6	-2%
Number of billed connections	**1,033,211**	1,017,639	15,572	2%
Collection efficiency	**100.8%**	92.4%	8.4 ppts.	
Non-revenue water	**12.8%**	15.5%	2.7 ppts.	
Financial Highlights (in millions)				
Revenues	**16,084**	17,104	(1,020)	-6%
Cost and expenses (excluding depreciation and amortization)	**6,131**	5,434	697	13%
EBITDA*	**9,813**	10,649	(836)	-8%
Net income	**3,618**	4,666	(1,048)	-22%

**Starting 2021, EBITDA excludes net foreign exchange gains and losses for the year*

Revenues declined by 6% with all customer segments registering lower billed volume versus the previous year. Meanwhile, cost and expenses rose by 13% for the period to 6,131 million, driven by higher direct costs following the ramp up of repairs and maintenance, collection, connection, and sanitation activities with the relative easing of community quarantines. This was partly offset by lower power and chemicals costs, in line with lower production and better water quality at the Cardona Water Treatment Plant. Personnel costs increased due to higher headcount and higher variable pay. Similarly, overhead costs increased due to management and professional fees, and higher provisions for expected credit losses (ECL).

With these, EBITDA declined by 8% to 9,813 million from 10,649 million last year. EBITDA margin stood at 61%.

Manila Water Philippines Ventures (MWPV)

The following discussion covers the consolidated results of MWPV, driven mainly by its core domestic operating subsidiaries in Boracay Water, Clark Water, Laguna Water, and Estate Water (a division of Manila Water Philippine Ventures).

	For the years ended December 31			
	2021	2020	Increase (Decrease)	%
Operating Highlights				
Billed volume (in million cubic meters)	**108.9**	104.4	4.5	4%
Financial Highlights (in millions)				
Revenues	**4,175**	4,224	(49)	-1%
Cost and expenses (excluding depreciation and amortization)	**2,887**	2,949	(62)	-2%
EBITDA*	**1,123**	1,322	(199)	-15%
Net loss attributable to MWC	**(476)**	(480)	(4)	1%

** Starting 2021, EBITDA excludes net foreign exchange gains and losses for the year*

MWPV ended 2021 with a net loss of 476 million. This is a 1% improvement from its net loss position of 480 million last year.

On a consolidated MWPV level, revenues declined slightly by 1% to 4,175 million which were mostly on account of the 38% drop in revenues in Boracay Water with the prevailing travel restrictions on the island, as well as lower supervision fees of Estate Water due to slowdown in its greenfield projects.

On the other hand, cost and expenses decreased by 2% year-on-year to 2,887 million. This was attributable to lower management fees as well as provisions for expected credit losses.

The movements in the MWPV Group's revenues and costs resulted in a 17% reduction in EBITDA to 1,123 million from 1,322 million in 2020. EBITDA margin was at 27%, lower by 4 percentage points from last year's 31%.

As the economy gradually recovers and business activity resumes from quarantine restrictions, MWPV Group is hopeful that water demand in its operating areas will similarly recover.

Net interest expense increased to 671 million for 2021, driven by additional loan drawdowns of the subsidiaries. Depreciation and amortization expense grew by 4% to 736 million due to MWPV Group's completed CAPEX last year.

Below is a summary of the results of MWPV's core subsidiaries:

	For the years ended December 31			
	2021	2020	Increase (Decrease)	%
Clark Water				
Billed volume (in million cubic meters)	**12.8**	13.5	(0.7)	-5%
Average tariff (in Pesos per cubic meter)	**31.8**	30.9	0.9	3%
Net income (loss) (in millions)	**52**	(80)	132	165%
Billed Connections	**2,021**	2,062	(41)	-2%
Non-Revenue Water	**4.9%**	7.0%	2.1 ppts	
Laguna Water				
Billed volume (in million cubic meters)	**45.9**	44.9	1.0	2%
Average Tariff (in Pesos per cubic meter)	**40.7**	40.3	0.4	1%
Net income (in millions)	**466**	482	(16)	(3%)
Billed Connections	**116,367**	112,696	3,671	3%
Non-Revenue Water	**19.7%**	20.9%	1.2 ppts	
Boracay Water				
Billed volume (in million cubic meters)	**2.3**	3.2	(0.9)	-29%
Average tariff (in Pesos per cubic meter)	**112.1**	108.1	4.0	4%
Net loss (in millions)	**(175)**	(116)	(59)	-51%
Billed Connections	**3,932**	5,351	(1,419)	-27%
Non-Revenue Water	**21.1%**	16.1%	(5.0 ppts)	
Estate Water				
Supervision fees	**199**	249	(50)	-20%
Billed volume (in million cubic meters)	**10.1**	10.5	(0.4)	-4%
Average tariff (in Pesos per cubic meter)	**41.9**	39.6	2.3	6%
Net loss (in millions)	**(199)**	(77)	(122)	-157%
Billed Connections	**14,604**	14,153	451	3%

Manila Water Asia Pacific (MWAP)

The following discussion covers the consolidated results of MWAP, which is comprised of the performance contributions of the associates in Vietnam, Thailand, Indonesia, and the Kingdom of Saudi Arabia.

	For the years ended December 31			
	2021	2020	Increase (Decrease)	%
Operating Highlights				
Billed volume (in million cubic meters)*	**673.2**	628.5	44.7	7%
Financial Highlights (in millions)				
Equity share in net income of associates	**569**	214	356	166%
Cost and expenses (excluding depreciation and amortization)	**137**	85	52	61%
EBITDA	**447**	(212)	660	311%
Net income (loss) attributable to MWC	**317**	(371)	688	185%

**Not attributable to MWC*

On a consolidated MWAP level, equity share in net income of associates increased 166% due to positive performance of all associates except Saigon Water. This performance was led by East Water's notable recovery from the impact of drought and the COVID-19 pandemic in 2020 with the absence of one-time fair value adjustment in East Water investment.

On the other hand, cost and expenses increased by 61% to ₱137 million, in line with the resumption of business development activities and higher management and professional fees.

Below is a summary of the results of MWAP's associates:

	For the years ended December 31			
(in millions)	**2021**	2020	Increase (Decrease)	%
East Water at 18.72% contribution, before adjustment	**306**	232	74	32%
Impact of fair value amortization	**(148)**	(411)	263	64%
East Water at 18.72% contribution, adjusted	**158**	(179)	337	188%
Thu Duc Water at 49.00% contribution	**276**	267	9	3%
Kenh Dong Water at 47.35% contribution	**166**	164	2	1%
Saigon Water at 37.99% contribution	**(61)**	(37)	(24)	-62%
PT STU at 20.00% contribution	**3**	(1)	4	530%
IWP at 20.00% contribution	**28**	-	28	100%
Total equity share in net income of associates - PFRS	**570**	214	356	167%

CONSOLIDATED BALANCE SHEET

Total assets as of December 31, 2021 stood at nearly 166 billion, an increase of 6% against December 31, 2020 driven by operating cash flows and the additional capital expenditures. Said increase already considers the infusion of Prime Strategic Holdings of 5.33 billion. The Group balance sheet remains strong, with the Company remaining compliant with loan covenants and key ratios maintained well within set tolerances while debt maturity profile is spread out.

	As of December 31			
(in millions)	**2021**	2020	Increase (Decrease)	%
Assets	**165,516**	156,527	8,989	6%
Cash and cash equivalents	***13,338***	*20,727*	*(7,389)*	*-36%*
Other assets	***35,793***	*33,528*	*2,265*	*7%*
Service concession assets	***116,385***	*102,272*	*14,113*	*14%*
Liabilities	**97,192**	96,363	829	1%
Equity	**68,325**	60,163	8,162	14%

Ratios		
Net debt to equity	**0.86x**	0.90x
Debt service coverage ratio (DSCR)	**1.92x**	1.89x
Return on equity (ROE)	**6%**	8%

Total bank debt (including bonds) as of December 31, 2021 decreased to 71.4 billion from 73.5 billion as of December 31, 2020, while net bank debt as of December 31, 2021 ended higher at 57.8 billion as the cash from loan proceeds were used for operations and capital expenditures. Net bank debt to equity was at 0.86x while DSCR stood at 1.92x. Average cost of debt for the Group was at 4.45%, while ROE was at 6%.

The Company's Board of Directors, at its meeting held on November 18, 2021, approved the declaration and payment of cash dividends of 0.531 per share on outstanding common shares, 0.053 per share on the outstanding participating preferred shares, and accumulated fixed cash dividends of 0.030 per share on the outstanding participating preferred shares. In total, the Company paid over 1.86 billion in dividends in 2021.

CONSOLIDATED CAPITAL EXPENDITURES

The Group ended 2021 with total capital expenditures of 16.9 billion, with nearly 14 billion or 82% of said amount accounted for by the East Zone Concession. Majority of the East Zone Concession's capital expenditures were spent on wastewater expansion, network reliability and water supply projects in line with attaining service obligations outlined in its government-approved Rate Rebasing Service Improvement Plan. The balance was accounted for by concession fees paid to MWSS.

Meanwhile, total capital expenditures of the domestic subsidiaries amounted to 3 billion for the year. Of the total amount, 824 million was undertaken by Laguna Water for its water network expansion. Estate Water spent 943 million for its greenfield and brownfield projects, while the balance was taken on by the remaining subsidiaries for its various projects.

RECENT MATERIAL EVENTS

Completion of Subscription by Prime Strategic Holdings, Inc./Trident Water

On February 15, 2021, the Company and Prime Strategic Holdings, Inc. (previously known as Prime Metroline Holdings, Inc.) signed an Amendment to the Subscription Agreement which was originally executed by both parties last February 1, 2020. Said amendment covers the inclusion of Trident Water Company Holdings, Inc. as party to the Subscription Agreement following its establishment, as well as the incorporation of updated payment terms which is 50% upon Closing and 50% upon call of Manila Water's Board of Directors. Furthermore, Philwater Holdings Company, Inc. and Trident Water signed a Share Purchase Agreement wherein the former agreed to sell 2,691,268,205 of its preferred shares in Manila Water to the latter. The purchase of the preferred shares reflects a 39.09% voting stake and 8.19% economic stake in Manila Water. The purchase price for the preferred shares was set at 1.80 per share, resulting in a total purchase price of over 4.8 billion.

On April 8, 2021, the Company received the Tender Offer Report from Trident Water to acquire up to 1,118,253,916 common shares of the Company through a tender offer to all shareholders. Said tender offer does not include the 866,996,201 common shares held by Ayala Corporation and its nominees and the 4,000,000,000 preferred shares held by Philwater Holdings Company Inc. and its nominees.

A total of 462,660 common shares of Manila Water were tendered, accepted and purchased by Trident Water via block sale through the facilities of the Philippine Stock Exchange on May 31, 2021. With the completion of the Tender Offer, Trident Water now: (i) owns 900,052,159 common shares of MWC; and (ii) has voting rights over 2,691,268,205 preferred shares of MWC to be acquired by Trident Water. As of December 31, 2021, Trident Water's voting and economic interests were at 52.16% and 27.40%, respectively.

On June 3, 2021, Manila Water disclosed the changes in the Company's Board of Directors (BOD) and Management following the completion of the Tender Offer. Specifically, Mr. Enrique K. Razon, Jr. was elected as the Company's Chairman of the BOD and President and CEO. Furthermore, the following directors were elected to Manila Water's BOD: (1) Mr. Donato C. Almeda, (2) Mr. Rafael D. Consing, Jr. and (3) Mr. Christian Martin R. Gonzalez, while Atty. Silverio Benny J. Tan was appointed as new Corporate Secretary of Manila Water.

On August 27, 2021, Mr. J.V. Emmanuel A. De Dios was appointed by the BOD as Director, President and Chief Executive Officer of the Company effective September 1, 2021. Mr. De Dios occupied the seat on the BOD vacated by Mr. Gonzalez following the latter's resignation from the BOD.

On September 16, 2021, Ms. Gigi Iluminada T. Miguel was appointed by the BOD as Chief Finance Officer, Treasurer, Chief Risk Officer and Group Director of Corporate Finance and Strategy of the Company effective October 1, 2021. Ms. Miguel assumed the role following the resignation of Ms. Ma. Cecilia T. Cruzabra from the Company.

Revised Concession Agreement (RCA) and Water Franchise Law

On March 31, 2021, MWSS and the Parent Company executed an RCA following the directive of government to review the provisions of the original CA. The resulting RCA retains important aspects of the original CA such as the Rate Rebasing mechanism, as well as the confirmation of the concession period duration to be until July 31, 2037.

One key feature of the RCA is the change in the rate of return. Specifically, in lieu of a market-driven appropriate discount rate, the Concessionaire is subjected to a 12% fixed nominal discount rate for expenditures. Furthermore, the RCA lowers the yearly inflation factor to 2/3 of the Consumer Price Index adjustment and sets a tariff cap on rate increases equivalent to 1.3x the previous standard rate for water and 1.5x the previous standard rate for wastewater. Another adopted feature of the RCA is the removal of the Foreign Currency Differential Adjustment on the tariff. Lastly, the RCA will be covered by an Undertaking Letter of the Republic which will apply to contracts and obligations existing at the time of execution of the agreement and upholds the provisions with regard to early termination payment.

In line with the execution of the RCA, no tariff increases will be implemented until December 31, 2022 as a way to help alleviate the customers' plight amid challenges brought about by the COVID-19 pandemic. Service obligations will be adjusted in line with the new standards under the RCA, with corresponding realignments to the 2018 Service Improvement Plan to be finalized with MWSS.

On February 16, 2022, the Parent Company and MWSS signed a Fourth Amendment to the RCA to further extend the effective start date of the RCA up to March 18, 2022 to allow more time for the completion of remaining conditions precedent to the effectivity of the RCA.

On December 10, 2021, the franchise of Manila Water (Republic Act 11601) was signed into law. This grants Manila Water the franchise to establish, operate and maintain a waterworks and sewerage system in the East Zone Service Area of Metro Manila and the Province of Rizal. It confirms the status of Manila Water as a public utility, consistent with the provisions of the Revised Concession Agreement executed between Metropolitan Waterworks and Sewerage System (MWSS) and Manila Water on March 31, 2021.

The franchise shall coexist alongside the RCA, wherein the RCA shall serve as the certificate of public convenience and necessity (CPCN) of Manila Water. Specifically, the RCA contains the terms and conditions of Manila Water's concession for the provision of water and wastewater services to the East Zone Service Area, Rizal, and Cavite. The RCA will remain valid unless terminated after due notice and hearing.

The term of the RCA is currently until 2037. However, the franchise authorizes MWSS to extend the term of the RCA up to the term of the franchise, when public interest for affordable water security requires and upon application by Manila Water, subject to notice and hearing.

New Business Development Updates

On September 30, 2021, Manila Water disclosed that the consortium between the Company and its wholly owned subsidiary, Manila Water Philippine Ventures (MWPV) received a Notice of Award from the Provincial Government of Pangasinan (PGP) for the implementation of joint venture project for the provision of bulk water supply to the Province of Pangasinan. Upon completion of the conditions precedent the consortium and PGP shall sign a concession agreement to implement the project with an estimated capital expenditure program amounting to 8 billion over the
25-year contract period. The project is expected to deliver a billed volume of 200 million liters per day by year 25.

On October 8, 2021, the Company announced that the consortium of Manila Water with Saur SAS and Miahona Company has been awarded the Management, Operation and Maintenance Contract (MOMC) by the National Water Company (NWC) of the Kingdom of Saudi Arabia for its Eastern Cluster over a seven-year period. Similar to the previously awarded North West Cluster to the same consortium, the MOMC will comprise the management, operations and maintenance of water and wastewater facilities and will entail implementation of enabling projects and deployment of key personnel to manage the cluster and achieve the Key Performance Indicators set by NWC.

Report of the Audit Committee to the Board of Directors

For the year ended December 31, 2021

The Audit Committee's ("Committee's") roles, responsibilities and authority are defined in the Committee Charter approved by the Board of Directors. The Committee assists the Board of Directors in fulfilling their oversight responsibility to the shareholders relating to the:

a) Integrity of the Manila Water Company, Inc.'s ("Company's") financial statements and the financial reporting process;
b) Appointment, remuneration, qualifications, independence and performance of external auditors and the integrity of the audit process;
c) Effectiveness of the system of internal controls;
d) Compliance with applicable legal and regulatory requirements and other reporting standards; and
e) Performance and leadership of the internal control function.

In compliance with the Committee Charter, the Committee confirms that:

- An independent director chairs the Committee. The Committee has three out of four members who are independent directors;
- The Committee had four (4) meetings and executive meetings with the external and internal auditors;
- The Committee recommended to the Board of Directors the reappointment of SGV & Co. as independent external auditors for 2021 and the related audit fee based on its review of SGV & Co.'s performance and qualifications, including consideration of Management's recommendation.
- The Committee reviewed and approved the quarterly unaudited consolidated financial statements and the annual audited consolidated financial statements of the Company and subsidiaries, including Management's Discussion and Analysis of Financial Condition and Results of Operations as of and for the year ended December 31, 2021, with the Company's Management, internal auditors, and SGV & Co. The Committee also reviewed and discussed the annual Parent Company Financial Statements. These activities were conducted in the following context:
  - Management has the primary responsibility for the financial statements and the reporting process.
  - SGV & Co. is responsible for expressing an opinion on the conformity of the Company's audited consolidated financial statements with the Philippine Financial Reporting Standards.
- The Committee 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 reviewed the adequacy of resources, the competencies of staff and the effectiveness of the auditors to execute the audit plans ensuring that resources are reasonably allocated to the areas of highest risks. Based on the assurance provided by the internal audit as well as SGV & Co. as a result of their audit activities, the Committee assessed that the Company’s system of internal controls, risk management, compliance, and governance processes are adequate.
- The Committee evaluated the performance of the Chief Audit Executive and the effectiveness of the internal audit function, including compliance with the International Standards for the Professional Practice of Internal Auditing;
- 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
- The Committee reviewed and approved all audit and non-audit related services provided by SGV & Co. to the Company and the related fees for such services. We have also assessed the compatibility of non-audit services with the auditors’ independence to ensure that such services will not impair their independence;

- The Committee conducted an annual self-assessment of its performance in accordance with Securities and Exchange Commission guidelines, and confirmed that the Committee had satisfactorily performed its responsibilities based on the requirements of its Charter; and,
- The Committee reviewed and confirmed that the existing Audit and Internal Audit Charters are sufficient to accomplish the Committee's and Internal Audit's objectives. The Committee Charter is in compliance with the Securities and Exchange Commission Memo Circular No. 04 (2012).

Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Committee recommended to the Board of Directors the inclusion of the Company's audited consolidated financial statements in the Company's Annual Report to the Stockholders for the year ended December 31, 2021 and the filing thereof with the Securities and Exchange Commission.

February 23, 2022

SHERISA P. NUESA
Chairperson, Audit Committee

CESAR A. BUENAVENTURA
Independent Director

OCTAVIO VICTOR R. ESPIRITU
Vice Chairperson

RAFAEL D. CONSING, JR.
Director

Statement of Management's Responsibility for Financial Statements

The management of Manila Water Company, Inc. (the "Company") and its subsidiaries (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as of December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020, and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or its subsidiaries, or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

ENRIQUE K. RAZON JR.
Chairman of the Board

JOSE VICTOR EMMANUEL A. DE DIOS
President and Chief Executive Officer

GIGI ILUMINADA T. MIGUEL
Chief Finance Officer and Treasurer

Independent Auditor's Report

The Board of Directors and Stockholders
Manila Water Company, Inc.

Opinion

We have audited the consolidated financial statements of Manila Water Company, Inc. (the Parent Company) and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Revenue recognition for Manila Concession (East Zone)

The Group's revenue from the East Zone accounts for 79% of total consolidated revenue and the revenue recognition process therein requires processing of data from a large number of customers with different billing cycles and are classified as either residential, semi-business, commercial, or industrial. The amounts billed to customers consist of a number of components, including basic charge, environmental charge and foreign currency differential adjustment and where applicable, sewer charge. These tariffs depend on the customer type and are determined based on a formula as prescribed by the Metropolitan Waterworks and Sewerage System Regulatory Office (MWSS RO). This matter is significant to our audit because the revenue recognized depends on the completeness and accuracy of capture of water consumption based on the meter readings over the concession area taken on various dates; the propriety of rates applied across customer types; and the reliability of the systems involved in processing the billing transactions.

Relevant disclosures related to this matter are provided in Notes 1, 2, 3, 6 and 26 to the consolidated financial statements.

Audit response

We obtained an understanding, evaluated the design and tested the controls over the read and bill process, which includes the capture of water consumption and calculation of billed fees, downloading of data from the billing system and uploading of data to the Parent Company's financial reporting system. We involved our internal specialist in the testing of the related controls over these processes. We performed a.) analytical procedures; and b.) test calculation of the billed amounts using the volume of water consumption and MWSS RO-approved rates and compared them with the amounts reflected in the billing statement. We also evaluated the disclosures made in the consolidated financial statements.

Provision and contingencies

The Group is involved in legal proceedings and assessments for local and national taxes and for alleged non-compliance with laws and regulations. This matter is significant to our audit because the estimation of the potential liability resulting from these legal proceedings and assessments require significant judgment and estimates by management. The inherent uncertainty over the outcome of these tax and legal matters is brought about by the differences in the interpretation and implementation of the relevant laws and tax regulations and/or rulings.

The Group's disclosure about provisions and contingencies are included in Notes 1, 3 and 30 to the consolidated financial statements.

Audit response

Our audit procedures include the involvement of our internal specialists in reviewing the status of these legal proceedings and assessments, and the legal and tax positions of the Group based on the merits of the arguments against the assessments, previous court decisions, implementing rules and opinions issued by relevant government and regulatory agencies. In addition, we performed a recalculation of the amount of the provisions and compared this with the outstanding provisions as of year-end. We also evaluated the disclosures made in the consolidated financial statements.

Amortization of service concession assets using the units-of-production (UOP) method

The service concession assets (SCA) of the Group is related to its concession agreements. The Group uses UOP method in amortizing its SCA based on the actual billed volume over the estimated billable water volume for the remaining period of the concession agreement. The UOP amortization method is a key audit matter as the method involves significant management judgment, estimates, and assumptions, particularly in determining the total estimated billable water volume over the remaining periods of the concession agreements. It considers different factors such as population growth rate, supply and consumption, which have been impacted by the coronavirus pandemic, and service coverage, including ongoing and future expansions.

Refer to Note 3 to the consolidated financial statements for the relevant disclosures related to this matter.

Audit response

We obtained an understanding of management's processes and controls in the estimation of billable water volume. We evaluated the competence, capabilities, and objectivity of management's external specialist who estimated the total billable water volume. We also reviewed the report of the management's specialist and gained an understanding of the methodology and the basis of computing the forecasted billable volume, taking into consideration the impact associated with coronavirus pandemic. Furthermore, we compared the estimated billable water volume for the year against the actual data generated from the billing system. We recalculated the amortization expense for the year based on the actual billed water volume.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- *Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*

- *Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.*

- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.*

- *Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.*

- *Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.*

- *Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Djole S. Garcia.

SYCIP GORRES VELAYO & CO.

Djole S. Garcia
Djole S. Garcia
Partner
CPA Certificate No. 0097907
Tax Identification No. 201-960-347
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1768-A (Group A)
September 3, 2019, valid until September 2, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-102-2021, September 16, 2021 to September 15, 2024
PTR No. 8853496, January 3, 2022, Makati City

February 24, 2022

Consolidated Statements of Financial Position

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, and 23)	***₱13,337,711,573***	*₱20,727,258,023*
Short-term investments (Notes 5 and 23)	***268,516,237***	*129,300,000*
Receivables (Notes 6 and 23)	***2,703,155,395***	*3,157,205,648*
Contract assets - current portion (Notes 6, 23 and 29)	***822,127,358***	*838,175,469*
Inventories (Note 7)	***450,692,516***	*324,928,002*
Other current assets (Note 8)	***2,067,609,310***	*2,560,827,257*
Total Current Assets	***19,649,812,389***	*27,737,694,399*
Noncurrent Assets		
Property, plant and equipment and software (Notes 9 and 23)	***6,338,703,883***	*5,566,706,250*
Service concession assets - net (Notes 10, 23 and 24)	***116,385,195,772***	*102,272,180,787*
Right-of-use assets (Note 11)	***349,695,765***	*362,609,467*
Contract assets - net of current portion (Notes 6 and 29)	***1,665,312,397***	*1,666,304,528*
Investments in associates (Note 12)	***14,536,285,550***	*14,283,833,487*
Goodwill (Note 4)	***6,247,010***	*136,566,475*
Deferred tax assets - net (Note 20)	***1,230,206,887***	*1,549,700,707*
Other noncurrent assets (Notes 13 and 29)	***5,355,465,105***	*2,950,969,389*
Total Noncurrent Assets	***145,867,112,369***	*128,788,871,090*
Total Assets	***₱165,516,924,758***	*₱156,526,565,489*

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 14 and 23)	***₱13,228,865,224***	*₱10,442,334,810*
Current portion of:		
Long-term debt (Notes 15 and 23)	***5,311,356,305***	*4,739,618,949*
Service concession obligations (Notes 10, 24 and 29)	***626,529,444***	*661,845,953*
Lease liabilities (Note 11)	***115,016,609***	*126,092,170*
Contract liabilities (Note 14 and 23)	***522,314,528***	*397,065,131*
Income tax payable (Note 20)	***131,742,420***	*159,995,109*
Total Current Liabilities	***19,935,824,530***	*16,526,952,122*
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Notes 15 and 23)	***66,077,385,688***	*68,792,173,857*
Service concession obligations (Notes 10, 24 and 29)	***8,331,791,889***	*8,443,800,142*
Lease liabilities (Note 11)	***246,701,536***	*267,845,139*
Contract liabilities (Note 14)	***151,548,734***	*111,686,008*
Pension liabilities - net (Note 16)	***146,931,846***	*219,601,807*
Deferred tax liabilities - net (Note 20)	***263,639,020***	*179,225,971*
Provisions (Note 30)	***1,166,957,229***	*991,640,656*
Other noncurrent liabilities (Notes 17 and 29)	***870,980,332***	*830,184,681*
Total Noncurrent Liabilities	***77,255,936,274***	*79,836,158,261*
Total Liabilities	***97,191,760,804***	*96,363,110,383*

(Forward)

	December 31	
	2021	*2020*
Equity		
Attributable to common equity holders of Manila Water Company, Inc.		
Capital stock (Note 21):		
Common stock	***₱2,884,839,617***	*₱2,064,839,617*
Preferred stock	***400,000,000***	*400,000,000*
	3,284,839,617	*2,464,839,617*
Additional paid-in capital	***14,417,217,151***	*4,608,744,479*
Subscriptions receivable	***(5,654,475,773)***	*(371,306,653)*
Total paid-up capital	***12,047,580,995***	*6,702,277,443*
Retained earnings (Note 21):		
Appropriated	***40,610,000,000***	*40,610,000,000*
Unappropriated	***13,448,628,617***	*11,639,149,846*
Cumulative translation adjustment (Notes 2 and 12)	***407,475,855***	*(37,244,853)*
Hedging reserves (Note 28)	***422,240,441***	*–*
Remeasurement loss on defined benefit plans (Note 16)	***(38,510,424)***	*(115,351,016)*
Equity in other comprehensive loss of associates (Note 12)	***(1,906,738)***	*(1,906,738)*
Other equity reserves (Note 21)	***54,106,905***	*54,106,905*
	66,949,615,651	*58,851,031,587*
Noncontrolling interests (Notes 2 and 21)	***1,375,548,303***	*1,312,423,519*
Total Equity	***68,325,163,954***	*60,163,455,106*
Total Liabilities and Equity	***₱165,516,924,758***	*₱156,526,565,489*

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2021	2020	2019
CONTINUING OPERATIONS			
REVENUE FROM CONTRACTS WITH CUSTOMERS			
Water and used water revenues (Notes 23 and 26)	**₱19,287,138,596**	₱20,158,392,365	₱19,996,620,527
Other operating revenues (Notes 18, 23 and 26)	**1,005,249,021**	966,742,536	1,650,684,246
	20,292,387,617	21,125,134,901	21,647,304,773
COST OF SERVICES			
Depreciation and amortization (Notes 9, 10 and 11)	**3,328,979,343**	3,003,122,434	2,567,446,826
Power, light and water (Note 23)	**1,450,438,453**	1,427,167,997	1,499,869,284
Salaries, wages and employee benefits (Notes 16, 21 and 23)	**1,259,467,394**	1,184,915,942	1,185,395,992
Repairs and maintenance	**529,447,395**	418,345,419	669,843,389
Contractual services	**504,006,045**	390,115,686	482,929,081
Water treatment chemicals	**430,600,800**	521,533,844	416,971,978
Management, technical and professional fees (Note 23)	**338,930,431**	135,119,166	188,107,211
Regulatory costs (Note 1)	**273,907,788**	237,765,185	244,674,063
Wastewater costs	**195,695,652**	125,297,898	229,382,516
Water tankering and bulk water costs	**177,007,383**	207,594,082	168,257,988
Amortization of water service connections	**142,967,905**	103,294,386	109,596,146
Collection fees	**135,772,209**	100,912,525	128,597,356
Rent (Notes 11 and 25)	**3,653,385**	2,982,130	41,171,891
Other expenses	**170,207,075**	107,619,900	277,455,850
	8,941,081,258	7,965,786,594	8,209,699,571
GROSS PROFIT	**11,351,306,359**	13,159,348,307	13,437,605,202
***OPERATING EXPENSES** (Notes 18 and 23)*	**3,906,937,740**	3,895,407,194	4,320,839,253
INCOME BEFORE OTHER INCOME (EXPENSES)	**7,444,368,619**	9,263,941,113	9,116,765,949
OTHER INCOME (EXPENSES)			
Revenue from rehabilitation works (Notes 1, 2, 6 and 10)	**16,970,072,793**	10,976,166,852	10,852,911,195
Cost of rehabilitation works (Notes 1, 2, 6 and 10)	**(16,970,072,793)**	(10,976,166,852)	(10,852,911,195)
Interest expense (Notes 10, 11, 15 and 18)	**(2,473,334,462)**	(2,260,072,792)	(2,068,285,441)
Foreign exchange gains (losses) - net	**(781,039,952)**	215,701,805	602,623,526
Equity share in net income of associates (Note 12)	**569,460,003**	213,838,618	653,502,170
Foreign currency differentials (Note 1)	**433,279,731**	(725,815,429)	(607,263,374)
Interest income (Note 18)	**308,260,495**	503,191,408	401,961,379
Losses on disposal of property and equipment - net	**(34,110,548)**	(1,130,401)	(18,352,667)
Amortization of deferred credits (Note 17)	**16,996,570**	15,353,323	14,030,922
Other losses - net (Notes 9, 12 and 18)	**(175,485,709)**	(561,438,569)	(23,600,339)
	(2,135,973,872)	(2,600,372,037)	(1,045,383,824)
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	**5,308,394,747**	6,663,569,076	8,071,382,125
***PROVISION FOR INCOME TAX - NET** (Note 20)*	**1,539,293,408**	1,748,724,353	2,375,178,035
NET INCOME FROM CONTINUING OPERATIONS	**3,769,101,339**	4,914,844,723	5,696,204,090
***NET LOSS AFTER TAX FROM DISCONTINUED OPERATIONS** (Note 19)*	**(14,962,821)**	(369,057,479)	(56,778,713)
NET INCOME	**3,754,138,518**	4,545,787,244	5,639,425,377
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Gain on cash flow hedge (Note 28)	**1,522,605,373**	–	–
Costs of hedging (Note 28)	**(959,618,119)**	–	–
Cumulative translation adjustment (Note 12)	**566,135,946**	(403,720,614)	(1,054,114,400)
Loss on net investment hedge (Note 28)	**(121,415,238)**	–	–
Income tax effect	**(140,746,813)**	–	–
	866,961,149	(403,720,614)	(1,054,114,400)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain (loss) on pension liabilities - net (Note 16)	**112,819,432**	(26,489,272)	(79,198,365)
Equity share in other comprehensive loss of an associate (Note 12)	**–**	(560,794)	(1,345,944)
Income tax effect	**(35,798,062)**	48,179,293	933,010
	77,021,370	21,129,227	(79,611,299)
TOTAL COMPREHENSIVE INCOME	**₱4,698,121,037**	₱4,163,195,857	₱4,505,699,678

(Forward)

	Years Ended December 31		
	2021	2020	2019
Net income attributable to:			
Common equity holders of Manila Water Company, Inc. (Note 19)	***₱3,673,328,608***	*₱4,500,453,025*	*₱5,495,509,199*
Noncontrolling interests (Notes 1 and 19)	***80,809,910***	*45,334,219*	*143,916,178*
	₱3,754,138,518	*₱4,545,787,244*	*₱5,639,425,377*
Total comprehensive income attributable to:			
Common equity holders of Manila Water Company, Inc.	***₱4,617,130,349***	*₱4,117,502,174*	*₱4,360,850,490*
Noncontrolling interests (Note 1)	***80,990,688***	*45,693,683*	*144,849,188*
	₱4,698,121,037	*₱4,163,195,857*	*₱4,505,699,678*
Earnings per Share before Discontinued Operations *(Note 22)*			
Net income attributable to common equity holders of Manila Water Company, Inc.:			
Basic	***₱1.23***	*₱1.94*	*₱2.25*
Diluted	***₱1.23***	*₱1.94*	*₱2.25*
Earnings per Share *(Note 22)*			
Net income attributable to common equity holders of Manila Water Company, Inc.:			
Basic	***₱1.23***	*₱1.81*	*₱2.21*
Diluted	***₱1.23***	*₱1.81*	*₱2.21*

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

December 31, 2021

	Paid-in Capital (Note 21)	Common Stock Options Outstanding (Note 21)	Retained Earnings (Note 21)	Other Comprehensive Income: Cumulative nslation Adjustments (Notes 2 and 12)	Other Comprehensive Income: Hedging Reserves (Note 28)	Other Comprehensive Income: Remeasurement Gains (Losses) on Defined Benefit Plans (Note 16)	Other Comprehensive Income: Equity Share in Other Comprehensive Loss of Associate (Note 12)	Other Equity Reserves (Note 21)	Noncontrolling Interests (Notes 1, 2, and 21)	Total
Balance at beginning of year	₱6,702,277,443	₱–	₱52,249,149,846	(₱37,244,853)	₱–	(₱115,351,016)	(₱1,906,738)	₱54,106,905	₱1,312,423,519	₱60,163,455,106
Net income	–	–	3,673,328,608	–	–	–	–	–	80,809,910	3,754,138,518
Other comprehensive income	–	–	–	444,720,708	422,240,441	76,840,592	–	–	180,778	943,982,519
Total comprehensive income	–	–	3,673,328,608	444,720,708	422,240,441	76,840,592	–	–	80,990,688	4,698,121,037
Additions	–	–	–	–	–	–	–	–	3,804,850	3,804,850
Cost of share-based payment	3,390,655	–	–	–	–	–	–	–	–	3,390,655
Collections	5,341,912,897	–	–	–	–	–	–	–	–	5,341,912,897
Dividends declared	–	–	(1,863,849,837)	–	–	–	–	–	(21,670,754)	(1,885,520,591)
Balance at end of year	₱12,047,580,995	₱–	₱54,058,628,617	₱407,475,855	₱422,240,441	(₱38,510,424)	(₱1,906,738)	₱54,106,905	₱1,375,548,303	₱68,325,163,954

December 31, 2020

	Paid-in Capital (Note 21)l	Common Stock Options Outstanding (Note 21)	Retained Earnings (Note 21)	Other Comprehensive Income: Cumulative nslation Adjustments (Notes 2 and 12)	Other Comprehensive Income: Hedging Reserves (Note 28)	Other Comprehensive Income: Remeasurement Gains (Losses) on Defined Benefit Plans (Note 16)	Other Comprehensive Income: Equity Share in Other Comprehensive Loss of Associate (Note 12)	Other Equity Reserves (Note 21)	Noncontrolling Interests (Notes 1, 2, and 21)	Total
Balance at beginning of year	₱6,683,484,117	₱–	₱47,748,696,821	₱366,475,761	₱–	(₱136,681,573)	(₱1,345,944)	₱54,106,905	₱1,276,471,698	₱55,991,207,785
Net income	–	–	4,500,453,025	–	–	–	–	–	45,334,219	4,545,787,244
Other comprehensive income	–	–	–	(403,720,614)	–	21,330,557	(560,794)	–	359,464	(382,591,387)
Total comprehensive income	–	–	4,500,453,025	(403,720,614)	–	21,330,557	(560,794)	–	45,693,683	4,163,195,857
Cost of share-based payment	18,793,326	–	–	–	–	–	–	–	–	18,793,326
Additions	–	–	–	–	–	–	–	–	4,971,500	4,971,500
Dividends declared	–	–	–	–	–	–	–	–	(14,713,362)	(14,713,362)
Balance at end of year	₱6,702,277,443	₱–	₱52,249,149,846	(₱37,244,853)	₱–	(₱115,351,016)	(₱1,906,738)	₱54,106,905	₱1,312,423,519	₱60,163,455,106

	December 31, 2019									
				Other Comprehensive Income						
	Paid-in Capital (Note 21)l	Common Stock Options Outstanding (Note 21)	Retained Earnings (Note 21)	Cumulative ınslation Adjustments (Notes 2 and 12)	Hedging Reserves (Note 28)	Remeasurement Gains (Losses) on Defined Benefit Plans (Note 16)	Equity Share in Other Comprehensive Loss of Associate (Note 12)	Other Equity Reserves (Note 21)	Noncontrolling Interests (Notes 1, 2, and 21)	Total
Balance at beginning of year	₱6,524,434,660	₱51,742,998	₱44,496,604,642	₱1,420,590,161	₱–	(₱57,483,208)	₱–	₱54,106,905	₱1,131,097,034	₱53,621,093,192
Net income	–	–	5,495,509,199	–	–	–	–	–	143,916,178	5,639,425,377
Other comprehensive income	–	–	–	(1,054,114,400)	–	(79,198,365)	(1,345,944)	–	933,010	(1,133,725,699)
Total comprehensive income	–	–	5,495,509,199	(1,054,114,400)	–	(79,198,365)	(1,345,944)	–	144,849,188	4,505,699,678
Additions	–	–	–	–	–	–	–	–	11,612,500	11,612,500
Cost of share-based payment	–	20,159,786	–	–	–	–	–	–	–	20,159,786
Exercised/expired	71,902,784	(71,902,784)	–	–	–	–	–	–	–	–
Collections	87,146,673	–	–	–	–	–	–	–	–	87,146,673
Dividends declared	–	–	(2,243,417,020)	–	–	–	–	–	(11,087,024)	(2,254,504,044)
Balance at end of year	₱6,683,484,117	₱–	₱47,748,696,821	₱366,475,761	₱–	(₱136,681,573)	(₱1,345,944)	₱54,106,905	₱1,276,471,698	₱55,991,207,785

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	***₱5,308,394,747***	*₱6,663,569,076*	*₱8,071,382,125*
Loss before income tax from discontinued operations (Note 19)	***(15,006,292)***	*(382,876,384)*	*(57,288,636)*
Income before income tax	***5,293,388,455***	*6,280,692,692*	*8,014,093,489*
Adjustments for:			
Depreciation and amortization (Notes 9, 10 and 11)	***3,628,406,392***	*3,554,080,494*	*2,993,762,626*
Interest expense (Notes 10, 11, 15 and 18)	***2,473,334,462***	*2,261,749,072*	*2,074,708,957*
Unrealized foreign exchange loss (gain) on non-cash accounts	***1,859,372,984***	*217,786,827*	*(522,731,600)*
Equity share in net income of associates (Note 12)	***(569,460,003)***	*(213,838,618)*	*(653,502,170)*
Interest income (Note 18)	***(308,261,129)***	*(504,828,463)*	*(404,656,166)*
Provision for probable losses and impairment losses (4, 6, 9, and 12)	***444,040,940***	*646,143,493*	*686,312,455*
Pension expense, contribution and benefit payment - net (Note 16)	***71,860,185***	*95,071,332*	*4,273,378*
Loss (gain) on disposal of property and equipment - net	***34,454,367***	*(19,837,994)*	*81,318,612*
Amortization of deferred credits (Note 17)	***(16,996,570)***	*(15,353,323)*	*(14,030,922)*
Share-based payments (Note 21)	***3,390,655***	*18,793,326*	*20,159,786*
MWSS penalty (Note 1)	**–**	–	*534,050,130*
Gain on bargain purchase	**–**	–	*(18,332,330)*
Operating income before changes in operating assets and liabilities	***12,913,530,738***	*12,320,458,838*	*12,795,426,245*
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	***410,589,161***	*(789,573,107)*	*(982,813,074)*
Contract assets	***261,677,811***	*265,415,085*	*(395,277,992)*
Inventories	***(125,764,514)***	*17,511,829*	*(136,516,599)*
Service concession assets	***(15,352,647,788)***	*(9,457,216,458)*	*(10,358,571,906)*
Other current assets	***399,251,291***	*(988,096,451)*	*(512,574,065)*
Increase in:			
Accounts and other payables	***2,553,795,411***	*379,021,625*	*1,664,194,249*
Contract liabilities	***173,477,814***	*163,106,910*	*327,752,548*
Cash generated from operations	***1,233,909,924***	*1,910,628,271*	*2,401,619,406*
Income tax paid	***(1,253,803,089)***	*(2,111,982,733)*	*(2,214,342,326)*
Net cash provided by (used in) operating activities	***(19,893,165)***	*(201,354,462)*	*187,277,080*
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment and software (Note 9)	***(1,519,658,210)***	*(1,322,511,423)*	*(1,423,671,831)*
Investments in associates (Notes 1 and 12)	***(1,280,802)***	–	–
Dividends received from associates (Note 12)	***418,300,404***	*441,920,121*	*335,946,893*
Short-term investments (Note 5)	***(135,871,114)***	*(20,031,549)*	*(109,268,451)*
Interest received	***73,117,766***	*215,072,130*	*269,885,916*
Proceeds from sale of property and equipment	***2,988,665***	*28,282,457*	*18,320,081*
Consideration paid for business combination	**–**	–	*(45,133,895)*
Decrease (increase) in other noncurrent assets (Note 13)	***(2,015,342,546)***	*(878,685,037)*	*597,182,149*
Net cash used in investing activities	***(3,177,745,837)***	*(1,535,953,301)*	*(356,739,138)*
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of (Note 15):			
Short-term debt	**–**	*3,887,967,123*	–
Long-term debt	***8,898,721,967***	*35,045,830,597*	*19,323,745,347*
Payments of:			
Short-term debt (Note 15)	**–**	*(3,900,000,000)*	*(8,694,693,078)*
Long-term debt (Note 15)	***(12,365,905,958)***	*(17,041,375,750)*	*(5,816,139,793)*
Service concession obligations (Note 10)	***(925,759,914)***	*(1,211,982,518)*	*(838,285,843)*
Principal portion of lease liabilities (Note 11)	***(141,470,517)***	*(99,434,114)*	*(81,027,797)*
Dividends to equity holders of the Parent Company (Note 21)	***(1,863,849,837)***	–	*(2,243,417,020)*
Dividends to noncontrolling interests	***(29,027,433)***	*(7,356,681)*	*(11,087,024)*
Interest	***(3,012,274,103)***	*(2,578,403,389)*	*(2,082,011,707)*
Collection of subscriptions receivable (Note 21)	***5,341,912,897***	–	*87,146,673*
Increase (decrease) in provisions and other noncurrent liabilities	***(97,609,252)***	*(528,670,817)*	*55,029,995*
Additions to noncontrolling interests (Note 1)	***3,804,850***	*4,971,500*	*11,612,500*
Net cash provided by (used in) financing activities	***(4,191,457,300)***	*13,571,545,951*	*(289,127,747)*
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	***(7,389,096,302)***	*11,834,238,188*	*(458,589,805)*
UNREALIZED FOREIGN EXCHANGE GAIN (LOSS) ON CASH AND CASH EQUIVALENTS	***(450,148)***	*(65,223,567)*	*26,241,934*
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	***20,727,258,023***	*8,958,243,402*	*9,390,591,273*
***CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 5)*	***₱13,337,711,573***	*₱20,727,258,023*	*₱8,958,243,402*

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. ***Corporate Information***

Manila Water Company, Inc. (the "Parent Company") was incorporated on January 6, 1997. The Parent Company started commercial operations on January 1, 2000. It became a publicly listed company via an initial public offering on March 18, 2005. As of December 31, 2021, the economic and voting ownership of Trident Water Company Holdings, Inc. (Trident Water) were 27.40% and 52.16%, respectively, while the economic and voting ownership of Ayala Corporation (Ayala) were 38.57% and 31.60%, respectively. Trident Water is a 97.25% owned subsidiary of Razon & Co., Inc., the ultimate parent, while Ayala is a publicly listed company which is 47.87% owned by Mermac, Inc. and the rest by the public. As of December 31, 2020, the economic ownership of Ayala was 51.40%. The Parent Company is a subsidiary of Trident Water under Razon & Co., Inc. as of December 31, 2021 and a subsidiary of Ayala under Mermac, Inc. as of December 31, 2020.

The Parent Company and its subsidiaries (collectively referred to as the "Group") are incorporated to provide water, integrated used water, sewerage and sanitation, distribution services, pipeworks, engineering, procurement and management services.

The Parent Company's principal place of business is at the MWSS Administration Building, 489 Katipunan Road, Balara, Quezon City.

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Country of Incorporation and Place of Business	**Effective Percentages of Ownership**	
		2021	2020
Manila Water Total Solutions Corp. (MWTS)	Philippines	**100.00**	100.00
Calasiao Water Company, Inc. (Calasiao Water)	-do-	**90.00**	90.00
Manila Water Asia Pacific Pte. Ltd. (MWAP)	Singapore	**100.00**	100.00
Kenh Dong Water Holdings Pte. Ltd. (KDWH)	-do-	**100.00**	100.00
Manila Water South Asia Holdings Pte. Ltd. (MWSAH)	-do-	**100.00**	100.00
Thu Duc Water Holdings Pte. Ltd. (TDWH)	-do-	**100.00**	100.00
Manila Water Thailand Holdings Pte. Ltd. (MWTH)	-do-	**100.00**	100.00
Manila Water (Thailand) Co., Ltd. (MWTC)	Thailand	**100.00**	100.00
Manila South East Asia Water Holdings Pte. Ltd. (MSEA)	Singapore	**100.00**	100.00
PT Manila Water Indonesia (PTMWI)[1]	Indonesia	**100.00**	100.00
Manila Water Philippine Ventures, Inc. (MWPVI)	Philippines	**100.00**	100.00
Boracay Island Water Company, Inc. (Boracay Water)	-do-	**80.00**	80.00
Calbayog Water Company, Inc. (Calbayog Water)	-do-	**60.00**	60.00
Clark Water Corporation (Clark Water)	-do-	**100.00**	100.00
Filipinas Water Holdings Corp. (Filipinas Water)[2]	-do-	**100.00**	100.00
Bulakan Water Company, Inc. (Bulakan Water)	-do-	**90.00**	90.00
Metro Ilagan Water Company, Inc. (Ilagan Water)	-do-	**90.00**	90.00
MWPV South Luzon Water Corp. (South Luzon Water)	-do-	**100.00**	100.00
Obando Water Company, Inc. (Obando Water)	-do-	**90.00**	90.00
Laguna AAAWater Corporation (Laguna Water)	-do-	**70.00**	70.00
North Luzon Water Company, Inc. (North Luzon Water)	-do-	**100.00**	100.00
Davao del Norte Water Infrastructure Company, Inc. (Davao Water)	-do-	**51.00**	51.00
Tagum Water Company, Inc. (Tagum Water)[3]	-do-	**45.90**	45.90
Manila Water Consortium, Inc. (MW Consortium)	-do-	**57.22**	57.22
Cebu Manila Water Development, Inc. (Cebu Water)[4]	-do-	**40.39**	40.39
Aqua Centro MWPV Corp. (Aqua Centro)	-do-	**100.00**	100.00
Bulacan MWPV Development Corp. (BMDC)	-do-	**100.00**	100.00
EcoWater MWPV Corp. (EcoWater)	-do-	**100.00**	100.00
Leyte Water Company, Inc. (Leyte Water)	-do-	**100.00**	100.00
Manila Water Technical Ventures, Inc. (MWTV)	-do-	**100.00**	100.00
Zamboanga Water Company, Inc. (Zamboanga Water)	-do-	**70.00**	70.00

[1]PTMWI is 95.00% owned by MSEA and 5.00% owned by an individual whose ownership has been pledged to MSEA.
[2]Filipinas Water is 49.00% owned by the Parent Company and 51.00% owned by MWPVI.
[3]Tagum Water is 90.00% owned by Davao Water. MWPVI's effective interest in Tagum Water is 45.90% by virtue of its 51.00% ownership interest in Davao Water.
[4]Cebu Water is 70.58% owned by MW Consortium. MWPVI's effective ownership interest in Cebu Water is 40.39% by virtue of its 57.22% ownership interest in MW Consortium.

Significant Transactions – Parent Company

Parent Company's Subscription Agreement with Prime Strategic Holdings, Inc. (previously Prime Metroline Holdings, Inc.)
On February 1, 2020, the Parent Company and Prime Metroline Holdings, Inc., on behalf of a company to be incorporated (to be named Trident Water), signed a Subscription Agreement for the acquisition of 820.00 million common shares (equivalent to 24.96% economic rights) of the Parent Company at ₱13.00 per share.

On February 6, 2020, Ayala, as part of the Shareholders' Agreement to be executed among itself, its wholly-owned subsidiary Philwater Holdings Co., Inc. (Philwater), and Trident Water, Ayala's Executive Committee approved the grant of proxy rights by Philwater to Trident Water over its 4,000.00 million preferred shares to enable the latter to achieve 51.00% voting interest in the Parent Company, subject to the fulfillment of the conditions set forth in the subscription agreement. Upon the grant of proxy rights to Trident Water, Ayala's effective voting interest in the Parent Company will stand at 31.60%. This arrangement aimed to strategically rationalize the economic and voting stakes between Ayala and Trident Water as strategic partners in the Parent Company.

On February 7, 2020, the Parent Company received a letter from Prime Metroline Holdings, Inc., that it had announced through publication in a newspaper of general circulation, its intention to make a mandatory offer for the shares of the Parent Company at an offer price of ₱13.00 per share.

On July 2, 2020, the SEC approved the Parent Company's application for the amendment of its Articles of Incorporation to increase the carved-out shares from 300.00 million to 900.00 million unissued common shares and the issuance of such carved-out shares in one or more transactions or offerings "for cash, properties, or assets to carry out the Parent Company's corporate purposes as approved by the Board of Directors (BOD)." Carved-out shares are common shares which are waived of shareholders' pre-emptive rights and are earmarked for specific corporate purposes (see Note 21).

On August 25, 2020, the Parent Company received a copy of the resolution from the Philippine Competition Commission (PCC), indicating that the PCC will take no further action with respect to the transaction. Specifically, it was deemed that the proposed acquisition of Trident Water of shares in the Parent Company would not likely result in substantial lessening of competition.

In 2020, the Parent Company also received consents from specific lenders for the subscription.

On February 15, 2021, the Parent Company and Prime Strategic Holdings, Inc. signed an Amendment to the Subscription Agreement. The amendment covered the inclusion of Trident Water as party to the Subscription Agreement following its establishment, as well as the updated payment terms which was 50.00% or ₱5.33 bilion upon Closing and 50.00% or ₱5.33 bilion upon call of the Parent Company's BOD.

On the same date, Philwater and Trident Water executed a Share Purchase Agreement wherein Philwater agreed to sell 2,691,268,205 of its preferred shares in the Parent Company for ₱4.84 billion to Trident Water with a payment term over a five (5)-year period. The purchase of the preferred shares reflected a 39.09% voting stake and 8.19% economic stake in the Parent Company. The rights and title to the shares, except voting rights covered by the proxies, which shall be executed upon the execution of the Shareholders' Agreement, shall not be transferred until all payments are made. Dividends earned by the preferred shares shall continue to be for the account of Philwater until full payment has been made.

On April 8, 2021, the Parent Company received the Tender Offer Report from Trident Water to acquire up to 1,118,253,916 common shares of the Parent Company through a tender offer to all shareholders. Said tender offer did not include the 866,996,201 common shares held by Ayala and its nominees and the 4,000,000,000 preferred shares held by Philwater and its nominees. On May 31, 2021, a total of 462,660 common shares of the Parent Company were tendered, accepted and purchased by Trident Water via block sale through the facilities of the Philippine Stock Exchange.

On June 3, 2021, Trident Water completed the tender offer. Following the completion of the tender offer, Trident Water owns 870,462,660 common shares of the Parent Company and has voting rights over 2,691,268,205 preferred shares to be acquired by Trident Water. In addition, Prime Strategic Holdings, Inc. also owns 29,589,500 common shares of the Parent Company. On June 24, 2021, Trident Water acquired 29,589,500 common shares of the Parent Company from Prime Strategic Holdings, Inc.

As of December 31, 2021, Trident Water holds 900,052,160 common shares and 2,691,268,205 preferred shares in the Parent Company.

Parent Company's Concession Agreement with Metropolitan Waterworks and Sewerage System (MWSS)
On February 21, 1997, the Parent Company entered into a Concession Agreement (the "Concession Agreement") with MWSS, a government corporation organized and existing pursuant to Republic Act (RA) No. 6234, as amended, with respect to the MWSS East Zone (the "East Zone"). The Concession Agreement sets forth the rights and obligations of the Parent Company throughout a twenty-five (25)-year concession period. The MWSS Regulatory Office (MWSS RO) monitors and reviews the performance of each of the Concessionaires – the Parent Company and Maynilad Water Services, Inc. (Maynilad), the West Zone Concessionaire.

Under the Concession Agreement, MWSS grants the Parent Company (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under RA No. 6234) the sole right to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery and sewerage services in the East Zone for a period of twenty-five (25) years commencing on August 1, 1997 (the Commencement Date) up to May 6, 2022 (the Expiration Date) or the early termination date as the case may be. While the Parent Company has the right to manage, operate, repair, and refurbish specified MWSS facilities in the East Zone, legal title to these assets remains with MWSS. The legal title to all fixed assets contributed to the existing MWSS system by the Parent Company during the Concession remains with the Parent Company until the Expiration Date (or until the early termination date) at which time all rights, titles and interest in such assets will automatically vest to MWSS.

On Commencement Date, the Parent Company officially took over the operations of the East Zone and rehabilitation works for the service area commenced immediately thereafter. As provided in the Parent Company's project plans, operational commercial capacity has been obtained upon substantial completion of the rehabilitation work.

Under the Concession Agreement, the Parent Company is entitled to the following rate adjustments:

a. *annual standard rate adjustment to compensate for increases in the Consumer Price Index (CPI);*
b. *extraordinary price adjustment (EPA) to account for the financial consequences of the occurrence of certain unforeseen events stipulated in the Concession Agreement;*
c. *foreign currency differential adjustment (FCDA) to recover foreign exchange losses including all accruals and carrying costs thereof, arising from MWSS loans and any Concessionaire loans used for capital expenditures and concession fee payments, in accordance with the provisions set forth in Amendment No. 1 of the Concession Agreement dated October 12, 2001 (see Notes 2, 10 and 13); and*
d. *Rebasing Convergence Adjustment for the purposes of calculating the Rates Adjustment Limit for each of the five Charging Years of the Rebasing Period determined based on the following:*
    i. *where the Rebasing Adjustment is found to be positive, the Rebasing Convergence Adjustment for the first Charging Year of the Rate Rebasing Period shall be equal to the Rebasing Adjustment, and the Rebasing Convergence Adjustment for each of the following four (4) Charging Years shall be zero; and*
    ii. *where the Rebasing Adjustment is found to be negative, the Rebasing Adjustment for each of the five (5) Charging Years of the Rebasing Period shall be equal to the Rebasing Adjustment divided by five (5).*

In the event that the MWSS RO determines, at any time from and after the second (2nd) Rate Rebasing Date, that the Parent Company shall incur significant capital expenditures in carrying out its responsibilities under the Concession Agreement which should not be recovered through immediate rate adjustments, the MWSS RO may propose to the Parent Company that the Concession Agreement be amended to provide for the payment to the Parent Company for all or a portion of such unforeseen capital expenditure (Expiration Payment). Any Expiration Payment shall be treated by the MWSS RO as an anticipated receipt for purposes of making rate adjustment calculations. Any Expiration Payment may be discharged through the delivery to the Parent Company of a USD denominated debt instrument issued by MWSS or another public-sector owned by the Republic but, in either case, with the full faith and credit guarantee of the Republic, ranking at least pari passu with all other unsecured and unsubordinated external debt obligations of the Republic, having a cash value equal to such Expiration Payment.

These rate adjustments are subject to a rate adjustment limit which is equivalent to the sum of CPI published in the Philippines, EPA and Rebasing Convergence Adjustment as defined in the Concession Agreement. The Concession Agreement also provides a general rate setting policy for rates chargeable by the Parent Company for water and sewerage services as follows:

a. *For the period through the second Rate Rebasing date (January 1, 2008), the maximum rates chargeable by the Parent Company (subject to interim adjustments) are set out in the Concession Agreement; and,*

b. *From and after the second Rate Rebasing date, the rates for water and sewerage services shall be set at a level that will permit the Parent Company to recover, over the twenty-five (25)-year term of the concession, its investment including operating, capital maintenance and investment incurred, Philippine business taxes and payments corresponding to debt service on MWSS loans and the Parent Company's loans incurred to finance such expenditures, and to earn a rate of return equal to the appropriate discount rate (ADR) on these expenditures for the remaining term of the concession.*

The maximum rates chargeable for such water and sewerage services shall be subject to general adjustment at five (5)-year intervals commencing on the second Rate Rebasing date, provided that the MWSS RO may exercise its discretion to make a general adjustment of such rates.

On April 16, 2009, the MWSS Board of Trustees (MWSS BOT) passed Resolution No. 2009-072 approving the fifteen (15)-year extension of the Concession Agreement (the "Extension") from May 7, 2022 to May 6, 2037. This resolution was confirmed by the Department of Finance (DOF), by authority from the Office of the President of the Republic of the Philippines, on October 23, 2009. The significant commitments under the Extension follow:

a. To mitigate tariff increases such that there will be reduction of the balance of the approved 2008 rebased tariff by 66%, zero increase of the rebased tariff in 2009 and a ₱1.00 increase for years 2010 to 2016, subject to CPI and FCDA adjustments.
b. To increase the share in the current operating budget support to MWSS by 100% as part of the concession fees starting 2009.
c. To increase the total investments from the approved ₱187.00 billion for the periods 2008 to 2022 to ₱450.00 billion for 2008 to 2037.

With the approval of the Extension, the recovery period for the Parent Company's investment has been extended by another fifteen (15) years from 2022 to 2037.

On December 5, 2019, the MWSS BOT issued Resolution No. 2019-201-CO revoking Resolution No. 2009-072 dated April 16, 2009 pertaining to the Extension of the Concession Agreement of the Parent Company from May 7, 2022 to May 6, 2037.

On December 20, 2019, MWSS released a press statement clarifying Resolution No. 2019-201-CO and confirming that the action of the MWSS BOT did not result in the rescission or outright cancellation of the Concession Agreement.

On January 29, 2020, the Parent Company received a response letter from the MWSS RO confirming that the twenty-five (25)-year Concession Agreement from 1997 to 2022 and the Memorandum of Agreement (MOA) and Confirmation between the Parent Company and the MWSS providing for the fifteen (15)-year Extension from 2022 to 2037 have not yet been cancelled.

Rate Rebasing Tariff Adjustments
In March 2012, the Parent Company submitted to MWSS a business plan embodying its rate rebasing proposals for charging year 2013. The rate rebasing activity is done every five (5) years. MWSS conducted a review of the proposal including the Parent Company's last five (5) years' financial performance. The financial review process was extended up to the third quarter of 2013. On September 10, 2013, the MWSS RO issued Resolution No. 13-09-CA providing for a negative rate rebasing adjustment of 29.47% on the Parent Company's 2012 average basic water rate of ₱24.57 per cubic meter which shall be implemented in five (5) equal tranches of negative 5.894% per charging year. The Parent Company objected to MWSS' Rate Rebasing determination and formally filed its Dispute Notice on September 24, 2013, before a duly-constituted Appeals Panel, commencing the arbitration process, as provided under Section 12 (in relation to Section 9.4 of the Concession Agreement).

On December 10, 2013, the MWSS BOT, through MWSS RO Resolution No. 13-012 CA, approved the implementation of a status quo for the Parent Company's Standard Rates, including FCDA, until such time that the Appeals Panel has rendered a final award on the 2013 Rate Rebasing determination.

On April 21, 2015, the Parent Company received the final award of the Appeals Panel in the arbitration which included the following tariff component determination:

a. ₱28.10 billion Opening Cash Position (OCP) which restored ₱11.00 billion from the September 2013 OCP determination of MWSS of ₱17.1 billion;
b. ₱199.60 billion capital expenditures and concession fees which restored ₱29.50 billion from the September 2013 future capital and concession fee expenditure of ₱170.10 billion;

c. 7.61% ADR which was an improvement of 79 bps from the post-tax ADR of 6.82% in September 2013; and
d. exclusion of corporate income tax from cash flows beginning January 1, 2013.

Consequently, the final award resulted in a rate rebasing adjustment for the period 2013 to 2017 of negative 11.05% on the 2012 basic average water charge of ₱25.07 per cubic meter. This adjustment translated to a decrease of ₱2.77 per cubic meter from the tariff during the intervening years before the 2018 rate rebasing. Annual CPI adjustments and the quarterly FCDA were consistent with the Parent Company's Concession Agreement with MWSS.

On September 27, 2018, the MWSS BOT (MWSS Resolution No. 2018-145-RO) approved the Parent Company's Rebasing Adjustment for the Fifth Rate Rebasing Period (2018 to 2022) as recommended by the MWSS RO (MWSS RO Resolution No. 2018-10-CA). To mitigate the impact on the tariff of its customers, the Parent Company shall stagger its implementation over a five (5)-year period. The first tranche took effect on October 16, 2018 amounting to ₱1.46 per cubic meter or 5.70% of the pre-rebased 2017 basic tariff. The MWSS BOT also approved the implementation of the subsequent partial Rebasing Convergence Adjustment on a staggered basis as scheduled below:

- *₱2.00 on January 1, 2020,*
- *₱2.00 on January 1, 2021, and*
- *₱0.76 to ₱1.04 on January 1, 2022.*

On December 13, 2018, the MWSS BOT (MWSS Resolution No. 2018-190-RO) approved the Parent Company's implementation of the 5.70% CPI Adjustment to be applied to the 2018 average basic charge of ₱26.98 per cubic meter and the 2.62% FCDA to be applied to the 2019 average basic charge. These adjustments were recommended by the MWSS RO (MWSS RO Resolution No. 2018-12-CA) and took effect on January 1, 2019.

Effective January 1, 2022, subject to the validation of the MWSS RO of the feasibility and cost of the Wawa Bulk Water Source to Calawis Project as the Parent Company's medium-term water source, an additional partial Rebasing Convergence Adjustment of up to ₱0.28 per cubic meter on top of the basic partial Rebasing Convergence Adjustment of ₱0.76 per cubic meter, was approved by the MWSS BOT on September 27, 2018.

On March 31, 2021, the Revised Concession Agreement (RCA) was signed between the Parent Company and MWSS, which includes a tariff freeze until December 31, 2022.

Parent Company Water Supply Shortage
In March 2019, the large decline in La Mesa dam water levels caused water service availability in the East Zone to drop significantly, reaching its lowest level at about 68.5 meters in April 2019. In order to ease the widespread inconvenience of the water supply shortage to the customers who were affected by the unprecedented water shortage, the Parent Company announced a one-time voluntary Bill Waiver Program on March 26, 2019. This program had two parts, namely: (1) all customers will receive a bill waiver of the minimum charge in their consumption which represents ten (10) cubic meters covering water, environmental and sewer charges; and (2) all customers from hard-hit barangays with absolutely no water service for at least seven (7) days from March 6 to March 31, 2019 will not be charged at all for the month of March 2019. The bill waiver is in the nature of an abatement or reduction from the gross amount or price to be paid by the customers. This was implemented in April 2019 and was treated as sales discount in the customer's billings.

In April 2019, MWSS BOT (MWSS Resolution No. 2019-055-CO and MWSS Resolution No. 2019-056-CO) imposed a financial penalty of ₱534.05 million on the Parent Company for its failure to meet its service obligation to provide 24/7 water supply to its customers (see Note 18). While the development of new water sources is, under the Concession Agreement, ultimately the responsibility of MWSS, the Parent Company has abided by the decision of MWSS to pay the financial penalty of ₱534.05 million even as it assumes no liability on the basis of the penalty as the Parent Company was not the root cause of the water supply shortage. Pursuant to the directive of the MWSS RO, the ₱534.05 million financial penalty was distributed to the East Zone customers through rebates wherein all connections as of March 31, 2019 received a minimum rebate equivalent to their first 10 cubic meters or ₱153.93 each while identified severely affected accounts received an additional rebate of ₱2,197.94 each.

Supreme Court Decision in Relation to the Philippine Clean Water Act of 2004
This case arose from a complaint filed by the OIC Regional Director Roberto D. Sheen of the Environmental Management Bureau-National Capital Region (EMB-NCR) before the Pollution Adjudication Board (PAB) against the Parent Company, Maynilad, and MWSS for alleged violation of Philippine Clean Water Act of 2004 (RA No. 9275, the "Clean Water Act"), particularly the five (5)-year deadline imposed in Section 8 thereof for connecting the existing sewage line found in all subdivisions, condominiums, commercial centers, hotels, sports and recreational facilities, hospitals, market places, public buildings, industrial complex and other similar establishments including households, to an available sewerage system. Two (2) similar complaints against Maynilad and MWSS were consolidated with this case.

On September 18, 2019, the Parent Company received a copy of the Decision of the Supreme Court on the case 'Manila Water Company, Inc. vs. The Secretary of the Department of Environment and Natural Resources, et.al.' with G.R. No. 206823 and promulgated on August 6, 2019. In the Decision, the Supreme Court found the Parent Company liable for fines in violation of Section 8 of the Clean Water Act in the following manner:

a. *The Parent Company shall be jointly and severally liable with MWSS for the total amount of ₱921.46 million covering the period starting from May 7, 2009 to the date of promulgation of the Decision, August 6, 2019, to be paid within fifteen (15) days from finality of the Decision.*
b. *From finality of the Decision until full payment of the ₱921.46 million fine, the Parent Company shall be fined in the initial amount of ₱322,102.00 per day, subject to a further 10.00% increase every two (2) years as provided under Section 28 of the Clean Water Act, until full compliance with Section 8 of the same law.*
c. *The total amount of fines imposed by the Decision shall earn legal interest of six percent (6.00%) per annum from finality and until full satisfaction thereof.*

On October 2, 2019, the Parent Company filed a Motion for Reconsideration with the Supreme Court.

On July 1, 2020, the Parent Company received a copy of the Consolidated Comment (on the separate Motions for Reconsideration filed by petitioners MWSS, Maynilad, and the Parent Company) filed by the Office of the Solicitor General in behalf of the adverse parties.

The Parent Company filed with the Supreme Court a Motion for Leave to file and admit its Reply last August 17, 2020.

On November 3, 2020, the Parent Company received a Resolution dated September 8, 2020 issued by the Supreme Court, which relevantly (i) noted the Consolidated Comment; (ii) granted the Motion for Leave and Admit Attached Reply; and (iii) noted the Reply filed by the Parent Company.

On January 26, 2022, the Parent Company filed a Manifestation to inform the Supreme Court of certain developments (i.e., the execution of the RCA and the grant of a legislative franchise to the Parent Company) which it deems relevant in the resolution of its 2019 Motion for Reconsideration.

FCDA
Prior to November 18, 2021,the MWSS BOT approved the FCDA quarterly. The FCDA had no impact on the net income of the Parent Company, as the same is a recovery or refund mechanism of foreign exchange losses or gains. The following FCDA adjustments and their related foreign exchange basis took effect in 2019 to 2021.

Approval Date	Effective Date	FCDA	Foreign Exchange Rate Basis
December 14, 2018	January 1, 2019	₱0.75 per cubic meter	USD1: ₱53.94 / JPY1: ₱0.48
March 6, 2019	April 1, 2019	₱0.52 per cubic meter	USD1: ₱52.77 / JPY1: ₱0.47
September 26, 2019	October 13, 2019	₱0.69 per cubic meter	USD1: ₱52.41 / JPY1: ₱0.47
March 11, 2020	April 1, 2020	₱0.48 per cubic meter	USD1: ₱50.77 / JPY1: ₱0.47 / EUR1: ₱56.36
September 14, 2020	October 1, 2020	₱0.33 per cubic meter	USD1: ₱50.10 / JPY1: ₱0.47 / EUR1: ₱56.37
December 1, 2020	January 1, 2021	₱0.19 per cubic meter	USD1: ₱48.51 / JPY1: ₱0.46 / EUR1: ₱57.22
February 24, 2021	April 1, 2021	₱0.24 per cubic meter	USD1: ₱48.06 / JPY1: ₱0.46 / EUR1: ₱58.39

There were no FCDA adjustments for the third quarter of 2019 as the MWSS BOT did not approve the adjustments until the fourth quarter of 2019. On May 29, 2020, the MWSS BOT approved an FCDA adjustment for the third quarter of 2020 similar to the prevailing FCDA adjustment for the second quarter of 2020 of ₱0.48 per cubic meter which had no impact on customer bills. There were no further FCDA adjustments approved from February 24, 2021. The RCA signed on March 31, 2021 also removed the FCDA mechanism.

On October 28, 2021, the MWSS BOT approved the recommendation of the MWSS RO to remove the FCDA from the Parent Company's customer bills beginning November 18, 2021, the initial effectivity date of the RCA. Beginning November 18, 2021, the FCDA was no longer applied to water rates of the Parent Company's East Zone customers.

Parent Company's, MWSS', and WawaJVCo, Inc.'s Raw Water Supply Offtake Agreement
On August 6, 2019, MWSS along with the Parent Company signed a thirty (30)-year Raw Water Supply Offtake Agreement with WawaJVCo, Inc., a joint venture company formed between Prime Metroline Infrastructure Holdings Corporation and San Lorenzo Builders and Developers Corporation. This will involve the supply of 518.00 million liters per day of raw water from the Wawa and Tayabasan rivers and is among the medium-term water supply augmentation measures identified to provide water security and sustainability to the consumers of the East Service Area.

On September 9, 2019, the MWSS RO adopted RO Resolution No. 2019-12-CA declaring the proposed Wawa-Calawis Bulk Water Supply Project as sound and feasible for implementation and recommending the inclusion of the total systems cost or Total Expense of the 518.00 million liters per day Calawis Water Treatment Plant and Conveyance Facility Project, prudently and efficiently incurred, in the next Rate Rebasing Exercise.

On September 10, 2019, the MWSS BOT approved the recommendation of the MWSS RO through MWSS Resolution No. 2019-143-RO.

On January 7, 2020, the parties executed the First Supplement to the Raw Water Supply Offtake Agreement to reflect their agreement on the joint conditions precedent.

On September 28, 2021, the parties executed the Second Supplement to the Raw Water Supply and Offtake Agreement to reflect the impact of the COVID-19 pandemic on the timeline of the project.

Parent Company's RCA with MWSS
On March 31, 2021, the Parent Company and MWSS entered into a RCA which has a term of up to July 31, 2037. The RCA shall become effective within six (6) months from March 31, 2021 and upon satisfaction of the conditions precedent.

On September 30, 2021, the Parent Company and MWSS executed an Amendment to the RCA extending its effective date to not later than November 18, 2021 to allow time to complete the pending conditions precedent, which are the Revised Common Purpose Facilities Agreement and the Undertaking Letter from the Republic.

Under the RCA, MWSS grants the Parent Company (as a public utility to perform certain functions and as a public utility for the exercise of certain rights and powers under RA No. 6234), the right to manage, operate, repair, decommission and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery and sewerage services in the East Zone, including the right to bill and collect for water and sewerage services supplied in the East Zone.

The RCA retains the rate rebasing mechanism under the original Concession Agreement. Thus, the rates for water and sewerage services provided by the Parent Company shall be set at a level that will permit it to recover over the term of the concession expenditures efficiently and prudently incurred and to earn a reasonable rate of return.

The RCA removed the recovery of the corporate income taxes and adjustment for FCDA. It also reduced the inflation factor to 2/3 of the CPI adjustment and imposed caps on increases in standard rates for water (1.3x the previous standard rate) and wastewater (1.5x the previous standard rate). Instead of a market-driven ADR, the Parent Company is now limited to a 12.00% fixed nominal discount rate. The RCA also includes a tariff freeze until December 31, 2022.

As with the original Concession Agreement, legal title to MWSS assets remains with MWSS. On the other hand, legal title to all fixed assets contributed by the Parent Company to the existing MWSS system during the concession remains with the Parent Company. Nevertheless, during each Rate Rebasing Date, the Parent Company is required to submit to MWSS a list of all recovered assets, including all supporting documents. Legal title to these recovered assets shall be transferred to MWSS on or before such Rate Rebasing Date.

As of December 31, 2021, the remaining condition precedent to the effectivity of the RCA is the Undertaking Letter from the Republic.

On February 16, 2022, the Parent Company and MWSS signed a Fourth Amendment to the RCA to further extend the effective start date of the RCA up to March 18, 2022 to give more time for the completion of the remaining condition precedent to the effectivity of the RCA.

Parent Company's Water Franchise Approval
On January 25, 2022, Republic Act (RA) No. 11601 became effective, granting the Parent Company a twenty-five (25)-year franchise to establish, operate and maintain a waterworks system to ensure an uninterrupted and adequate supply, and

distribution of potable water for domestic, commercial, and other purposes, and for the establishment and maintenance of sewerage system in the East Zone under a concession from the MWSS, or under an appropriate certificate of public convenience and necessity, license or permit from the MWSS RO.

The Parent Company is likewise given the right to recover, supply, distribute, and reuse treated and grey water whether in bulk or retail for domestic, commercial or industrial and other purposes. Furthermore, the Parent Company is allowed to develop new raw water sources as operations may require and enter into bulk water supply arrangements. It may also exercise the power of eminent domain as necessary for its operations and may install and maintain its pipelines and facilities on public property and roads.

The franchise coexists alongside the RCA, which shall serve as the Parent Company's certificate of public convenience and necessity, license or permit for the operation of a waterworks and sewerage system. When public interest for affordable water security requires and upon application by the Parent Company, MWSS is authorized to approve the amendment of the RCA to extend its term up to the term of the franchise.

As franchisee, the Parent Company is obligated to submit a completion plan for the establishment and operation of water, sewerage and sanitation project covering a period until 2037, with periodic five (5)-year completion targets with the end goal of achieving one hundred percent (100.00%) water and combined sewerage and sanitation coverage by 2037.

The Parent Company is required to submit a compliance report to Congress through the Committee on Legislative Franchises of the House of Representatives and the Committee on Public Services of the Senate on or before April 30 of each year. The annual report will contain the following:

a. *Annual progress report of compliance with targets;*
b. *An update on the development, operation, and expansion of business;*
c. *Audited financial statements and latest General Information Sheet (GIS) officially submitted to the SEC, if applicable;*
d. *A certification of the MWSS RO on the status of its permits and operations; and*
e. *An update on its minimum public float required under Section 18.*

The Parent Company is obligated to submit all information and documents required by the MWSS RO to conduct comprehensive assessment of the grantee's operations and compliance with conditions imposed in RA No. 11601. Further, the Parent Company is required to provide and promote creation of employment opportunities, maintain minimum public float as required by the Philippine Stock Exchange, and elect independent directors constituting at least 20.00% of its total BOD membership.

Tariff setting to be conducted by the MWSS RO or its legal successor shall take into account incentives for enhancement of efficiency, equity considerations, and the customers' willingness to pay apart from reasonable and prudent capital and recurrent costs of providing the service including a reasonable rate of return on capital, efficiency of service, administrative simplicity, and the methodology prescribed under the RCA.

The Parent Company has sixty (60) days from the effectivity date of the franchise to accept such franchise in writing to the Congress of the Philippines, else, the franchise will be rendered void. Upon the Parent Company's acceptance of the franchise, its successors or assignees, shall exercise the privileges granted to the Parent Company under the franchise.

Significant Transactions – Domestic Subsidiaries

Laguna Water's Concession Agreement with the Provincial Government of Laguna (PGL)
On April 9, 2002, Laguna Water entered into a concession agreement (as amended on March 31, 2004, July 22, 2009, June 30, 2015, and May 3, 2018) with PGL, a local government unit organized and existing under Philippine Laws.

Under the terms of the concession agreement, PGL grants Laguna Water (as contractor and as agent for the exercise of certain rights in Laguna) the sole and exclusive right and discretion during the concession period to manage, occupy, operate, repair, maintain, decommission and refurbish the identified facilities required to provide water services to specific areas for an operational period of twenty-five (25) years which commenced on October 20, 2004.

While Laguna Water has the right to manage, occupy, operate, repair, maintain, decommission and refurbish specified PGL facilities, legal title to these assets remains with PGL. Legal title to all assets procured by Laguna Water in the performance of its obligations under the agreement remains with Laguna Water and shall not pass to PGL until the end of the concession period at which time, Laguna Water will transfer, or if the ownership is vested in another person, cause the transfer to PGL. Laguna Water has the exclusive right to provide water services in the service areas specified in the concession agreement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Concession fees set forth in the concession agreement are computed as a percentage of revenue from water services (see Note 10).

Seventy percent (70%) of the concession fees are applied against any advances made by Laguna Water to PGL. The remaining thirty percent (30%) of the concession fees are payable annually thirty (30) days after the submission of the audited financial statements by Laguna Water, starting on the first operational period.

The concession agreement also states that the base tariff shall be increased by ten percent (10%) in Year 7, 9, 11, 14, and 17 of Laguna Water's concession, which took effect on the commencement date on October 20, 2004.

On June 30, 2015, Laguna Water and the PGL signed an amendment to the concession agreement which expands the concession area to cover all cities and municipalities in the province of Laguna, as well as the service obligation to include the provision of wastewater services and the establishment of an integrated sewage and septage system in the province.

In connection with the amendment to the concession agreement on June 30, 2015, the Sangguniang Bayan of the municipality of Calauan, Laguna approved the resolution allowing Laguna Water to provide water and wastewater services to the municipality of Calauan.

Furthermore, the concession period's commencement date was amended to mean the later of either: (i) three (3) years from the takeover date (i.e., October 20, 2004); or (ii) availment by at least 25,000 customers of the services (i.e., September 30, 2010). The concession period is deemed to have commenced on September 30, 2010 and shall end on September 30, 2035.

On October 20, 2015, the Year 11, Laguna Water made a tariff adjustment of 10% which was implemented in November 2015.

On August 23, 2017, the Sangguniang Bayan of Victoria, Laguna, approved the inclusion of its municipality within the service area of Laguna Water, pursuant to the expansion of the service area of Laguna Water under its amended concession agreement with PGL.

On May 3, 2018, the concession agreement was amended to include the approval of an environmental charge amounting to twenty percent (20%) of the water tariff for wastewater services, desludging services, and other environmental-related costs which was implemented on September 22, 2018.

On October 20, 2018, the Year 14, Laguna Water implemented a tariff adjustment of 10.00% effective December 1, 2018.

In view of the Provisional Authority and Provisional Water Tariff issued by the National Water Resources Board (NWRB) on September 28, 2021, Laguna Water implemented an average of 10.00% tariff increase across all customer rate categories effective November 1, 2021 (for residential, institutional and few commercial accounts) and December 1, 2021 (for the remaining commercial and industrial accounts). Upon implementation, varying rates on tariff increases were applied to each customer category depending on its current rate and NWRB's customer classification.

Boracay Water's Concession Agreement with Tourism Infrastructure and Enterprise Zone Authority (TIEZA)
On December 17, 2009, Boracay Water entered into a concession agreement with TIEZA, formerly Philippine Tourism Authority (PTA). The concession agreement sets forth the rights and obligations of Boracay Water as concessionaire throughout a twenty-five (25)-year concession period. TIEZA Regulatory Office (TIEZA RO) will monitor and review the performance of the concessionaire throughout the concession period.

Under the concession agreement, TIEZA grants Boracay Water (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under Presidential Decree No. 564) the sole right to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery and sewerage services to the entire Boracay Island for a period of twenty-five (25) years from January 1, 2010 (commencement date) until December 31, 2034 (expiration date), or the early termination date as the case may be. The legal title to all fixed assets contributed to the existing TIEZA system by Boracay Water during the concession remains with Boracay Water until the expiration date (or the early termination date) at which time all rights, titles and interest in such assets will automatically vest in TIEZA.

On January 1, 2010, Boracay Water officially took over the operations of the service area. Rehabilitation works for the service area commenced immediately thereafter. As provided in Boracay Water's project plans, operational commercial capacity will be attained upon completion of the rehabilitation works.

Under its concession agreement, Boracay Water is entitled to the following rate adjustments:

a. annual standard rate adjustment to compensate for increases in the CPI;
b. EPA to account for the financial consequences of the occurrence of certain unforeseen events stipulated in the concession agreement; and
c. FCDA to recover foreign exchange losses including accruals and carrying costs thereof arising from TIEZA loans and any loans used for capital expenditures and concession fee payments (see Notes 2, 10 and 13).

These rate adjustments are subject to a rate adjustment limit which is equivalent to the sum of CPI published in the Philippines, EPA and Rebasing Convergence Adjustment as defined in Boracay Water's concession agreement.

The rate rebasing date is set every five (5) years starting January 1, 2011. Hence, the first rate rebasing period commenced on January 1, 2010 and ended on December 31, 2010 and, in the case of subsequent rate rebasing periods, the period commencing on the last rate rebasing date and ending on December 31 of the fifth year thereafter.

On June 7, 2017, TIEZA approved the new water rates of Boracay Water, which was equivalent to an increase of 52.83% from its existing rate to be implemented on a staggered basis for a period of three (3) years with an increase of 30.14%, 11.99%, and 10.70% in 2017, 2018 and 2019, respectively. The first tranche of tariff increase was implemented on July 1, 2017, equivalent to 30.14% of the existing rate.

On December 15, 2017, TIEZA approved Boracay Water's implementation of the second tranche of tariff increase along with a 3.80% CPI effective January 1, 2018.

On December 18, 2018, TIEZA approved Boracay Water's implementation of the third tranche of tariff increase together with 7.72% CPI. Furthermore, an additional 3.00% was applied to the basic water and sewer tariff to account for FCDA. The new rates took effect on January 1, 2019.

Boracay Water's concession agreement also provides a general rate setting policy for rates chargeable by Boracay Water for water and sewerage services as follows:

a. For the period through the second rate rebasing date (January 1, 2017), the maximum rates chargeable by Boracay Water (subject to interim adjustments) are set out in the concession agreement; and
b. From and after the second rate rebasing date, the rates for water and sewerage services shall be set at a level that will permit Boracay Water to recover, over the twenty-five (25)-year term of its concession, its investment including operating expenses, capital maintenance and investment incurred, Philippine business taxes and payments corresponding to debt service on the TIEZA loans incurred to finance such expenditures, and to earn a rate of return on these expenditures for the remaining term of the concession in line with the rates of return being allowed from time to time to operators of long-term infrastructure concession arrangements in other countries having a credit standing similar to that of the Philippines.

The maximum rates chargeable for such water and sewerage services shall be subject to general adjustment at five (5)-year intervals commencing on the second rate rebasing date, provided that the TIEZA may exercise its discretion to make a general adjustment of such rates.

Also, as part of the concession agreement, Boracay Water assumed certain property and equipment of Boracay Water Sewerage System (BWSS), as well as its outstanding loan from Japan International Cooperation Agency (JICA), considered as part of its TIEZA loans under the concession agreement, and regulatory costs.

As a result of the above terms of the concession agreement, Boracay Water recognized a total of ₱986.86 million service concession assets on its commencement date. It includes the JICA loan assumed by Boracay Water, regulatory costs, construction costs for the improvement and expansion of the water and wastewater facilities and the advanced concession fees (see Note 10).

Clark Water's Concession Agreement with Clark Development Corporation (CDC)
On March 16, 2000, Vivendi Water Philippines, Inc., which subsequently changed its name to Veolia Water Philippines, Inc. (VWPI), entered into a concession agreement with CDC, a government corporation organized and existing under Executive Order No. 80, series of 1993. The concession agreement sets out the terms and conditions under which VWPI will finance, design, construct, operate and maintain the water and sewerage system inside the Clark Freeport Zone (CFZ) commencing on October 1, 2000 and ending on the date falling twenty-five (25) years thereafter or as may be extended by the terms of

the concession agreement. As the implementing arm of the Bases Conversion Development Authority and the regulatory and development body for the CFZ, CDC has the power and authority to regulate and monitor the performance and compliance of VWPI, or its assignee, with its obligations under the concession agreement.

On September 1, 2000, in accordance with the terms of the concession agreement, VWPI assigned its rights and obligations under the concession agreement to Clark Water by virtue of an assignment and assumption agreement between VWPI and Clark Water. As consideration for the grant of the concession and franchise to develop, operate and maintain the water and sewerage system within the CFZ, Clark Water pays CDC an annual franchise fee of ₱1.50 million. Any new construction, change, alteration, addition or improvement on the facilities is permitted to the extent allowed under the agreement with CDC or with the prior written consent of CDC. Legal title, free of all liens and encumbrances, to improvements made or introduced by Clark Water on the facilities as well as title to new facilities procured by Clark Water in the performance of its obligations under the concession agreement shall automatically pass to CDC on the date when the concession period expires or the date of receipt of a validly served termination notice, where in the latter case, subject to payment of the amount due as termination payments as defined in the concession agreement.

On September 29, 2000, CDC leased in favor of Clark Water the existing facilities in compliance with the condition precedent to the effectivity of and the respective obligations of Clark Water and CDC under the concession agreement. Under the lease agreement, Clark Water was required to make a rental deposit amounting to ₱2.77 million equivalent to six (6) months lease rental and a performance security amounting to ₱6.72 million to ensure the faithful compliance of Clark Water with the terms and conditions of the lease agreement. Clark Water pays semi-annual rental fees of ₱2.77 million amounting to a total of ₱138.28 million for the entire concession period. The lease term shall be co-terminus with the concession period, unless sooner terminated for any of the reasons specified in the concession agreement.

On August 15, 2014, Clark Water and CDC signed an amendment agreement to the concession agreement dated March 16, 2000. The amendment provides for the following:

a. extension of the original concession period for another fifteen (15) years up to October 1, 2040;
b. additional investment of ₱4.00 billion over the remaining life of the extended concession period, provided under the amended concession agreement, to be spent for further improvement and expansion of water and wastewater services in the area. Investment requirement under the original concession agreement amounted to ₱3.00 billion and the amended concession agreement required an additional investment of ₱2.00 billion. Initial investment prior to the amendment of the concession agreement amounted to ₱1.00 billion.
c. introduction of a rate rebasing mechanism for every four (4) years starting 2014.
d. reduction in tariff rates by 3.9% (from ₱25.63/m^3 to ₱24.63/m^3) effective September 1, 2014, subject to the EPA; and
e. increase in tariff rates by:
   i. ₱0.41/m^3 (from 24.63/m^3 to ₱25.04/m^3) in 2018;
   ii. ₱0.42/m^3 (from ₱25.04/m^3 to ₱25.45/m^3) in 2019;
   iii. ₱0.42/m^3 (from ₱25.45/m^3 to ₱25.87/m^3) in 2020; and
   iv. ₱0.43/m^3 (from ₱25.87/m^3 to ₱26.30/m^3) in 2021.

As a result of the extension of the concession period, service concession assets and service concession obligation as of August 15, 2014 increased by ₱56.58 million. Further, the recovery period of Clark Water's investment was extended by another fifteen (15) years from 2025 to 2040.

On May 26, 2017, Clark Water submitted its proposed 2018 rate rebasing plan following the four (4)-year rebasing period stated in its concession agreement. As of December 31, 2021, Clark Water's 2018 rate rebasing is still ongoing which put on hold the approved tariff increases under the amended concession agreement on August 15, 2014 (see Note 3).

Clark Water's Compliance with the Department of Environment and Natural Resources' (DENR's) Administrative Order No. (DAO) No. 2016-08
On June 16, 2016, the DENR promulgated DAO No. 2016-08 regulating the discharge of nutrients and imposing additional limits and parameters. Pursuant to Section 10 of DAO No. 2016-08, Clark Water sought the approval of the DENR of its Compliance Action Plan (CAP) which would have extended the current five (5)-year CAP of Clark Water. On July 17, 2020, Clark Water received the approval of DENR on its submitted CAP with project completion deadline of December 31, 2021. On October 19, 2020, the CDC sent a letter to the DENR in support of Clark Water's request for extension of its CAP to 2023. On November 11, 2020, however, the CDC received a letter from the DENR denying Clark Water's request citing the DAO No. 2016-08's clear five (5)-year limit for the grace period. On November 26, 2020, CDC sent another letter to the DENR appealing to the DENR for reconsideration of their request to postpone the DAO No. 2016-08. On December 7, 2020, the DENR sent a letter to the CDC, denying their request for the second time.

As a result, DENR held in abeyance the renewal of Clark Water's discharge permit pending its compliance with the CAP even though Clark Water is compliant with DAO No. 1990-35, the applicable regulation at that time. On April 20, 2021, Clark Water received notice to proceed from CDC. Clark Water immediately proceeded with the construction of the Bionutrient Removal (BNR) Project in compliance to the approved CAP. DENR subsequently issued a temporary discharge permit on April 26, 2021 valid until October 30, 2021.

On July 29, 2021, DAO No. 2016-08 was superseded by a relaxed standard under DAO No. 2021-19. On December 21, 2021, Clark Water sent a letter to the DENR for the reduced CAP pursuant to DAO No. 2021-19. On January 13, 2022, DENR issued Discharge permit extension until March 31, 2022.

MW Consortium Agreement with the Provincial Government of Cebu (PGC)
On March 21, 2012, MW Consortium signed a Joint Investment Agreement (JIA) with the PGC for the formation of a joint venture company with 51.00% and 49.00% equity participation for MW Consortium and the PGC, respectively. Under the JIA, the parties agreed to develop and operate a bulk water supply system that will supply 35.00 million liters of water per day to target areas in the province of Cebu with the joint venture company serving as a bulk water supplier. The term of the agreement is thirty (30) years starting March 2012 and renewable for another twenty-five (25) years. On May 23, 2012, MW Consortium and the PGC incorporated Cebu Water, with an ownership of 51.00% and 49.00%, respectively, pursuant to the JIA.

On December 13, 2013, Cebu Water received a Notice of Award for the bulk supply of water to the Metropolitan Cebu Water District (MCWD). On December 18, 2013, Cebu Water and MCWD signed a twenty (20)-year Bulk Water Supply Contract for the supply of eighteen (18.00) million liters per day of water for the first year and thirty-five (35.00) million liters per day of water for years two (2) up to twenty (20). Cebu Water delivered its initial eighteen (18.00) million liters per day bulk water supply to MCWD on January 5, 2015. Cebu Water increased its bulk water delivery to thirty-five (35.00) million liters per day in 2016.

On August 29, 2019, MW Consortium received a Notice of Breach/Default of the JIA from the PGC. On December 10, 2019, PGC issued a Notice of Termination of the JIA. Pursuant to the JIA, MW Consortium issued a Notice of Existence of a Dispute on PGC on December 12, 2019.

On February 3, 2020, MW Consortium and the PGC signed the Terms of Reference for the interim protocol between both parties pending Settlement with Finality of the Dispute between MW Consortium and PGC. As of December 31, 2021, the parties are still engaged in negotiations towards the settlement of the dispute.

Zamboanga Water's Non-Revenue Water Reduction Service Agreement (NRWRSA) with Zamboanga City Water District (ZCWD)
On December 19, 2014, the Parent Company received a notice from the ZCWD awarding the project for NRW reduction in Zamboanga City, Zamboanga del Sur. On January 30, 2015, the Parent Company and ZCWD signed and executed a JVA in relation to the NRW reduction project in Zamboanga City. On April 10, 2015, the Parent Company and ZCWD incorporated Zamboanga Water to implement the NRW Reduction project.

On June 2, 2015, Zamboanga Water entered into a NRW Reduction Service Agreement (NRWRSA) with ZCWD. Under the NRWRSA, ZCWD grants Zamboanga Water the right to implement Network Restructuring and NRW Reduction Programs for ZCWD's water distribution system.

In March 2019, the City Government of Zamboanga City declared a state of calamity due to the recurrence of El Niño. This prompted the ZCWD to implement a service-wide water rationing scheme. Consequently, Zamboanga Water was constrained to suspend its NRW Reduction activities due to the unstable supply caused by said water rationing.

In October 2019, Zamboanga Water and ZCWD jointly formed a Technical Working Group to negotiate and resolve all the pending issues or disputes arising during the implementation of the NRW Reduction Project, such as the impact of the yearly occurrence of El Nino, non-payment of performance and "locked-in" fees, opposing interpretation of provisions in the NRWRSA, among others.

Per Section 1.10 of the NRWRSA, a rebaseline is to be performed if there is a decrease in supply resulting from El Niño. Per agreement with ZCWD Project Management Unit (PMU) in November 2017, the computed NRW cu.m./day prior the rebaseline shall be used as basis for the "locked-in" performance computation. However, a supplemental agreement to formally recognize the computation and payment of "locked-in" performance has not been finalized as of December 31, 2019.

On April 3, 2020, Zamboanga Water received a letter, dated April 1, 2020, from the ZCWD, requesting for the termination of the NRWRSA. In its letter, ZCWD indicated that the erratic supply of water due to the recurrent dry spell and El Niño phenomenon affecting the District Metered Areas (DMAs) established by Zamboanga Water has rendered the NRWRSA impractical and unworkable, and thus, in the interest of fiscal responsibility and sound management of government funds, ZCWD requested for the termination of the NRWRSA.

On April 30, 2020, Zamboanga Water approved the termination of the NRWRSA. Such termination, however, is without prejudice to Zamboanga Water's claims against ZCWD and remedies under the NRWRSA. The termination of the NRWRSA resulted to the classification of Zamboanga Water as discontinued operations (see Note 3). The summary of results of operations and cash flows of Zamboanga Water as of December 31, 2021, 2020 and 2019 are presented in Note 19.

On September 16, 2020, Zamboanga Water filed a Notice of Arbitration with the Philippine Dispute Resolution Center, Inc. (PDRCI), which is the arbitral body designated in the NRWRSA.

As of December 31, 2021, the arbitration is still ongoing.

Tagum Water's Bulk Water Sales and Purchase Agreement with Tagum Water District (TWD)
On July 28, 2015, TWD awarded the Tagum City Bulk Water Supply Project (the "Tagum Bulk Water Project") to Davao Water, a consortium of the Parent Company and iWater, Inc.

On October 15, 2015, Davao Water signed and executed a Joint Venture Agreement (JVA) with TWD. The JVA governs the relationship of Davao Water and TWD as joint venture partners in the Tagum Bulk Water Project. Pursuant to the JVA, Davao Water and the TWD caused the incorporation of a joint venture company, namely, Tagum Water, which shall implement the Tagum Bulk Water Project for fifteen (15) years from the Operations Start Date, as defined in the JVA.

On February 26, 2016, Tagum Water and TWD signed and executed a Bulk Water Sales and Purchase Agreement for the supply of bulk water to TWD for a period of fifteen (15) years, subject to renewal upon mutual agreement by both parties. Tagum Water shall supply treated water exclusively to TWD. The quantity of treated water to be supplied to TWD will be 26.00 million liters of water per day for the first year, 32.00 million liters of water per day for years 4 to 6, and 38.00 million liters of water per day for years 7 to 15.

On March 28, 2017, TWD issued a Notice to Proceed for the 24-month construction of the water treatment plant. On June 26, 2019, TWD approved a 120-day construction period extension requested by Tagum Water due to delays caused by unforeseen conditions in the project site which was discovered only after construction had already commenced.

On July 17, 2019, Tagum Water issued to TWD the Certificate of Substantial Completion of the Water Treatment plant to begin the pre-commissioning period. On August 27, 2019, Tagum Water started the commissioning period with 5.00 to 8.00 million liters per day of treated water delivery to TWD.

On September 9, 2019, Tagum Water's BOD ratified the implementation of the design, supply of materials, installation of equipment and construction of two (2) units 300 mm shallow wells in Tagum City, Davao del Norte. On October 28, 2019, Tagum Water informed TWD of the completion of the two (2) wells and the results of the water quality analysis.

On December 6, 2019, Tagum Water's BOD approved the additional capital expenditure in the initial amount of ₱157.00 million to address the inadequacy of yield in the intake structure. Tagum Water constructed two (2) additional wells, (i) artificial recharge thru media replacement and (ii) chlorine scrubber system, to ensure health and safety during the operation.

On December 11, 2019, Tagum Water commenced the extension of the commissioning period for 120 days with the consent of TWD BOD.

On February 7, 2020, the Tagum Water BOD finalized the approval of the additional capital expenditure in the amount of ₱ 154.00 million.

On April 4, 2020, the extended commissioning period has concluded. However, the operation started only on May 18, 2020 due to COVID-19 quarantine measures in the region.

On March 16, 2021, an artificial recharge intake structure was energized to deliver the contractual volume of 26.00 million liters per day. However, in the second quarter of 2021, several unusual heavy rains which brought floods were encountered, and this resulted to silt issue on the lagoon. This, in turn, affected plant production, yielding only an average of 23.00 million liters per day. To mitigate the problem, heavy desilting activities were done, and on November 22, 2021, the procured slurry dredger was already operational in aiding the desilting activities at the artificial recharge lagoon. On December 14, 2021, the plant was already back to its delivery of the contractual 26.00 million liters per day to TWD.

On January 31, 2022, MWPVI agreed to purchase the 51.00% share of iWater, Inc. in Davao Water. On February 24, 2022, MWPVI secured the approval of its BOD to purchase the 49.00% stake (735,000 common shares) of iWater, Inc. in Davao Water for ₱345.33 million.

MWPVI's Memorandum of Agreement (MOA) with Ayala Land Inc. (ALI)
On January 15, 2016, MWPVI entered into a MOA with ALI and its subsidiaries (collectively, the "ALI Group"), whereby MWPVI shall exclusively provide water and used water services and facilities to all property development projects of the ALI Group.

On April 19, 2021, MWPVI and Aqua Centro entered into a Novation Agreement with Adauge Commercial Corporation whereby MWPVI assigns and transfers its rights, duties and obligations under the MOA with ALI Group to Aqua Centro for Atria Development (Iloilo City). As of December 31, 2021, MWPVI is still operating Atria Development.

On May 31, 2021, MWPVI and the ALI Group signed an Amended and Restated MOA. MWPVI shall have a preferred status with regards to the provision of water and used water services to all property development projects of the ALI Group except for the excluded developments namely, Amaia Scape Pampanga, Amaia Scape San Fernando, Amaia Scape Capas, Amaia Scape Cabanatuan, Amaia Scape Trece Martires, Bellavita Capas, Bellavita Cabanatuan 1 and East, Bellavita Pililia, Bellavita Lian, Bellavita Lipa, Bellavita Rosario and Bellavita Iloilo.

On December 29, 2021, MWPVI entered into a Deed of Absolute Sale with Amaia Land Corp. (Amaia) and BellaVita Land Corp. (BellaVita) whereby MWPVI sells, conveys, transfers, assigns and delivers the properties and all rights, title, and interest to Amaia and BellaVita for the excluded development on the Amended and Restated MOA with ALI Group (see Notes 9 and 23). As of December 31, 2021, MWPVI completed the sale and transfer of the properties to Amaia and BellaVita.

Aqua Centro's MOAs with the SM Group
On December 8, 2016, MWPVI entered into MOAs with each of SM Prime Holdings Inc.'s and the latter's affiliates and subsidiaries, SM Development Corporation and SM Residences Corp. (collectively, the "SM Group"). Pursuant to the MOA, MWPVI will provide the water and/or used water services and facilities to the property development projects of the SM Group identified in each of the MOA.

On October 5, 2017, Aqua Centro was incorporated to handle property development projects, other than those within the ALI Group, by engaging in the development, improvement, maintenance, and expansion of water, sewerage, wastewater, and drainage facilities, and provide services necessary or incidental thereto.

On December 28, 2017, MWPVI entered into a Novation Agreement with the SM Group and Aqua Centro to transfer its rights, duties and obligations to provide water and/or used water services and facilities to the property development projects of the SM Group to Aqua Centro, effective from the inception of the MOA.

On June 25, 2018, Aqua Centro entered into additional MOAs with the SM Group with each development of SM Prime Holdings, Inc. and Metro South Davao Property Corp.

As of December 31, 2021 and 2020, Aqua Centro and MWPVI has eight (8) and one (1) signed MOAs with the SM Group, respectively.

Calasiao Water's Concession Agreement with Calasiao Water District (CWD)
On December 9, 2016, the Parent Company received a Notice of Award from CWD, a water district created and existing by virtue of Presidential Decree No. 198, for the implementation of the joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion and management of the water supply system of CWD in Calasiao, Pangasinan.

On June 19, 2017, the Parent Company signed a JVA with CWD which will govern the relationship of the two in undertaking the joint venture project. Under the JVA, the Parent Company and CWD shall cause the incorporation of a joint venture company where the Parent Company and CWD shall own 90.00% and 10.00%, respectively, of the outstanding capital stock.

On August 2, 2017, the SEC approved the incorporation of Calasiao Water Company, Inc.
On October 23, 2017, Calasiao Water and CWD signed and executed a concession agreement. Under the concession agreement, the CWD grants Calasiao Water, (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under Presidential Decree No. 564) the sole right to develop, manage, operate, maintain, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery in the entire Municipality of Calasiao for a period of twenty-five (25) years commencing on December 29, 2017 (the commencement date) until December 29, 2042 (the expiration date) or the early termination date as the case may be. While Calasiao Water has the right to manage, operate, repair, and refurbish specified CWD facilities in the service area, legal title to these assets remains with the CWD. The legal title to all fixed assets contributed to the existing CWD system by Calasiao Water during the concession remains with Calasiao Water until the expiration date (or the early termination date) at which time all rights, titles and interest in such assets will automatically vest in CWD.

Under the concession agreement, in the event that one or more grounds for EPA has occurred or is expected to occur, an appropriate price adjustment to be applied to the tariff or an appropriate adjustment to the service obligations of the concessionaire will be determined by the CWD.

The grounds for EPA means any of the following circumstances:

a. change in law or change in the interpretation of the terms of the concession agreement;
b. extraordinary cost incurred due to prolonged force majeure;
c. a material change has been made to the basis of calculation or definition of the CPI or replacement index agreed; or
d. the concessionaire has incurred significant additional costs as a result of an event of force majeure which are not covered by insurance.

<u>MWPVI's Asset Purchase Agreement (APA) with Asian Land Strategies Corporation (Asian Land) and Incorporation of BMDC</u>
On January 4, 2017, MWPVI entered into an APA with Asian Land to acquire and operate the latter's assets used in the water business operations in Asian Land's developments in the province of Bulacan. The intention of MWPVI was to assign the rights under the APA to its wholly-owned subsidiary upon its incorporation.

On April 11, 2017, BMDC was incorporated to design, construct, rehabilitate, maintain, operate, finance, expand, and manage water supply system and sanitation facilities. BMDC is the ultimate entity that will own and operate the assets acquired from Asian Land.

On July 31, 2017, MWPVI assigned all its rights and obligations under the APA to BMDC, a wholly-owned subsidiary of MWPVI, under a Deed of Assignment. On the same day, the Deed of Absolute Sale was also executed between Asian Land and BMDC.

<u>Obando Water's Concession Agreement with Obando Water District (OWD)</u>
On January 24, 2017, the consortium of the Parent Company and MWPVI received the Notice of Award from OWD for the implementation of the joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply system and sanitation facilities of OWD in Obando, Bulacan.

On February 2, 2017, Obando Water Consortium Holdings Corp. (now Filipinas Water) was registered with the SEC. Filipinas Water is the consortium between the Parent Company and MWPVI with an equity share of 49.00% and 51.00%, respectively. The primary purpose of Filipinas Water is to engage in the business of a holding company without acting as stockbroker or dealer in securities.

On July 26, 2017, Filipinas Water signed and executed a JVA with OWD. The JVA governs the relationship of Filipinas Water and OWD as joint venture partners in the Obando Water Concession Project (the "Obando Concession Project"). On October 10, 2017, Obando Water was incorporated. Obando Water is 90.00% and 10.00% owned by Filipinas Water and OWD, respectively.

On October 12, 2017, Obando Water and OWD signed and executed a concession agreement. Under the concession agreement, OWD grants Obando Water, (as contractor to perform certain functions and as agent for the exercise of certain *rights and powers under Presidential Decree No. 564), the sole right to manage, operate, maintain, repair, refurbish, and expand the fixed and movable assets required to provide water and sanitation services in the entire Municipality of Obando for a period of twenty-five (25) years commencing on January 1, 2018 (the commencement date) until December 31, 2042 (the expiration date) or the early termination date, as the case may be. While Obando Water has the right to manage, operate, repair and refurbish specified OWD facilities in the service area, legal title to these assets remain with OWD. The legal title to all fixed assets contributed to the existing OWD system by Obando Water during the concession remains with Obando Water until the expiration date (or the early termination date) at which time all rights, titles and interest in such assets will automatically vest in OWD.*

Obando Water's initial water tariff, exclusive of value-added tax (VAT) and/or any applicable tax, to be charged to the customers for the first three (3) years of the concession agreement shall be based on the 2005 Local Water Utilities Administration (LWUA) approved tariff table of OWD. Starting March 2021, Obando Water's tariff was inclusive of VAT. Under the concession agreement, in the event that one or more grounds for EPA has occurred or is expected to occur, an appropriate price adjustment to be applied to the tariff or an appropriate adjustment to the service obligations of the concessionaire will be determined by OWD.

The grounds for EPA means any of the following circumstances:

- *a. change in law or change in the interpretation of the terms of the concession agreement;*
- *b. extraordinary cost incurred due to prolonged force majeure;*
- *c. a material change has been made to the basis of calculation or definition of the CPI or replacement index agreed;*
- *d. change in assumptions at the time of the execution of the concession agreement; or*
- *e. the concessionaire has incurred significant additional costs as a result of an event of force majeure which are not covered by insurance.*

On March 28, 2019, LWUA has approved a new loan repayment scheme of thirteen (13) years with OWD. Upon initial payment, which shall not be later than May 15, 2019, LWUA shall no longer impose penalties from OWD.

<u>BMDC's APA with Solar Resources, Inc. (Solar Resources)</u>
On July 26, 2017, BMDC entered into an APA with Solar Resources to acquire and operate the latter's assets used in the water business operations in Solar Resources developments in the province of Bulacan.

On July 31, 2017, Solar Resources executed a Deed of Assignment in relation to the APA and a Deed of Absolute Sale to sell and transfer its properties pertaining to water facilities and its operations in the Las Palmas Subdivisions Phases 1 to 7 to BMDC.

<u>BMDC's APA with Borland Development Corporation (Borland)</u>
On December 14, 2017, BMDC and Borland executed the APA, Deed of Assignment, and Deed of Absolute Sale to sell, assign, transfer, and convey Borland's assets pertaining to water facilities and its operation in San Vicente Homes subdivision in Bulacan to BMDC.

<u>Parent Company's Notice of Award from Leyte Metropolitan Water District (LMWD)</u>
On December 6, 2017, the Parent Company received the Notice of Award from LMWD for the implementation of the joint venture project (the "Leyte Project") for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply and sanitation facilities and services of LMWD in the Province of Leyte. The conditions precedent specified in the Notice of Award include the incorporation of a special purpose vehicle (SPV) which will implement the Leyte Project under a contractual joint venture with LMWD.

Upon completion of the conditions precedent specified in the Notice of Award, the SPV and LMWD shall enter into a JVA that will grant the SPV, as contractor, to perform certain functions and as agent for the exercise of, the sole and exclusive right to manage, operate, maintain, repair, refurbish and improve, expand and as appropriate, decommission, the facilities of LMWD in its Service Area, including the right to bill and collect tariff for the provision of water supply and sanitation services in the Service Area of LMWD.

LMWD's service area covers the City of Tacloban and seven other municipalities namely Palo, Tanauan, Dagami, Tolosa, Pastrana, TabonTabon, and Santa Fe.

In January 2018, an internal conflict arose between the Province-appointed BOD of LMWD and the City-appointed BOD as to which is the legitimate BOD authorized to represent the LMWD. This issue caused substantial delay in the implementation and recognition of the Notice of Award in favor of the Parent Company.

On February 20, 2019, the Parent Company wrote to the LMWD, now represented by the City-Appointed BOD, and requested the LMWD to honor the Notice of Award.

On April 12, 2019, the LMWD advised that it had already rescinded/terminated the JVA negotiations with the Parent Company.

On June 21 2019, the Parent Company initiated available legal course of action to compel the LMWD to honor the Notice of Award granted to the Parent Company.

As of December 31, 2021, the case remains pending with the Supreme Court.

<u>MWPVI's JVA with Tubig Pilipinas Group, Inc. (TPGI)</u>
On December 11, 2017, the Municipality of Malasiqui granted a franchise to MWPVI and TPGI for the implementation of a joint venture project to establish, construct, operate, manage, repair, and maintain water supply and wastewater system and facilities in the municipality of Malasiqui, Pangasinan. The franchise has a term of twenty-five (25) years from the commencement date.

On February 20, 2018, the BOD of MWPVI approved the creation of an SPV for this project.

On November 16, 2018, MWPVI signed and executed a JVA with TPGI. Under the agreement, MWPVI and TPGI shall incorporate a joint venture company, with 50.00% and 50.00% ownership, respectively, which shall implement the project. As of December 31, 2021, MWPVI and TPGI are still in the process of incorporating the joint venture company.

<u>EcoWater's Lease Agreement with the Philippine Economic Zone Authority (PEZA)</u>
On December 18, 2017, MWPVI entered into a Lease Agreement for the Operations and Management of the Water and Used Water Facilities of PEZA in Cavite Economic Zone (CEZ), whereby MWPVI agrees to lease, operate, and maintain the existing water and used water facilities in the CEZ for the provision of water and used water services to the locators therein. The lease agreement has a term of twenty-five (25) years from signing of the contract and became effective on its commencement date on February 1, 2018.

MWPVI shall apply its expertise in the industrial zones operations and shall provide capital expenditures for the duration of the agreement. The Cavite Special Economic Zone is a 275-hectare industrial estate with 297 locators consuming approximately 350,000 cubic meters per month or 12.00 million liters per day.

On August 4, 2020, MWPVI's BOD approved the assignment of the Lease Agreement for the Operations and Management of the Water and Used Water Facilities of the PEZA in the CEZ from MWPVI to EcoWater.

<u>Ilagan Water's Bulk Water Sales and Purchase Agreement with City of Ilagan Water District (CIWD)</u>
On January 26, 2018, the Parent Company and MWPVI (collectively the "Consortium") received the Notice of Award from CIWD for the implementation of the joint venture project for the development, financing, operation and management of a raw water source, provision of bulk water supply with system expansion, and the development of septage management in Ilagan City, Isabela (the "Ilagan Project").

On November 16, 2018, the Consortium (namely, Filipinas Water) signed and executed a JVA with the CIWD. Under the JVA, Filipinas Water and CIWD shall incorporate a joint venture company, with 90.00% and 10.00% ownership, respectively, which shall implement the Ilagan Project. Upon completion of conditions precedent set out in the JVA, the joint venture company will consequently enter into a Bulk Water Sales and Purchase Agreement and Septage Management Agreement with CIWD for the implementation of the Ilagan Project for twenty-five (25) years from the commencement date.

On February 15, 2019, Ilagan Water was incorporated and registered with the Philippine SEC to implement the Ilagan Project.

On March 18, 2019, Ilagan Water's BOD approved the execution of a Bulk Water Sales and Purchase Agreement (BWSPA) and Septage Management Agreement (SMA) with CIWD.

On March 16, 2020, Ilagan Water signed and executed a BWSPA and SMA with the CIWD, for the supply of bulk water and septage management to CIWD for a period of twenty-three (23) years and twenty-two (22) years from the Operation Start Date, respectively.

Parent Company's and MWPVI's Notice of Award from Balagtas Water District (BWD)
On April 23, 2018, the Parent Company and MWPVI (collectively the "Consortium") received the Notice of Award from BWD for the implementation of a joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion and management of the water supply system and sanitation facilities of BWD in the municipality of Balagtas, Bulacan.

On March 22, 2021, the Consortium of the Parent Company and MWPVI accepted the decision of BWD to revoke and terminate the Notice of Award.

On March 24, 2021, the Notice of Award was terminated due to the non-completion by BWD of a financial condition precedent agreed upon by the parties at the time of the issuance of the Notice of Award.

Given this and despite the best efforts of both parties, as of December 31, 2021, the Consortium and the BWD no longer proceeded with the expected joint venture.

Bulakan Water's Concession Agreement with the Bulacan Water District (BuWD)
On April 26, 2018, the Parent Company and MWPVI (collectively the "Consortium") received the Notice of Award from the BuWD for the joint venture project for the development, financing, design, engineering, construction, rehabilitation, upgrade, testing, commissioning, operation, management, and maintenance of water facilities and the provision of water and sanitation services in the Municipality of Bulakan in Bulacan.

On August 16, 2018, Filipinas Water signed and executed a JVA with the BuWD for the implementation of the project. Under the JVA, Filipinas Water and BuWD shall incorporate a joint venture company, with 90.00% and 10.00% ownership, respectively, which shall be granted a concession by BuWD. On October 16, 2018, the joint venture company, Bulakan Water, was incorporated and was registered with the SEC.

On June 14, 2019, Bulakan Water and the BuWD signed and executed a concession agreement for the design, construction, rehabilitation, operation, maintenance, financing, expansion, and management of water facilities and the provision of water and sanitation services in the Municipality of Bulakan for a period of twenty-five (25) years from the commencement date.

North Luzon Water's MOAs with the Municipalities of Sta. Barbara, San Fabian, and Manaoag in Pangasinan
On April 27, 2018, MWPVI was granted a franchise by the Municipality of Sta. Barbara, Pangasinan for the provision of water supply and the improvement, operation, maintenance, management, financing, and expansion of water supply facilities, and the provision of septage management in Sta. Barbara, Pangasinan. The franchise has a term of twenty-five (25) years from the commencement date.

On June 11, 2018, MWPVI received a Notice to Proceed from the Municipality of Sta. Barbara for the implementation of the project.

On August 13, 2018, MWPVI was granted a franchise by the Municipality of San Fabian, Pangasinan to establish, construct, operate, manage, repair, and maintain a water supply system and facilities, and the provision of septage management in the municipality of San Fabian, Pangasinan. The franchise has a term of twenty-five (25) years from the commencement date.

On December 3, 2018, MWPVI was granted a franchise by the Municipality of Manaoag, Pangasinan to establish, construct, operate, manage, repair, and maintain a water supply system and facilities, and the provision of septage management in the municipality of Manaoag, Pangasinan. The franchise has a term of twenty-five (25) years from the commencement date.

On January 25, 2019, MWPVI received a Notice to Proceed for the implementation of the project in the Municipality of Manaoag, Pangasinan.

In February 2019, MWPVI signed a MOA each with the Municipalities of Sta. Barbara, San Fabian, and Manaoag.

On September 16, 2019, MWPVI incorporated North Luzon Water to operate the franchises granted in Sta. Barbara, San Fabian, and Manaoag in Pangasinan.

On August 4, 2020, the MWPVI BOD approved the assignment of the franchises, rights and obligations granted to MWPVI by the local government units of Malasiqui, San Fabian, and Manaoag in the province of Pangasinan to North Luzon Water.

As of December 31, 2021, North Luzon Water's MOAs did not have any impact on the Group's financial position and operations since North Luzon water has yet to commence any activities in relation to these agreements.

<u>Laguna Water's JVA with Pagsanjan Water District (PAGWAD)</u>
On July 12, 2018, Laguna Water received the Notice of Award from PAGWAD for the implementation of the contractual joint venture project for the design, improvement, upgrade, rehabilitation, and expansion of water supply and sanitation facilities including the financing and construction of such facilities and infrastructure in the service area of PAGWAD, and the management, operation, and maintenance of such water supply and sanitation facilities and the provision of the services necessary or incidental thereto in PAGWAD's service area.

On January 21, 2019, Laguna Water signed and executed a contractual JVA with PAGWAD. Under the agreement, Laguna Water shall serve as the contractor or agent of PAGWAD tasked with the operations, management, and maintenance as well as the design, improvement, upgrade, rehabilitation, and expansion of water supply and sanitation facilities within the service area of PAGWAD in Pagsanjan, Laguna. Upon completion of conditions precedents in the JVA, Laguna Water and PAGWAD shall execute the project for a period of sixteen (16) years until September 30, 2035. The agreement was executed on March 1, 2019.

As of December 31, 2021, Laguna Water has been operating, managing, and maintaining the service area of PAGWAD.

<u>Parent Company's and MWPVI's JVA with the Tanauan Water District (TnWD)</u>
On October 12, 2018, the Parent Company and MWPVI (collectively, the "Consortium") received the Notice of Award from TnWD for the implementation of the joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply and sanitation facilities and services in the service area of TnWD in Tanauan City, Batangas.

On February 4, 2019, the Consortium signed and executed a JVA with the TnWD for the implementation of the project. Upon completion of the conditions precedent set out in the JVA, the Consortium, through an SPV, and the TnWD shall execute the Tanauan Project for a period of twenty-five (25) years from the commencement date.

On May 20, 2019, South Luzon Water, the joint venture company, was incorporated to execute the Tanauan Project.

On September 30, 2019, South Luzon Water's BOD approved to accept the assignment by the Parent Company and MWPVI of their respective rights and obligations under their JVA with the TnWD.
On January 21, 2020, South Luzon Water's BOD approved and clarified that the assignment has a retroactive application effective June 1, 2019, considering the actual commencement date of the takeover and operation of the Tanuan Project.

<u>Parent Company's JVA with Lambunao Water District (LWD)</u>
On November 27, 2018, the Parent Company received a Notice of Award from LWD for a joint venture for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply system of LWD in the Municipality of Lambunao, Iloilo.

Upon completion of conditions precedent specified in the notice, the Parent Company and LWD shall enter into a JVA, the implementation of the joint venture activity of which shall be undertaken by Aqua Centro.

On July 3, 2019, the Parent Company and LWD entered into a JVA to implement the design, improvement, upgrade, rehabilitation, and expansion of water supply including the financing and construction of such facilities and infrastructure in the service area of LWD, and the management, operation and maintenance of such water supply and the provision of the services necessary or incidental thereto in the service area.

On August 8, 2019, the Parent Company's BOD ratified its Executive Committee's approval of the assignment to Aqua Centro of the implementation of the concession project awarded by LWD to the Parent Company.

On August 30, 2019, the Parent Company formally notified LWD of the designation of Aqua Centro as the Project Company to implement and carry out the concession project.

On September 1, 2019, Aqua Centro officially commenced operations on the joint venture activity. On the same date, Aqua Centro's BOD approved the Deed of Accession between the Parent Company and LWD.

On September 18, 2019, LWD gave its consent to, and confirmation of, the designation of Aqua Centro as the project company for the implementation of the project pursuant to the JVA.

On December 11, 2019, LWD signed the Deed of Accession between the Parent Company and Aqua Centro.

Aqua Centro's and Laguna Water's APAs with Extraordinary Development Corporate Group (EDCG)
On December 11, 2018, Aqua Centro entered into seven (7) APAs with EDCG's subsidiaries to acquire the subsidiaries' assets related to the provision of water service in ten (10) subdivisions in Imus, General Trias, and Naic in the province of Cavite. These subsidiaries are Earth Aspire Corporation, First Advance Development Corporation, Ambition Land Inc., Prosperity Builders Resources Inc., Tahanang Yaman Homes Corporation, Extraordinary Development Corp., and Earth + Style Corporation.

On December 11, 2018, Laguna Water entered into four (4) APAs with EDCG's subsidiaries to acquire the subsidiaries' assets related to or used in its water service provision operations in Biñan, Laguna. The APAs are with the following EDCG subsidiaries, namely, Earth Aspire Corporation, Earth Prosper Corporation, Earth and Style Corporation and Extraordinary Development Corp.

As of December 31, 2021 and 2020, Aqua Centro has already started operations in nine (9) out of the ten (10) subdivisions. Aqua Centro shall operate the one (1) remaining subdivision once all the conditions precedent under the APAs have been fulfilled.

Parent Company's, MWPVI's, and TPGI's JVA with San Jose City Water District (SJCWD)
On December 21, 2018, the consortium of MWPVI and TPGI received a Notice of Award from SJCWD for the implementation of the joint venture project for the design, construction, improvement, upgrade, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply system and the provision of water and sanitation services of SJCWD in San Jose City, Nueva Ecija.

On January 14, 2021, the consortium of the Parent Company, MWPVI, and TPGI has signed and executed a JVA with the SJCWD for the design, construction, improvement, upgrade, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply system and the provision of water and sanitation services of SJCWD in San Jose City, Nueva Ecija.

On July 21, 2021, San Jose City (N.E.) Water Company, Inc. (San Jose Water) was incorporated which shall accede to the JVA and assume all the rights, responsibilities, and obligations of the consortium upon signing of the Accession Agreement between San Jose Water, the consortium of the Parent Company, MWPVI, and TPGI, and SJCWD. As of December 31, 2021, San Jose Water is not yet operational.

Calbayog Water's JVA with Calbayog City Water District (CCWD)
On December 27, 2018, the Parent Company received the Notice of Award from CCWD for the implementation of the joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water and wastewater systems of CCWD in the Calbayog City, as well as other areas which may eventually form part of the service coverage of the CCWD in the Province of Samar.

Upon completion of the conditions precedent specified in the notice, the Parent Company shall enter into a JVA with CCWD for the implementation of the joint venture project over a twenty-five (25) year contract period.

On April 17, 2019, Calbayog Water was incorporated to engage in the development, construction, improvement, upgrade, rehabilitation, expansion, management, operation and maintenance of water supply and wastewater facilities, and to provide services necessary or incidental thereto.

On June 10, 2019, the Executive Committee of the Parent Company approved the joint venture with the CCWD. It also approved the assignment to Calbayog Water of the joint venture with CCWD.

On July 3, 2019, the Parent Company signed and executed a JVA with CCWD for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water and wastewater system of CCWD in the City of Calbayog. Calbayog Water commenced operations on October 16, 2019.

MWPVI's Grant of Franchise from Sangguniang Panlungsod of Iloilo
On March 26, 2019, the Sangguniang Panlungsod of Iloilo City granted a non-exclusive franchise to the joint venture between MWPVI and TPGI to construct, establish, commission, operate and maintain a water supply system to service the population of the Iloilo City.

The franchise granted to MWPVI shall be for a term of twenty-five (25) years, covering all the barangays under the governance and jurisdiction of Iloilo City.

As of December 31, 2021, the franchise from the Sangguniang Panlungsod of Iloilo City is not yet operational.

Aqua Centro's and Laguna Water's MOAs with Raemulan Lands, Inc. (RLI)
On July 10, 2019, Aqua Centro and Laguna Water entered into three (3) MOAs with Raemulan Lands, Inc. (RLI) for the construction, operation, and management of water distribution facilities in Pasinaya North and Tradizo Enclaves in Cavite and Jubilation Enclave in Laguna.

Aqua Centro and Laguna Water have started operations in 2019.

On December 4, 2020, an Amendment to the MOA with RLI for Pasinaya North was executed. The amendment states a one-time fee or charge amounting to ₱5.47 million for the right to use for 25 years of RLI's Water Distribution Facilities in Pasinaya North. This one-time fee was presented as part of the "Right-of-use assets" in the consolidated statements of financial position (see Note 11).

MWTS's Integrated Waste Management Facility with the City of Marikina
On July 31, 2019, MWTS received the Certificate of Acceptance and Grant of Original Proponent Status from the Office of the Mayor of the City of Marikina to build and operate an Integrated Waste Management Facility to treat and process the city solid waste of Marikina City. In 2020, MWTS has withdrawn the unsolicited proposal submitted for the project.

EcoWater's Water Purchase Agreement (WPA) with ROHM Electronics Philippines, Inc. (REPI)
On September 9, 2019, EcoWater entered into a WPA with REPI. Pursuant to the WPA, EcoWater will design, finance, construct, own, operate and maintain a water supply system to cater the water supply of REPI.

On September 16, 2020, the operation has started with a guaranteed volume of 90,000.00 million cubic meters (mcm) per month.

Calbayog Water's Stakeholder Management Agreement with CCWD and Subscription Agreement with TPGI
On July 15, 2020, Calbayog Water and TPGI entered into a Stakeholder Management Agreement, where TPGI agrees to provide support to the Operations Management/Stakeholder Management of Calbayog Water. On the same date, Calbayog Water and TPGI entered into a Subscription Agreement wherein TPGI agreed to subscribe to Calbayog Water's shares at a subscription price of ₱1.00 per share for a total subscription of ₱49.17 million, payable in tranches up to 2022.

MWTS' Healthy Family Business Division Closure
On August 26, 2020, MWTS announced the permanent closure of its Healthy Family business division effective October 31, 2020 due to its recurring losses and inability to financially sustain business operations.

The Healthy Family brand was launched in 2015 and has since been known for providing exceptional quality and affordable purified drinking water to its customers. While the Healthy Family business division made strong efforts to improve operations and profitability, the ever-increasing competition in the bottled water industry and the recent economic challenges proved too difficult to cope and keep the business afloat. MWTS, as an entity, shall continue to exist and operate based on its primary purpose to engage in water and wastewater and environmental services.

On October 13, 2020, MWTS signed an APA with Maris Pure Corporation for the sale of some of Healthy Family assets, consisting of water bottling equipment, spare parts, and delivery equipment, for a consideration of ₱35.00 million (see Note 9).

The permanent closure of the MWTS Healthy Family division resulted to its classification as a discontinued operation (see Note 3). The summary of results of operations and cash flows of MWTS-Healthy Family as of December 31, 2021, 2020 and 2019 are presented in Note 19.

MWPVI's Deed of Accession for Used Water Only with Ayala Land Malls, Inc.
On May 31, 2021, MWPVI entered a Deed of Accession with Ayala Land Malls, Inc. namely, North Eastern Commercial Corporation (Cloverleaf, The 30th), North Triangle Depot Commercial Corp (Trinoma), Ayala Land Metro North Inc. (U.P Town Center), North Ventures Commercial Corporation (Fairview Terraces), Summerhill Commercial Ventures Corp (Feliz), Arvo Commercial Corporation (Marikina, The District Dasmarinas, Legaspi), ALI-CII Development Corp. (Metropoint), Bay City Commercial Ventures Corp. (Manila Bay), Alabang Commercial Corporation (ATC), Lagoon Development Corporation (Pavilion), North Beacon Commercial Corporation (Marquee), Cavite Commercial Towncenter Inc. (The District Imus, Serin),

Cagayan de Oro Gateway Corp (Centrio) and Capitol Central Commercial Ventures Corp. (Capitol Central), (collectively the "ALI Malls Group") whereby MWPVI shall provide used water services and operation and management of the Used Water Facilities only.

Under the Deed of Accession, turnover of operations to MWPVI started in June 2021. As of December 31, 2021, MWPVI is operating all of the covered locations in the contract.

Parent Company's and MWPVI's Notice of Award from the Provincial Government of Pangasinan (PGP)
On September 30, 2021, the Consortium of the Parent Company and MWPVI received a Notice of Award from PGP for the implementation of a joint venture project for the provision of bulk water to the Province of Pangasinan.

Upon completion of conditions precedent, both parties shall sign a concession agreement to implement the project that has an estimated capital expenditure program of ₱8.00 billion over the twenty five (25)-year contract period.

On January 14, 2022, the Consortium of the Parent Company and MWPV signed the Concession Agreement with the PGP for the implementation of the joint venture project for the development, financing, construction, operation and maintenance of a bulk water facility within the Province of Pangasinan. On the same day, a groundbreaking activity was held in one of the proposed sites for a treatment plant.

Significant Transactions – Foreign Subsidiaries

Parent Company's Management, Operation, and Maintenance Contract (MOMC) with the National Water Company (NWC), Kingdom of Saudi Arabia for the North West Cluster
On December 3, 2020, the Consortium of Saur SAS, Miahona Company, and the Parent Company signed a MOMC with the NWC, Kingdom of Saudi Arabia for the latter's North West Cluster. The MOMC comprised of the management, operations, and maintenance of the water and wastewater facilities of the North West Cluster (Madinah and Tabuk) over a seven (7)-year contract period, which will entail the implementation of enabling projects and deployment of key personnel to manage the cluster and achieve the key performance indicators target set by the NWC.

On March 25, 2021, the Consortium registered and incorporated International Water Partners Company (IWP), a mixed capital limited liability company incorporated under the laws of the Kingdom of Saudi Arabia by Saur Saudi Arabia Ltd., Miahona Company, and MWAP with equity shareholdings of 40.00%, 40.00% and 20.00%, respectively. On April 1, 2021, IWP officially commenced the implementation of the MOMC.

The MOMC aims to improve water and wastewater services, operational performance and the level of operations in the distribution sector of the Kingdom in general, and at the North Western Cluster in particular, as well as training and developing of personnel to improve performance, sustainability and quality of service.

On June 15, 2021, MWAP subscribed to 100 shares of IWP representing 20.00% for SAR0.10 million (₱1.28 million).

Parent Company's MOMC with the NWC, Kingdom of Saudi Arabia for the Eastern Cluster
On October 8, 2021, the Consortium's Project Company, IWP, has been awarded the MOMC of the NWC, Kingdom of Saudi Arabia for its Eastern Cluster. The MOMC will comprise the management, operations and maintenance of the water and wastewater facilities of the Eastern Cluster (i.e., Dammam, Al Hofuf, Al Jubail, Al Khobar, Al Qatif and Hafar Al Batin) over a seven (7)-year contract period, which will entail the implementation of enabling projects and deployment of key personnel to manage the Eastern Cluster and achieve the Key Performance Indicators target set by the NWC.

The award comes after the commencement of the MOMC for the North West Cluster (i.e., Madinah and Tabuk), which was also awarded to IWP.

On January 27, ,2022, International Water Partners Company the Second (IWP2) was incorporated with MWAP, Saur, and Miahona owning 30.00%, 35.00%, and 35.00%, respectively. The project commencement date has been deferred to February 28, 2022 from January 21, 2022 as Force Majeure was triggered to on the grounds of resurgence of COVID-19 due to Omicron variant.

Approval for the Issuance of the Consolidated Financial Statements
The BOD approved and authorized the issuance of the consolidated financial statements on February 24, 2022.

2. ***Summary of Significant Accounting Policies***

Basis of Preparation
The consolidated financial statements of the Group have been prepared using the historical cost basis, except for derivative financial instruments that have been measured at fair value. The Parent Company's presentation and functional currency is the Philippine Peso (₱, Peso, or PHP). Amounts are rounded off to the nearest Peso, except when otherwise stated. The consolidated financial statements of the Group provide comparative information in respect of the previous periods. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as of December 31, 2021 and 2020, and for each of the three (3) years in the period ended December 31, 2021.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

a. *power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);*
b. *exposure, or rights, to variable returns from its involvement with the investee; and*
c. *the ability to use its power over the investee to affect its returns.*

Generally, there is a presumption that a majority of voting rights result in control.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a. *the contractual arrangement with the other vote holders of the investee;*
b. *rights arising from other contractual arrangements; and*
c. *the Group's voting rights and potential voting rights.*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

a. *derecognizes the assets (including goodwill) and liabilities of the subsidiary;*
b. *derecognizes the carrying amount of any noncontrolling interests;*
c. *derecognizes the cumulative translation differences recorded in equity;*
d. *recognizes the fair value of the consideration received;*
e. *recognizes the fair value of any investment retained;*
f. *recognizes any surplus or deficit in profit or loss; and*
g. *reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.*

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial years, except for the PFRS, amended PFRS and improvements to PFRS which were adopted as of January 1, 2021.

Unless otherwise stated, the new standards and amendments did not have any material impact to the Group.

a. *Amendments to PFRS 4, PFRS 7, PFRS 9, and PFRS 16 – Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- *practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;*
- *relief from discontinuing hedging relationships; and*
- *relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.*

The Group shall also disclose information about:

- *the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and*
- *their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition*

b. *Amendments to PFRS 16, Leases – Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- *the rent concession is a direct consequence of COVID-19;*
- *the change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;*
- *any reduction in lease payments affects only payments originally due on or before June 30, 2021; and*
- *there is no substantive change to other terms and conditions of the lease.*

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment, issued on May 28, 2020, is effective June 1, 2020 until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 2021, the International Accounting Standards Board (IASB) extended the period of application of the practical expedient to June 30, 2022. The amendment applies to annual reporting periods beginning on or after April 1, 2021.

The Group adopted the amendment on its effective date. As of December 31, 2021 and 2020, the Group has not received any rent concessions (see Note 11). The Group will continue to monitor future rent concessions that will fall within the scope of this amendment and assess its impact on the Group's financial position and operations, when applicable.

<u>Future Changes in Accounting Policies</u>

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective.

Unless otherwise indicated, the Group does not expect that the future adoption of these pronouncements will have a significant impact on its consolidated financial statements.

Effective beginning on or after January 1, 2022

a. *Amendments to PFRS 3, Reference to the Conceptual Framework*

   The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, Business Combinations, to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets, or Philippine IFRIC 21, Levies, if incurred separately.

   At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

b. *Amendments to PAS 16, Property, Plant and Equipment – Proceeds before Intended Use*

   The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

   The amendment must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the Group first applies the amendment.

c. *Amendments to PAS 37, Onerous Contracts – Costs of Fulfilling a Contract*

   The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

   The amendments must be applied to contracts for which the Group has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

d. *Annual Improvements to PFRSs 2018-2020 Cycle*

   - *Amendment to PFRS 1, First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-Time Adopter*

     The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

   - *Amendments to PFRS 9, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*

     The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

     The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- *Amendments to PAS 41, Agriculture – Taxation in Fair Value Measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Effective beginning on or after January 1, 2023

a. *Amendments to PAS 1 and PFRS Practice Statement 2, Making Materiality Judgements*

   The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

   The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023.

b. *Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

   The amendments introduce a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, it clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

c. *Amendments to PAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

   The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

   The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

Effective beginning on or after January 1, 2024

a. *Amendments to PAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

   The amendments clarify paragraphs 69 to 76 of PAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

   - *what is meant by a right to defer settlement;*
   - *that a right to defer must exist at the end of the reporting period;*
   - *that classification is unaffected by the likelihood that an entity will exercise its deferral right; and*
   - *that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.*

   The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the IASB tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2024

a. *PFRS 17, Insurance Contracts*

   PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), *regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.*

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- *a specific adaptation for contracts with direct participation features (the variable fee approach); and*
- *a simplified approach (the premium allocation approach) mainly for short-duration contracts.*

On December 15, 2021, the Financial Reporting Standards Council (FRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

Interpretation with Deferred Effective Date

a. *Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Significant Accounting Policies

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on a current and noncurrent classification. An asset is current when it is:

a. *expected to be realized or intended to be sold or consumed in normal operating cycle;*
b. *held primarily for the purpose of trading;*
c. *expected to be realized within twelve (12) months after the reporting period; or*
d. *cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.*

All other assets are classified as noncurrent.

A liability is current when:

a. *it is expected to be settled in normal operating cycle;*
b. *it is held primarily for the purpose of trading;*
c. *it is due to be settled within twelve (12) months after the reporting period, or*
d. *there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.*

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement
The Group measures financial instruments such as derivatives at fair value at each reporting date. Fair value is the price that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

a. *in the principal market for the asset or liability; or*
b. *in the absence of a principal market, in the most advantageous market for the asset or liability.*

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value as a whole:

a. *Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.*
b. *Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.*
c. *Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.*

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring and nonrecurring fair value measurement.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

Short-term Investments
These are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of more than three months from the date of acquisition and that are subject to an insignificant risk of change in value.

Recognition and Measurement of Financial Instruments

Financial assets
a. *Initial recognition and measurement*
   Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at FVOCI, or at fair value through profit or loss (FVTPL).

   The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do *not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15, Revenue from Contracts with Customers.*

In order for a financial asset to be classified and measured at amortized cost or at FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest" on the principal amount outstanding. This assessment is referred to as the "solely payments of principal and interest test" and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

As of December 31, 2021 and 2020, the Group's financial assets comprise of financial assets at amortized cost.

b. *Subsequent measurement – Financial assets at amortized cost*
Financial assets are measured at amortized cost if both of the following conditions are met:

- *the asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows; and*
- *the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.*

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group classified cash in banks and cash equivalents, short-term investments, receivables, and contract assets as financial assets at amortized cost (see Notes 5, 6, and 9).

c. *Derecognition*
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- *the right to receive cash flows from the asset has expired; or*
- *the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Modification of financial assets
The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new

asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Group considers the following factors, among others:

- *Change in currency*
- *Introduction of an equity feature*
- *Change in counterparty*
- *If the modification results in the asset no longer considered "solely payment for principal and interest"*

The Group also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Group considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest rate (EIR) (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in profit or loss.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new ' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

d. *Impairment*
The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next twelve months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are ninety (90) up to one hundred eighty (180) days past their due dates. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

a. *Initial recognition and measurement*
Financial liabilities are classified, at initial recognition, either as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

As of December 31, 2021 and 2020, the Group's financial liabilities comprise of financial liabilities at amortized cost.

b. Subsequent measurement
After initial recognition, long-term debt and service concession obligations are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized under the "Other income (expense)" account in consolidated profit or loss when the liabilities are derecognized or impaired, and through the "Interest expense" account when the gains and losses are amortized. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

This accounting policy applies to the Group's accounts and other payables, lease liabilities, long-term debt, service concession obligations, and customer guaranty deposits and other deposits.

c. Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or canceled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Group's profit or loss.

Exchange or modification of financial liabilities
The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

<u>Derivative Financial Instruments and Hedge Accounting</u>
a. Initial recognition and measurement
The Group uses derivative financial instruments, such as principal only swaps and currency option transactions, to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- *Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment*
- *Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment*
- *Hedges of a net investment in a foreign operation*

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- *There is 'an economic relationship' between the hedged item and the hedging instrument.*
- *The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.*
- *The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.*

Hedges that meet all the qualifying criteria for hedge accounting are accounted for and further described in the below sections.

b. Fair value hedges

The change in the fair value of the hedging instrument and hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in profit or loss as other expense.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

The Group does not have any derivatives classified as fair value hedges.

c. Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI as part of hedging reserve, while any ineffective portion is recognized immediately in profit or loss. The hedging reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses principal only swaps and currency option transactions as hedges of its exposure to foreign currency risk arising from long-term debts. The ineffective portion of both the principal only swaps and currency option transactions is recognized under "interest expense."

For the Group's cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

The Group's cash flow hedges include the costs of hedging for its principal only swaps and currency option transactions.

d. Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as OCI under "cumulative translation adjustments" while any gains or losses relating to the ineffective portion are recognized in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

The Group uses a loan as a hedge of its exposure to foreign exchange risk on its investment in a foreign subsidiary.

Inventories
Inventories are valued at the lower of cost or net realizable value (NRV). NRV is the estimated selling price less estimated costs to complete and to sell. The cost is determined using the moving average method for all inventories, except for raw materials and finished goods.

Prepaid Expenses
Prepaid expenses are carried at cost less the amortized portion. These typically include prepayments for regulatory costs, business taxes, insurance and employee health care expenses, and other benefits.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use, including capitalized borrowing costs incurred during the construction period. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the related property, plant and equipment.
Depreciation and amortization of property, plant and equipment commences once the property, plant and equipment are available for use and are calculated on a straight-line basis over the estimated useful lives (EUL) of the property, plant and equipment as follows:

Leasehold improvements	*5 years or lease term, whichever is shorter*
Plant and technical equipment	*5 years or the term of the related management contract, whichever is shorter*
Office furniture and equipment	*3 to 5 years*
Transportation equipment	*5 years*

The EUL and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Construction in progress represents property, plant and equipment under construction and is stated at cost including costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are in the location and condition necessary for it to be capable of operating in the manner intended by management.

When property, plant and equipment is retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated impairment, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Software
Software acquired separately are measured on initial recognition at cost including any directly attributable costs with the development of the software that are expected to generate future expected benefits. All other costs of developing and maintaining software are recognized in profit or loss as incurred.

Following initial recognition, software are carried at cost less any accumulated amortization and accumulated impairment losses. Software are assessed to have finite useful lives of three (3) to five (5) years.

Service Concession Assets and Obligations
The Group accounts for its concession agreements with MWSS, CWD, TIEZA, CDC, OWD, BuWD and PGL; JVAs with CCWD, TnWD, PAGWAD, and LWD; SMA with CIWD; and MOAs with the Municipalities of Sta. Barbara, San Fabian, and Manaoag under the Intangible Asset model as it receives the right (license) to charge users of public service. Under the Group's concession arrangements, the Group is granted the sole and exclusive right and discretion during the concession period to manage, occupy, operate, repair, maintain, decommission and refurbish the identified facilities required to provide water services. The legal title to these assets shall transfer to MWSS, CWD, TIEZA, CDC, OWD, BuWD, PGL, CCWD, TnWD,

PAGWAD, LWD, and CIWD (under the SMA) at the end of the concession period. Meanwhile, the legal title to the assets covered by the MOAs with the Municipalities of Sta. Barbara, San Fabian, and Manaoag shall remain with North Luzon Water.

On the other hand, the bulk water sale and purchase agreements with CIWD, TWD, and MCWD are accounted for under the Financial Asset model as it has an unconditional contractual right to receive cash or other financial asset for its construction services from or at the direction of the grantor. Under the service concession arrangements, Cebu Water, Tagum Water, and Ilagan Water are awarded the right to deliver bulk water supply to the grantor for a specific period of time under the concession period.

During the construction phase of the arrangements, the Group's contract asset (representing its accumulating right to be paid for rehabilitation works) is presented as part of "Service concession assets" (SCA) for Intangible Asset model and under "Contract Assets" for Financial Asset model. The SCA also include the present value of the service concession obligations assumed by the Parent Company at drawdown date and other local component costs and cost overruns paid by the Group, as well as additional costs of rehabilitation works incurred.

Amortization of SCA commences when the SCA are available for use and are calculated on a straight-line basis over the remaining concession period. Beginning May 1, 2017, the Parent Company, Boracay Water, Clark Water, and Laguna Water's water and used water assets are amortized using the units-of-production (UOP) method over the estimated total billable volume for the remaining period of the respective concession agreements to better reflect the usage of these assets, which is directly related to its estimated total billable volume and is aligned with industry practice.

<u>Investments in Associates</u>
An associate is an entity in which the Group has significant influence and which is neither a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, an investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated profit or loss reflects the Group's share of the results of operations of the associate. Any change in the other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated profit or loss outside of operating profit and represents profit or loss after tax and noncontrolling interests in the subsidiaries of the associate. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognizing its share of further losses.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and then recognizes the loss as "Other income (loss)" in the consolidated profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

<u>Business Combinations and Goodwill</u>

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any noncontrolling interest in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss included under "Remeasurement gain (loss) arising from business combination." Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, is measured at fair value with the changes in fair value recognized in the profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve (12) months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Goodwill is initially measured at cost where cost is the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss and included under "other income (expenses)."

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated should:

- *represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and*
- *not be larger than an operating segment determined in accordance with PFRS 8, Operating Segments.*

Occasionally, an acquirer will make a bargain purchase, which is a business combination in which the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured exceeds the aggregate of the consideration transferred.

Before recognizing a gain on a bargain purchase, the acquirer shall reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and shall recognize any additional assets or liabilities that are identified in that review. The acquirer shall then review the procedures used to measure the amounts to be recognized at the acquisition date for all of the following:

a. the identifiable assets acquired and liabilities assumed;
b. the noncontrolling interest in the acquiree, if any;
c. for a business combination achieved in stages, the acquirer's previously held equity interest in the acquiree; and
d. the consideration transferred.

If that excess remains after applying the requirements above, the acquirer shall recognize the resulting gain in profit or loss on the acquisition date. The gain shall be attributed to the acquirer.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Water Rights
Water rights are accounted for as an intangible asset with indefinite useful life. These pertain to the permit acquired separately, and are recognized as an intangible asset as these were issued by the NWRB without an explicit provision on the period of effectivity. Costs incurred for the acquisition of water rights are capitalized and measured on initial recognition at cost.

Presidential Decree No. 1067, also known as the Water Code, states that water permits shall continue to be valid as long as water is beneficially used. The rights may be suspended or revoked based on certain grounds such as non-compliance with approved plans and specifications or schedules of water distribution, and use of water for a purpose other than that for which it was granted.

All water permits are subject to modification or cancellation by the NWRB, after due notice and hearing, in favor of a project of greater beneficial use or for multi-purpose development, and a water permittee who suffers thereby shall be duly compensated by the entity or person in whose favor the cancellation was made.

Impairment of Nonfinancial Assets
This accounting policy applies primarily to the Group's property, plant, and equipment, software, SCA, contract assets representing SCA under construction, right-of-use assets, investments in associates, goodwill, and water rights. The Group assesses, at each reporting date, these nonfinancial assets, excluding goodwill and water rights, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Water rights with indefinite useful life are tested for impairment annually either individually or at the CGU level. Such intangibles are not amortized. The life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in the life from indefinite to finite is made on a prospective basis.

An asset's recoverable amount is calculated as the higher of the asset's or CGU's fair value less cost of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other fair value indicators. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal *is treated as revaluation increase. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.*

<u>Leases</u>

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a Lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a. *Right-of-use assets*
   The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The right-of-use assets are also subject to impairment.

b. *Lease liabilities*
   At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

   In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

c. *Short-term leases and leases of low-value assets*
   The Group applies the short-term lease recognition exemption to its short-term leases of office spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

<u>Revenue Recognition</u>
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized.

Revenue recognized over time using the output method

The Group recognizes revenue from water and sewerage services, environmental charge, operation and maintenance services and performance fees over time using output method. As a practical expedient allowed under PFRS 15, the Group recognizes revenue in the amount to which the Group has a right to invoice since the Group bills a fixed amount for every cubic meter of water delivered or NRW recovered.

- *Water and used water revenue*
  Water and used water revenue are recognized over time as the customer receives and consumes the benefit from the performance of the related water and sewerage services. Water and used water are billed every month according to the bill cycles of the customers. As a result of bill cycle cut-off, monthly service revenue earned but not yet billed at end of the month are estimated and accrued. These estimates are based on historical consumption of the customers. Also, twenty percent (20%) of water revenue is recognized by the Parent Company as environmental charge.

- *Operation and maintenance services*
  Revenue from operation and maintenance services is recognized over time as the operation, maintenance and management services are rendered for water and wastewater facilities of Bonifacio Water Corporation (BWC).

- *Performance fees*
  Performance fees are recognized as revenue over time as the NRW are recovered as agreed in the NRWRSA with ZCWD.

The Group has determined that the output method is the appropriate method in measuring the progress of the connection services, project management services, and pipeworks and integrated used water services since this depicts the Group's performance in managing and providing service connection from water and used water facilities to the developments.

- *Connection fees*
  Connection fees are amounts paid by customers in exchange for the set-up of a connection from the customer's establishment to the Group's water or used water network. Revenue from connection fees is recognized over time using the output method based on time elapsed over the period when the related water and used water services are expected to be provided.

- *Supervision fees*
  Supervision fees arise from MWPVI, Aqua Centro, EcoWater, and Laguna Water's assurance of potable water and effective used water services for new developments, and performance of certain functions which includes, but is not limited to, the provision of design and project management services in the development of water and used water facilities. Revenue from supervision fees is recognized over time using an output method.

  Prior to January 1, 2020, revenue from supervision fees of MWPVI, Aqua Centro, EcoWater, and Laguna Water were accounted for as connection fees. With the new information gathered from operating greenfield projects and changes in circumstances, the allocation of the transaction price between connection fees and future water services was reassessed. As a result, the revenue from supervision fees were allocated between connection fees and future water services (as consideration for water affordability or lower water tariff) based on the relative stand-alone selling price method for contracts and projects initiated starting January 1, 2020. The stand-alone selling price of connection fees is estimated based on an adjusted market assessment approach while the stand-alone selling price allocated to future water services is estimated by considering actual and projected water tariffs. The change in estimate was accounted for prospectively and supervision fees pertaining to existing projects as of December 31, 2019 continued to be accounted for entirely as connection fees.

  Revenue from supervision fees is recognized over time using the output method. Supervision fees accounted for as connection fees is recognized and measured using a survey of performance completed to date and milestones reached. Supervision fees accounted for as future water service is recognized as the customer receives and consumes the benefit of water affordability or lower water tariff based on the agreed estimated water demand projections.

- *Revenue from pipeworks and integrated used water services*
  Revenue from pipeworks and integrated used water services is recognized over time as the water and wastewater network related services are rendered using an output method. Under this method, progress is measured using survey of performance completed to date and milestone reached. This is based on the work accomplishment report prepared by the project contractor as approved by the project management head.

Revenue recognized over time using input method

The Group determined that the input method is the appropriate method in measuring progress of the rehabilitation works, construction revenue, and service fees because there is a direct relationship between the Group's effort (i.e., actual cost incurred incurred) and the transfer of service to the customer.

- *Revenue from rehabilitation works and Cost of rehabilitation works*
  Revenue from rehabilitation works is equivalent to the related cost for the rehabilitation works covered by the service concession arrangements which is recognized as part of contract assets included under SCA or concession financial receivables and pertain to revenue from construction or upgrade services. Revenue from rehabilitation works is recognized over time, using input method. Under this method, progress is measured by reference to the actual costs incurred to date.

- *Construction revenue*
  Construction revenue arise from the NRWRSA with ZCWD for the establishment of district metering areas. Revenue from construction services is recognized over time, using input method. Under this method, progress is measured based on actual costs incurred on materials, labor, and overhead relative to the total project costs.

- *Service fees*
  Service fees for technical assistance extended to ZCWD are recognized over time, using input method, when the related services have been rendered to the ZCWD. Under this method, progress is measured based on actual costs incurred on manpower and overhead relative to the total project costs.

Revenue recognized at a point in time

- *Distributors' fee*
  Distributors' fee is recognized as revenue at a point in time when control of the trade assets has been transferred to the distributor, generally upon delivery of the related assets.

- *Revenue from packaged water*
  Revenue from packaged water and other water related products is recognized at the point in time when control of the goods is transferred to the distributor, generally upon receipt of the related product, to the customer.

- *Other operating income*
  Other customer related fees such as reconnection and disconnection fees, income from customers late payments, income from septic sludge disposal, and income from bacteriological water analysis are recognized at a point in time when the control over these good or services have been transferred to the customer.

<u>*Contract Balances*</u>
Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to a customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

<u>*Interest Income*</u>
Interest income is recognized as it accrues, taking into account the effective yield of the assets.

For all financial instruments measured at amortized cost, interest income is recorded using the EIR. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a *shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated profit or loss.*

Cost of Services and Operating Expenses
Costs and expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. These are recognized:

- *on the basis of a direct association between the costs incurred and the earning of specific items of income;*
- *on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or,*
- *immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.*

Cost of services and operating expenses are measured at the amount paid or payable.

Foreign Currency-Denominated Transactions
Foreign exchange differentials arising from foreign currency transactions of the Parent Company's loans and concession fees are credited to or charged against operations. For the Parent Company, as approved by the MWSS BOT under Amendment No.1 of the Concession Agreement, the following will be recovered or refunded through billings to customers:

a. *restatement of foreign currency-denominated loans;*
b. *difference of actual and twelve (12)-month projected concession fee payments against the amounts of concession fees translated using the base exchange rate assumed in the business plan approved every rate rebasing exercise. The current base exchange rates are ₱53.16:US$1.00, ₱0.475: ¥1.00, ₱62.156: €1.00 based on the latest rate rebasing exercise effective January 1, 2018;*
c. *difference of actual and twelve (12)-month projected interest payments translated using the exchange spot rate on settlement date and average forex of the month immediately preceding the cut-off information date, respectively, against the amount of interest translated at drawdown rate; and*
d. *difference of actual and twelve (12)-month projected payments of other financing charges relating to foreign currency-denominated loans translated at exchange spot rate on settlement date and average forex of the month immediately preceding the cut-off information date, against the amount of other financing charges translated at drawdown rate.*

Beginning November 18, 2021, the FCDA was no longer applied to water rates of the Parent Company's customers. The RCA stipulates the exclusion of FCDA from charges billed to customers (see Note 1).

For Boracay Water, its concession agreement with TIEZA allows for the recovery of the following from its customers:

a. *restatement of foreign currency-denominated loans;*
b. *excess of actual interest payments translated at exchange spot rates on settlement dates over the amounts of interest translated at agreed base rate; and*
c. *excess of actual payments of other financing charges relating to foreign currency-denominated loans translated at exchange spot rates on settlement dates over the amount of other financing charges translated at agreed base rate.*

The functional and presentation currency of the Parent Company and its Philippine subsidiaries is the Philippine Peso. Each entity in the Group determines its own functional currency and items included in the separate financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to profit or loss, with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are recognized in OCI until the disposal of the net investment, at which time they are recognized in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

In view of the automatic reimbursement mechanism (up to November 18, 2021 for the Parent Company), the Group recognizes deferred FCDA (included as part of "Other noncurrent assets" in the consolidated statement of financial position) for both the realized and unrealized foreign exchange gains and losses. Other water revenue-FCDA is credited (debited) upon recovery (refund) of realized foreign exchange losses (gains). The write-off or reversal of the deferred FCDA pertaining to concession fees will be made upon determination of the rebased foreign exchange rate, which is assumed in the business plan approved by the MWSS RO during the latest Rate Rebasing exercise, unless indication of impairment of the deferred FCDA would be evident at an earlier date.

The functional currency of MWAP, MWSAH, TDWH, KDWH, MSEA, and MWTH is the United States Dollar (US$ or USD), while Thu Duc Water, Kenh Dong Water, Saigon Water and Cu Chi Water's functional currency is the Vietnamese Dong (VND), PTMWI and PTSTU's is the Indonesian Rupiah (IDR), MWTC and East Water's is the Thailand Baht (THB), and IWP's is the Saudi Riyal (SAR). As of reporting date, the assets and liabilities of these subsidiaries and associates are translated into the presentation currency of the Group at the rate of exchange at the reporting date and their profit and loss accounts are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in OCI and reported as "Cumulative translation adjustment", a separate component of equity. On disposal of a foreign entity, the "Cumulative translation adjustment" relating to that particular foreign operation shall be recognized in profit or loss.

Borrowing Costs
Borrowing costs that are directly attributable to the acquisition, development, improvement and construction of fixed assets (including costs incurred in connection with rehabilitation works) that necessarily takes a substantial period of time to get ready for its intended use are recorded as property, plant and equipment or SCA, as applicable. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowing associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

The capitalization of those borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all activities necessary in preparing the related assets for their intended use are complete. Borrowing costs include interest charges and other related financing charges incurred in connection with the borrowing of funds and the foreign exchange differences from the Group's foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost. Premiums and/or discounts on long-term debt are included in the "Short-term and Long-term debt" account in the consolidated statement of financial position and are amortized using the effective interest rate method.

Provisions
A provision is recognized when the Group has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is not recognized as a separate asset and only when the reimbursement is virtually certain. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Defined Benefit Plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any).

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

a. service cost,
b. net interest on the net defined benefit liability or asset, and
c. remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs, and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated profit or loss.

Remeasurements comprising actuarial gains and losses and return on plan assets (excluding net interest on defined benefit liability or asset) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination Benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Short-term Employee Benefits
Short-term employee benefits include items such as salaries and wages, social security contributions, and nonmonetary benefits, if expected to be settled wholly within twelve (12) months after the end of the reporting period in which the employees rendered the related services. Short-term employee benefits are recognized as expense as incurred. When an employee has rendered service to the Group during the reporting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid.

Employee Leave Entitlement
Employee leave entitlements are recognized as a liability when they are accrued to the employees. The undiscounted liability for employee leaves is recognized for services rendered by employees up to the end of the reporting period.

Share-Based Payment
Employee share purchase plan
The Parent Company has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the Parent Company's shares at a discounted price. The Parent Company recognizes stock compensation expense over the holding period. The Parent Company treats its ESOWN plan as option exercisable within a given period. These are accounted for

similar to the PFRS 2, Share-based Payment, options. Dividends paid on the awards that have vested are deducted from equity and those paid on awards that are unvested are charged to profit or loss. For the unsubscribed shares where the employees still have the option to subscribe in the future, these are accounted for as "Common stock options outstanding" in the consolidated statement of financial position.

Equity
Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds at the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Subscriptions receivable pertains to the uncollected portion of the subscribed shares.

Retained earnings represent accumulated earnings of the Group. Appropriated retained earnings are set aside for future business expansions. The Parent Company's BOD declares dividends from the unappropriated portion of its retained earnings.

Other equity reserves pertain to gain from sale of investments in a subsidiary by the Parent Company that did not result to a loss of control.

Taxes
Value Added Tax (VAT)
Input VAT pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services. Deferred input VAT pertains to input VAT on accumulated purchases of property, plant and equipment and service concession assets for each month amounting to ₱1.00 million or more. This is amortized over five (5) years or the life of the property, plant and equipment or service concession assets, whichever is shorter, in accordance with the Bureau of Internal Revenue (BIR) regulation.

Output VAT pertains to the 12% tax due on the local sale of goods and services by the Group.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Trade payables" in the "Accounts and other payables" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under the "Other current assets" account.

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.

Deferred tax
Deferred tax is provided, using the liability method, for all temporary differences, with certain exceptions, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- *When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.*
- *In respect of taxable temporary difference associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.*

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- *When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.*
- *In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.*

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as of the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

<u>Discontinued Operations</u>
A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- *represents a separate major line of business or geographical area of operations*
- *is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or*
- *is a subsidiary acquired exclusively with a view to resale.*

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as "net income or loss after tax from discontinued operations" in the consolidated profit or loss. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise. The related results of operations of the disposal group that qualified as a discontinued operation are separated from continuing operations and prior year's consolidated statements of income have been restated.

<u>Earnings per Share (EPS)</u>
Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding during the year and adjusted to give retroactive effect to any stock dividends declared, if any, during the period. The net income attributable to common stock is net of the dividends on preferred shares including the participating preferred shares' participation in earnings. The participating preferred shares participate in the earnings at a rate of 1/10 of the dividends paid to a common share.

Diluted EPS is computed by dividing earnings attributable to common shares by the weighted average number of common shares outstanding during the period, after giving retroactive effect of any stock dividends, if any, during the period and adjusted for the effect of dilutive options. Outstanding stock options will have a dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option. Where the effects of the assumed exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

<u>Assets Held in Trust</u>
Assets which are owned by MWSS, CWD, TIEZA, CDC, OWD, BuWD, PGL, CCWD, TnWD, PAGWAD, LWD, and CIWD that are operated by the Group under the Group's concession agreements are not reflected in the consolidated statement of financial position but are considered as "Assets held in trust" (see Note 25).

<u>Segment Reporting</u>
The Group aggregates two or more operating segments into a single operating segment when separately, each operating segment has similar economic characteristics and service area. The Group aggregated its local and foreign subsidiaries into the Domestic Subsidiaries segment and Foreign Subsidiaries segment, even if the subsidiaries cater to different customers, since management has assessed that these entities have similar economic characteristics and service area. The Group considers the Manila Concession and Head Office, Domestic Subsidiaries, and Foreign Subsidiaries as its operating segments that are aggregated based on the geographical location and source of revenues. Financial information on business segments is presented in Note 26 to the consolidated financial statements.

<u>Events after the Reporting Date</u>
Any event after the reporting date up to the date of the auditors' report that provide additional information about the Group's financial position at the reporting date (adjusting events) is reflected in the consolidated financial statements. Any event after the reporting date that is not an adjusting event is disclosed in the consolidated financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements, in conformity with PFRS, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Management believes the following represent a summary of these significant estimates and judgments:

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Service concession arrangements
In applying Philippine Interpretation IFRIC 12, Service Concession Arrangements, the Group has made a judgment that its concession agreements with MWSS, CWD, TIEZA, CDC, OWD, BuWD and PGL; JVAs with CCWD, TnWD, PAGWAD, and LWD; SMA with CIWD; and MOAs with the Municipalities of Sta. Barbara, San Fabian, and Manaoag qualify under the Intangible Asset model as it receives the right (license) to charge users of public service (see Notes 2 and 10).

On the other hand, the Group has made a judgment that the bulk water sale and purchase agreements with CIWD, TWD, and MCWD qualify under the Financial Asset model as it has an unconditional contractual right to receive cash or other financial assets for its construction services directly from CIWD, TWD, and MCWD (see Notes 2 and 6).

Investments in associates
The Group has determined that it has significant influence over East Water despite holding less than 20.00% of East Water's outstanding shares of stock. The Group considers several factors including its representation in East Water's BOD, representation in East Water's Investment Committee, and its voting power through share ownership to determine the Group's power to participate in the financial and operating policy decisions of East Water.

As of December 31, 2021 and 2020, the Group owns 18.72% of East Water (see Note 12).

Revenue recognized using the input and output method
The Group recognizes revenue from rehabilitation works, construction revenue, and service fees using the input method while it recognizes supervision fees, and revenue from pipeworks, and revenue from integrated used water services using the output method. The input or output method of recognizing revenue over the period covered by the separate contracts with customers requires the Group to base the level of transfer of control over these services based on the Group's review and concurrence with work accomplishment reports prepared by project managers or submitted by independent project contractors.

Segment reporting
The Group aggregates two or more operating segments into a single operating segment when separately, each operating segment has similar economic characteristics and service area. The Group aggregated its local and foreign subsidiaries into the Domestic Subsidiaries segment and Foreign Subsidiaries segment even if it caters to different customers since

management assessed that these entities have similar economic characteristics and service area. As of December 31, 2021 and 2020, the Group considers the Manila Concession and Head Office, Domestic Subsidiaries, and Foreign Subsidiaries as its operating segments that are aggregated based on the geographical location and source of revenues (see Note 26).

Determination of lease term of contracts with renewal and termination options – the Group as a lessee
The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset) (see Note 11).

Provisions and contingencies
The Group is currently involved in various legal proceedings and exposures in the ordinary conduct of business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with internal and external counsels handling the defense in these matters and is based upon an analysis of potential results (see Note 30).

Discontinued operations
As of December 31, 2021 and 2020, the operations of Zamboanga Water qualified as discontinued operations because the termination of the NRWRSA resulted to the cessation of Zamboanga Water's operations. Zamboanga Water's noncurrent assets, such as property and equipment, which it used for its operations were closed or disposed of to third parties rather than being sold or distributed back to its owners. Zamboanga Water is a joint venture company incorporated solely for the execution of the NRWRSA, which represents a separate major line of business or geographical area of operation.

Meanwhile, MWTS' Healthy Family division also qualified as discontinued operations following the segment's permanent closure effective October 31, 2020 due to recurring losses and inability to financially sustain business operations.

As a result of the preceding circumstances, results of operations presented in the consolidated profit or loss and the corresponding consolidated notes to the financial statements for the year ended December 31, 2019 were restated to exclude from continuing operations the discontinued operations of Zamboanga Water and MWTS Healthy Family (see Note 19).

<u>Use of Estimates</u>
Key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revenue and cost recognition – rehabilitation works
The Group measures revenue from rehabilitation works at the fair value of the consideration received or receivable. The Group's revenue from rehabilitation works are recognized over time, using the input method. Under this method, progress is measured by reference to the actual costs incurred to date. Revenue from rehabilitation works recognized by the Group is equivalent to the costs of rehabilitation works incurred as these costs are recovered by the Group through its right to charge the customers. The Group's revenue from and cost of rehabilitation works amounted to ₱16,879.10 million, ₱10,976.17 million, and ₱10,852.91 million in 2021, 2020 and 2019, respectively (see Notes 6 and 10).

Provision for ECLs of receivables from customers
The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation) are expected to deteriorate over the next year which can lead to an increase in prices of basic goods and services, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECLs, which have been adjusted to consider a range of possible outcomes, is a significant estimate. The amount of ECLs is sensitive to *changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.*

In compliance with the mandate of MWSS and in line with the Bayanihan to Heal as One Act, the Parent Company suspended disconnection activities; extended payment terms for specific billing periods covered by the enhanced community quarantine (ECQ) or modified ECQ (MECQ) during 2020; and provided installment payment schemes to customers, as necessary, without incurring interests, penalties and other charges. Similarly, beginning September 16, 2021, the MWSS RO required the Parent Company to suspend all service disconnection activities in areas under Alert Level 5 or areas under Granular Lockdown, until such time that the Alert Level 5 or Granular Lockdown has been lifted. These factors were incorporated in the Group's determination of historical observed default rates.

As of December 31, 2021 and 2020, allowance for expected credit losses of receivables from customers amounted to ₱2,132.85 million and ₱1,749.07 million, respectively (see Note 6).

Estimating the period over which control over services is transferred to the customer
For each group of similar customer contracts that result in revenues recognized over a period of the time, the Group makes an estimate of such period over which the Group transfers the control of the services provided to the customer. For revenue from rehabilitation works, construction revenue, service fees, supervision fees, and revenue from pipeworks and integrated used water services, the Group has determined that the period of revenue recognition is the term of the customer contract. For connection fees revenue, the Group has estimated that the customer receives control over the remaining concession period or remaining customer contract term.

Estimating useful lives of water rights
MW Consortium and MWPVI estimate that the useful lives of the water rights to be indefinite, considering that the water permits remain valid for as long as water is beneficially used. It is possible that future results of operations could be materially affected by changes in MW Consortium and MWPVI's estimates. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances (see Note 13).

Impairment of nonfinancial assets
The Group assesses the impairment of nonfinancial assets (property, plant and equipment, SCA, contract assets representing SCA under construction, right-of-use assets, investments in associates, water rights, and deposits under other current and noncurrent assets) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- *significant underperformance relative to expected historical or projected future operating results;*
- *significant changes in the manner of usage of the acquired assets or the strategy for the Group's overall business;*
- *significant negative industry or economic trends;*
- *significant decline in net worth or market capitalization; and*
- *significant decline in distributed profits or increase in losses.*

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the fair value less cost to sell and value in use.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

For the years ended December 31, 2020 and 2019, the Group recognized an impairment loss on its investment in Saigon Water amounting to ₱3.97 million, and ₱74.33 million, respectively, due to the decline in market capitalization. No impairment loss on its investment in Saigon Water was recognized for the year ended December 31, 2021 (see Note 12).

On March 31, 2020, MWSAH recognized an impairment on its investment in Cu Chi Water amounting to ₱336.67 million due to the current and prospective financial performance and condition of Cu Chi Water (see Note 12). These are presented as part of "Other income (loss)" in the consolidated profit or loss (see Note 18).

As of December 31, 2021, the Group has determined that there are no indicators of impairment on its investments in Thu Duc Water, Kenh Dong Water, Saigon Water, East Water, PT STU, and IWP (see Note 12). As of December 31, 2020, the Group has determined that there were no indicators of impairment on its investments in Thu Duc Water, Kenh Dong Water, East Water, and PT STU (see Note 12).

In 2019, the Parent Company's market capitalization significantly declined compared to its net book value, which decline was triggered by, among others, the then ongoing discussion with MWSS on the provisions of the Concession Agreement identified for renegotiation and amendment (see Note 1). As of December 31, 2020 and 2019, the Parent Company's market capitalization was below its net book. However, management determined that, as of December 31, 2020 and 2019, the recoverable amount of the Parent Company's nonfinancial assets was higher than its net book value. Therefore, the Group did not recognize any impairment loss on the Parent Company's nonfinancial assets particularly its property and equipment and SCA amounting to ₱1,078.20 million and ₱89,128.06 million in 2020 and ₱925.11 million and ₱81,052.26 million in 2019, respectively. The recoverable amount was determined by an external appraiser by considering the fair value of property and equipment and SCA's current highest and best use, taking into consideration recent sales, offering prices or listing of comparable properties registered within the vicinity of the subject assets and cost to build similar assets, adjustments to sales prices based on internal and external factors including impact of the coronavirus pandemic, and deductions for physical deterioration and all other relevant forms of obsolescence. As of December 31, 2021, the Parent Company's market capitalization was already higher than its net book value.

As of December 31, 2021 and 2020, there were no indicators of impairment on the Group subsidiaries' property plant and equipment and SCA, right-of-use assets, water rights, and deposits under other current assets and other noncurrent assets (see Notes 9, 10, 11 and 13).

Impairment of goodwill on the acquisition of Clark Water
Goodwill impairment testing requires an estimation of the recoverable amount which is the fair value less cost to sell or value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use amount requires management to make an estimate of the expected future cash flows for the cash-generating unit and to choose a suitable discount rate in order to calculate the present value of cash flows.

The MWPVI's impairment test for goodwill related to the acquisition of Clark Water is based on value in use calculations using a discounted cash flow model. The 2022 cash flows for the next nineteen (19) years assume a steady growth rate and are derived from Clark Water's latest business plan. MWPVI used the remaining concession life of Clark Water when testing for impairment. The recoverable amount is most sensitive to discount rate used for the discounted cash flow model. The pre-tax discount rate applied to cash flow projections was 8.89% and 10.66% in 2021 and 2020, respectively.

The carrying value of goodwill on the acquisition of Clark Water in the consolidated statements of financial position amounted to nil and ₱130.32 million as of December 31, 2021 and 2020, respectively (see Note 4). As of December 31, 2021, the Group has recognized full impairment on the goodwill from the Clark Water acquisition under "Other income (expense) - net" (see Note 18).

Estimating billable water volume
The SCAs related to the concession agreements of the Group are amortized using the UOP method based on actual billed volume and total estimated billable volume for the remaining period of the concession agreements. The Group considers factors such as population growth rate, supply and consumption, and service coverage, including ongoing and future expansions in estimating the total billable water volume over the remaining periods of the concession agreements. In 2021 and 2020, the Group also considered the impact on future billable volume considering the ongoing coronavirus pandemic which has affected the billed volume mix and consumption. For the years ended December 31, 2021, 2020, and 2019, SCA amortization expense based on the UOP method are disclosed in Notes 10 and 18.

Deferred FCDA
Under the concession agreements entered into by the Parent Company and Boracay Water with MWSS and TIEZA, respectively, the Parent Company and Boracay Water are entitled to recover (refund) foreign exchange losses (gains) arising from concession loans and any concessionaire loans. The Parent Company and Boracay Water recognized deferred FCDA (included as part of "Other noncurrent assets" in the consolidated statement of financial position) for both realized and unrealized foreign exchange gains and losses. Deferred FCDA is set up as an asset for the realized and unrealized exchange losses since this is a resource controlled by the Parent Company and Boracay Water as a result of past events and from which future economic benefits are expected to flow to the Parent Company and Boracay Water. Net realized and unrealized foreign exchange gains, on the other hand, which will be refunded to the customers, are presented as liability. As of December 31, 2021 and 2020, the Parent Company and Boracay Water's deferred FCDA classified under "Other noncurrent assets" amounted to ₱528.69 million and ₱403.18 million, respectively (see Note 13).

The Group's deferred FCDA arises from a rate adjustment mechanism for the recovery or compensation on a current basis, subject to quarterly review and adjustment by MWSS or TIEZA, when necessary, of accrued foreign exchange gains and losses, arising from MWSS or TIEZA loans and concession loans used for capital expenditures and concession fee payments.

Beginning November 18, 2021, the Parent Company's RCA has removed FCDA from the water rates of the Parent Company's customers. The Parent Company's profit or loss now reflects the unrealized and realized foreign exchange gains and losses from long-term debt and service concession obligations which are no longer expected to be recovered under the FCDA recovery mechanism. As of December 31, 2021, the Parent Company has not recognized any realized foreign exchange gains or losses arising from payments from long-term debt and service concession obligations. Boracay Water, on the other hand, still maintains this natural hedge and does not expect any movement of the foreign currencies against the Philippine Peso to have a significant effect on the Group's income before income tax.

Deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgement is required to determine the amounts that could be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning.

Also, the Group does not recognize deferred taxes on certain deductible temporary differences where doubt exists as to the tax benefits they will bring in the future (see Note 20).

In 2021 and 2020, the Parent Company used itemized deductions in the calculation of its current income tax. The applicable tax rate of 25.00% and 30.00%, respectively, were used in computing for the deferred income taxes of the Parent Company as this is the rate that the underlying deferred tax assets or liabilities are expected to be recovered, settled or utilized in the future. Further, as a result of the shift from Optional Standard Deduction (OSD) to itemized deduction in 2020, the Parent Company recorded additional deferred income tax assets amounting to ₱1,181.15 million (see Note 20).

Pension liabilities
The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates, incapacity rates, retirement rate, and termination rates. The amounts of defined benefit obligations are highly sensitive to changes due to the complexity of the valuation and its long-term nature. Discount rate, salary increase rate, retirement rate, and termination rate assumptions are reviewed at each reporting date. The Group's net pension liability amounted to ₱146.93 million and ₱219.60 million as of December 31, 2021 and 2020, respectively (see Note 16).

In determining the discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates for the specific country. Retirement and termination rates are based on expected rates at which employees are assumed to retire or leave the employment of the Group.

Further details about the assumptions used are provided in Note 16.

Estimating the incremental borrowing rate for leases
The Group cannot readily determine the interest rate implicit in the lease, therefore, it used its incremental borrowing rate to measure its lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates its incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Group's lease liabilities amounted to ₱361.72 million and ₱393.94 million as of December 31, 2021 and 2020, respectively (see Note 11).

Estimating fair values for the purchase price allocation of East Water
The Group acquired shares of stocks of a company in Thailand in 2018. The fair value of the net assets of the investee company was determined using a combination of multi-period excess earnings valuation method, which assumed expected future earnings stream attributable to the identified income-generating asset discounted using the rate of return commensurate to the asset, and fair value less cost to sell valuation method. The Group estimated the cash flows based on average life of the identified assets.

4. ***Business Combination and Goodwill***

The Group's goodwill consists of:

	2021	2020
Balance at beginning of the year	**₱136,566,475**	₱136,566,475
Less: Accumulated impairment loss (Notes 3 and 18)	**130,319,465**	–
	₱6,247,010	₱136,566,475

Goodwill arose from the Group's aquisitions of the following businesses:

	2021	2020
Aqua Centro:		
Tahanang Yaman Homes Corporation	**₱2,940,210**	₱2,940,210
BMDC:		
San Vicente Homes	**1,229,600**	1,229,600
Las Palmas Subdivisions Phases 1 to 7	**1,206,000**	1,206,000
Prosperity Builders Resources Inc.	**871,200**	871,200
Clark Water	**–**	130,319,465
	₱6,247,010	₱136,566,475

5. ***Cash and Cash Equivalents and Short-term Investments***

This account consists of:

	2021	2020
Cash on hand and in banks (Note 23)	**₱3,916,706,359**	₱2,416,241,955
Cash equivalents (Note 23)	**9,421,005,214**	18,311,016,068
	₱13,337,711,573	₱20,727,258,023

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are highly liquid investments with varying periods of up to three (3) months and earn interest at the respective short-term rates.

Short-term investments pertain to the Group's time deposits with maturities of more than three (3) months up to one (1) year, and earned interest of 0.16% to 1.00% in 2021 and 0.13% to 0.88% in 2020. As of December 31, 2021 and 2020, the Group's short-term investments amounted to ₱268.52 million and ₱129.30 million, respectively.

Interest income earned from cash in banks, cash equivalents and short-term investments amounted to ₱70.25 million, ₱204.39 million, and ₱228.97 million in 2021, 2020, and 2019, respectively (see Note 18).

6. ***Receivables and Contract Assets***

a. *Receivables*

This account consists of receivables from:

	2021	2020
Customers of:		
Water and used water services:		
Residential	**₱2,909,978,162**	₱3,137,011,825
Commercial	**574,488,437**	567,618,620
Semi-business	**259,130,712**	308,837,086
Industrial	**83,583,614**	113,145,806
Pipework services	**322,348,395**	178,935,622
Supervision fees	**233,498,974**	165,825,733
Distributor's fees	**117,713,545**	163,166,430
Technical due diligence services	**15,750,395**	18,025,391
ZCWD	**39,509,823**	39,509,823
Employees	**23,400,262**	26,721,569
Interest from banks	**8,149,445**	10,306,422
Others	**248,456,004**	177,169,210
	4,836,007,768	4,906,273,537
Less: Allowance for ECLs	**2,132,852,373**	1,749,067,889
	₱2,703,155,395	₱3,157,205,648

The classes of the Group's receivables arising from water and used water services rendered to customers, collectible within thirty (30) days from billing date, follow:

- *Residential - pertains to receivables from residential households.*
- *Commercial - pertains to receivables from commercial customers.*
- *Semi-business - pertains to receivables from small businesses.*
- *Industrial - pertains to receivables from customers for industrial and manufacturing purposes.*

Trade receivables arising from supervision fees on the development of water and used water facilities are collectible within thirty (30) days from billing date.

Trade receivables from pipework services pertain to pipelaying, pipe replacements, and other services related to water and used water treatment facilities. These receivables are collectible within twelve (12) months.

Trade receivables from distributors' fees arise from the Exclusive Distributorship Agreement (EDA) entered into by MWTS with distributors of its Healthy Family drinking water and are collectible within the period that is agreed with the distributors.

Receivable from ZCWD pertains to billed charges for service fees, construction revenue, and performance fees arising from Zamboanga Water's NRWRSA.

Receivable from employees arise from car, salary, and other loans which are due and demandable based on an agreed payment schedule and are collected through salary deductions.

Interest from banks are accrued interest arising from the Group's cash in banks, cash equivalents, and short-term investments.

Other receivables include receivables from associates for advances made to IWP and Saigon Water, for cross-border billings, and for shared facilities.

Movements in the Group's allowance for ECLs follow:

	2021					
	Receivable from Customers				Other	
	Residential	Commercial	Semi-business	Industrial	Receivables	Total
Balance at beginning of year	₱1,084,643,796	₱177,619,255	₱92,199,258	₱6,780,464	₱387,825,116	₱1,749,067,889
Provision (Note 18)	391,822,285	28,152,092	536,269	2,479,989	34,152,083	457,142,718
Reclassification	23,523,740	3,647,305	–	–	(27,171,045)	–
Reversals (Note 18)	(504,914)	(8,963,221)	–	–	(23,299,528)	(32,767,663)
Write-off	(33,426,376)	(1,875,402)	(5,051,491)	(237,302)	–	(40,590,571)
Balance at end of year	₱1,466,058,531	₱198,580,029	₱87,684,036	₱9,023,151	₱371,506,626	₱2,132,852,373

	2020					
	Receivable from Customers				Other	
	Residential	Commercial	Semi-business	Industrial	Receivables	Total
Balance at beginning of year	₱832,009,144	₱148,850,350	₱65,101,659	₱12,783,802	₱241,896,911	₱1,300,641,866
Provision (Note 18)	252,634,652	47,377,599	27,097,599	2,006,177	145,928,205	475,044,232
Reversals (Note 18)	–	–	–	(8,009,515)	–	(8,009,515)
Write-off	–	(18,608,694)	–	–	–	(18,608,694)
Balance at end of year	₱1,084,643,796	₱177,619,255	₱92,199,258	₱6,780,464	₱387,825,116	₱1,749,067,889

b. Contract assets

This account consists of:

	2021	2020
Contract assets from:		
Supervision fees	₱440,253,955	₱478,945,559
NRWRSA with ZCWD	285,928,839	55,050,143
Pipeworks and integrated used water services	102,492,769	102,058,127
Bulk water contracts:		
MCWD	186,625,445	167,468,259
TWD	92,755,188	89,703,525
Current portion	1,108,056,196	893,225,613
Bulk water contracts:		
MCWD	954,876,757	978,944,312
TWD	795,214,695	738,950,968
CIWD	9,249,943	–
NRWRSA with ZCWD	–	230,878,696
Noncurrent portion	1,759,341,395	1,948,773,976
	2,867,397,591	2,841,999,589
Less: Allowance for ECLs	379,957,836	337,519,592
	₱2,487,439,755	₱2,504,479,997

Contract assets from supervision fees are initially recognized for revenue earned arising from the provision of design and project management services in the development of water and used water facilities. These contract assets are reclassified to "Receivables" upon acceptance and reaching certain construction milestones for the related water and used water facilities.

Contract assets from pipeworks and integrated used water services are initially recognized for revenue earned arising from water and wastewater network related services. These contract assets are reclassified to "Receivables" upon acceptance of and billings to customers of MWTS and MWTV.

Contract assets from the NRWRSA with ZCWD are initially recognized for revenue earned arising from construction revenue and performance fees for NRW reduction services. These contract assets are reclassified to "Receivables" upon acceptance of and billing to the customer.

As of December 31, 2021 and 2020, Zamboanga Water recognized allowance for ECL on its contract assets with ZCWD amounting to ₱285.93 million.

Contract assets arising from the Bulk Water Supply Agreement with MCWD and the BWSPA with TWD and CIWD consist of the cost of rehabilitation works which will be reclassified to "Receivables" when Cebu Water, Tagum Water, and Ilagan

Water once all performance obligations are completed under its concession arrangements with MCWD, TWD, and CIWD, respectively.

In 2021, 2020 and 2019, Cebu Water invoked the force majeure clause of its Bulk Water Supply Agreement due to high water turbidity which resulted to intermittent delivery of the required thirty-five (35.00) million liters of water per day to MCWD. As a result, Cebu Water recognized impairment loss amounting to ₱30.18 million in 2021, ₱23.29 million in 2020, and ₱1.35 million in 2019 (see Note 18).

In 2020, Tagum Water was not able to meet the contractual obligations under the Bulk Water Sales and Purchase Agreement due to the low yield of the Riverbank Filtration Intake structures and delay in the construction of the artificial recharge structure which resulted to intermittent delivery of the required twenty-six (26) million liters of water per day to TWD. As a result, Tagum Water recognized impairment loss amounting to ₱12.26 million in 2021 and ₱12.35 million in 2020 (nil in 2019) (see Note 18).

The rollforward of Cebu Water, Tagum Water, and Ilagan Water's contract assets follows (Note 27):

	2021	2020
Cost		
Balance at beginning of year	**₱1,975,067,064**	₱1,687,179,790
Rehabilitation works	**61,892,213**	183,438,221
Finance income (Note 18)	**237,712,035**	291,971,227
Service income (Note 18)	**138,934,353**	120,809,411
Collections	**(335,643,067)**	(308,331,585)
Reclassification to receivables	**(39,240,572)**	–
Balance at end of year	**2,038,722,026**	1,975,067,064
Allowance for ECL		
Balance at beginning of year	**51,590,753**	15,952,415
Provisions (Note 18)	**42,438,244**	35,638,338
Balance at end of year	**94,028,997**	51,590,753
Net book value	**₱1,944,693,029**	₱1,923,476,311

7. ***Inventories***

This account consists of:

	2021	2020
Water treatment chemicals	**₱216,025,093**	₱127,468,854
Maintenance materials	**131,213,239**	119,271,047
Water meters and connection supplies	**85,889,946**	62,340,523
Spare parts	**17,564,238**	15,847,578
	₱450,692,516	₱324,928,002

The Group's inventories are carried at NRV. Allowance for obsolescence amounted to ₱11.36 million and ₱0.20 million as of December 31, 2021 and 2020, respectively. Loss from inventory obsolescence is presented under operating expenses in the consolidated profit or loss (see Note 18).

8. ***Other Current Assets***

This account consists of:

	2021	2020
Net input VAT	**₱950,870,364**	₱766,818,084
Prepaid expenses	**565,459,088**	476,798,763
Advances to suppliers, contractors, and deposits	**551,279,858**	205,085,410
Restricted cash (Note 23)	**–**	1,112,125,000
	₱2,067,609,310	₱2,560,827,257

Net input VAT pertains to the Group's excess input VAT over the output VAT as of the end of the reporting period.

Prepaid expenses consist of advance payments for business taxes, regulatory costs, insurance, interest, and employee health care expenses and other employee benefits.

Advances to suppliers, contractors, and deposits pertain to the Group's advance payments for various contractual projects and other advance payments for goods and services that can be recovered within one (1) year.

In 2020, restricted cash pertained to an escrow fund under the Parent Company's account established for land acquisition (see Note 23). The amount was transferred to the seller after all the conditions to the contract to sell were complied with. The escrow fund was released to the seller in September 2021.

9. ***Property, Plant and Equipment and Software***

The rollforward analysis of this account follows:

2021	Land	Plant and Technical Equipment	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Software	Total
Cost								
Balance at beginning of year	₱226,391,550	₱4,267,335,618	₱854,381,713	₱1,449,549,746	₱461,229,230	₱1,648,130,272	₱1,589,683,114	₱10,496,701,243
Additions	–	678,949,490	86,521,353	237,242,416	20,155,847	481,155,527	36,843,037	1,540,867,670
Transfers	–	743,399,866	6,286	–	3,812,763	(745,076,455)	–	2,142,460
Disposals	–	(85,274,760)	(1,062,857)	(79,658,542)	–	–	–	(165,996,159)
Retirement	–	(238,187)	–	–	(159,594)	–	–	(397,781)
Balance at end of year	226,391,550	5,604,172,027	939,846,495	1,607,133,620	485,038,246	1,384,209,344	1,626,526,151	11,873,317,433
Accumulated depreciation, amortization, and impairment								
Balance at beginning of year	–	1,468,746,818	727,062,681	831,125,410	365,177,176	–	1,537,882,908	4,929,994,993
Depreciation and amortization (Note 18)	–	273,348,091	69,709,383	206,936,321	41,314,687	–	33,287,760	624,596,242
Disposals	–	(13,361,859)	(744,384)	(5,681,565)	–	–	–	(19,787,808)
Retirement	–	–	(30,283)	–	(159,594)	–	–	(189,877)
Balance at end of year	–	1,728,733,050	795,997,397	1,032,380,166	406,332,269	–	1,571,170,668	5,534,613,550
Net book value	₱226,391,550	₱3,875,438,977	₱143,849,098	₱574,753,454	₱78,705,977	₱1,384,209,344	₱55,355,483	₱6,338,703,883

2020	Land	Plant and Technical Equipment	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Software	Total
Cost								
Balance at beginning of year	₱226,340,760	₱3,331,110,652	₱831,586,004	₱1,272,114,143	₱488,348,505	₱1,561,963,540	₱1,549,488,678	₱9,260,952,282
Additions	50,790	391,851,437	30,013,159	226,730,343	41,674,033	857,632,793	40,194,436	1,588,146,991
Transfers	–	747,416,587	6,451,536	–	17,597,938	(771,466,061)	–	–
Disposals	–	(17,122,343)	(2,452,114)	(16,695,654)	(249,199)	–	–	(36,519,310)
Retirement	–	(185,920,715)	(11,216,872)	(32,599,086)	(86,142,047)	–	–	(315,878,720)
Balance at end of year	226,391,550	4,267,335,618	854,381,713	1,449,549,746	461,229,230	1,648,130,272	1,589,683,114	10,496,701,243
Accumulated depreciation, amortization, and impairment								
Balance at beginning of year	–	1,381,703,899	705,049,063	687,162,237	402,744,707	–	1,415,639,311	4,592,299,217
Depreciation and amortization (Note 18)	–	244,585,662	34,728,119	177,128,855	39,483,983	–	122,243,597	618,170,216
Impairment loss reversal	–	(45,026,531)	–	–	(25,158,619)	–	–	(70,185,150)
Disposals	–	(12,830,181)	(2,027,861)	(12,967,606)	(249,199)	–	–	(28,074,847)
Retirement	–	(99,686,031)	(10,686,640)	(20,198,076)	(51,643,696)	–	–	(182,214,443)
Balance at end of year	–	1,468,746,818	727,062,681	831,125,410	365,177,176	–	1,537,882,908	4,929,994,993
Net book value	₱226,391,550	₱2,798,588,800	₱127,319,032	₱618,424,336	₱96,052,054	₱1,648,130,272	₱51,800,206	₱5,566,706,250

As of December 31, 2021 and 2020, noncash acquisitions of property, plant and equipment, amounted to ₱203.81 million and ₱872.00 million, respectively.

The net book value of noncash transfers to property, plant and equipment in 2021 amounted to ₱2.14 million (nil in 2020).

Following the closure of MWTS' Healthy Family business division on October 31, 2020 (see Note 1), MWTS reassessed the recoverable amount of leasehold improvements and water treatment equipment which were impaired in 2018 due to the closure of several of its water bottling plants in the same year. In 2020, as a result of such reassessment, MWTS reversed ₱70.19 million of its previously recognized accumulated impairment loss.

On December 29, 2021, MWPVI entered into a Deed of Absolute Sale with Amaia Land Corp. (Amaia) and BellaVita Land Corp. (BellaVita) whereby MWPVI sells, conveys, transfers, assigns and delivers the Properties and all rights, title, and interest to Amaia and BellaVita for the excluded development on the Amended and Restated MOA with ALI Group (see Note 23). As of December 31, 2021, MWPVI completed the sale and transfer of the Properties to Amaia and BellaVita for ₱63.20 million.The Group recognized a loss from the sale amounting to ₱35.21 million.

10. *Service Concession Assets and Obligations*

a. *Service concession assets*

The movements in this account follow:

	2021	2020
Cost		
Balance at beginning of year	**₱133,865,202,736**	₱122,257,456,882
Additions:		
Rehabilitation works	**16,908,180,580**	10,792,728,631
Concession fees	**42,432,308**	755,514,240
Transfers (Note 9)	**(2,142,460)**	–
Local component cost	**93,413,418**	59,502,983
Balance at end of year	**150,907,086,582**	133,865,202,736
Accumulated amortization		
Balance at beginning of year	**31,593,021,949**	28,738,313,896
Amortization	**2,928,868,861**	2,854,708,053
Balance at end of year	**34,521,890,810**	31,593,021,949
Net book value	**₱116,385,195,772**	₱102,272,180,787

SCA consists of the present value of total estimated concession fee payments, including regulatory costs and local component costs, of the Parent Company, Calasiao Water, Boracay Water, Calbayog Water, Clark Water, Obando Water, Bulakan Water, Ilagan Water (septage management), South Luzon Water, Laguna Water, and Aqua Centro (Lambunao Project) pursuant to the Group's concession agreements, JVAs and SMA; and the revenue from rehabilitation works which is equivalent to the related cost for the rehabilitation works covered by the concession arrangements, JVAs and SMA. As of December 31, 2021 and 2020, SCA includes assets under construction amounting to ₱27,680.81 million and ₱27,757.59 million, respectively.

SCA also includes prepaid concession fees which represent the thirty percent (30.00%) ownership of PGL in Laguna Water. These are amortized based on the terms set forth in Laguna Water's concession agreement (see Note 1). As of December 31, 2021 and 2020, the unamortized portion of prepaid concession fees presented as part of SCA amounted to nil and ₱12.02 million, respectively.
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Contract assets shown as part of SCA arising from concession agreements consist of the cost of rehabilitation works covered by the respective concession agreements, JVAs and SMAs of the Parent Company, Calasiao Water, Boracay Water, Calbayog Water, Clark Water, Obando Water, Bulakan Water, Ilagan Water, South Luzon Water, Laguna Water, Tagum Water, Cebu Water, and Aqua Centro (Lambunao Project).

Total interest and other borrowing costs capitalized as part of the rehabilitation works amounted to ₱1,881.14 million, ₱1,637.33 million, and ₱980.92 million, in 2021, 2020, and 2019, respectively. The capitalization rates used ranged from 0.87% to 9.37% in 2021, 6.62% to 11.68% in 2020, and 4.50% to 7.66% in 2019.

As of December 31, 2021 and 2020, noncash acquisitions of SCA amounted to ₱362.66 million and ₱145.24 million, respectively.

b. Service concession obligations

The breakdown of service concession obligations follows:

	2021	2020
Current	**₱626,529,444**	₱661,845,953
Noncurrent	**8,331,791,889**	8,443,800,142
	₱8,958,321,333	₱9,105,646,095

MWSS Concession Fees
The aggregate concession fees of the Parent Company are equal to the sum of the following:

i. 10.00% of the aggregate Peso equivalent due under any MWSS loan which has been disbursed prior to the Commencement Date, including MWSS loans for existing projects and the Umiray Angat Transbasin Project (UATP), on the prescribed payment date;
ii. 10.00% of the aggregate Peso equivalent due under any MWSS loan designated for the UATP which has not been disbursed prior to the Commencement Date, on the prescribed payment date;
iii. 10.00% of the local component costs and cost overruns related to the UATP;
iv. 100.00% of the aggregate Peso equivalent due under MWSS loans designated for existing projects, which have not been disbursed prior to the Commencement Date and have been either awarded to third party bidders or elected by the Parent Company for continuation;
v. 100.00% of the local component costs and cost overruns related to existing projects;
vi. Parent Company's share in the repayment of MWSS loan for the financing of new projects; and
vii. one-half of MWSS annual corporate operating budget.

In March 2010, MWSS entered into a loan agreement with The Export-Import Bank of China to finance the Angat Water Utilization and Aqueduct Improvement Project Phase II. Total loan facility amounted to $116.60 million with a maturity of twenty (20) years including a five (5)-year grace period. The interest rate is 3.00% per annum.

MWSS subsequently entered into a MOA with the Parent Company and Maynilad for the Parent Company and Maynilad to equally shoulder the repayment of the loan with such repayment to form part of the concession fees.

On May 12, 2015, MWSS entered into a MOA with the Parent Company and Maynilad for the Angat Water Transmission Improvement Project (Angat Transmission Project). The Angat Transmission Project aims to improve the reliability and security of the raw water coming from the Angat Dam through the rehabilitation of the transmission system from Ipo to La Mesa and the application of water safety, risk and asset management plans. Subsequently, on May 27, 2016, MWSS entered into a loan agreement with Asian Development Bank to finance the Angat Transmission Project. The loan amounts to US$123.30 million with a maturity of twenty-five (25) years including a seven (7)-year grace period. As stipulated in the MOA, the Parent Company and Maynilad shall shoulder equally the repayment of the loan and all reasonable expenditures related to the Project with such payments to form part of the concession fees.

In 2020, a supplemental MOA was entered into by MWSS with the Parent Company and Maynilad for the separate loan to be obtained by MWSS to finance the construction of Aqueduct No. 7, which is a new and seventh aqueduct downstream of Ipo Dam from Bigte Basin to Novaliches Portal that will convey the additional output to further strengthen the reliability and adequacy of the water supply system. The loan amounts to US$126.02 million. As stipulated in the MOA, all expenses to be incurred by the Concessionaires in connection with the Angat Water Transmission Improvement Project and Aqueduct No. 7, including the amortization payment as well as the local counterpart funds, shall be part of the Concessionaire's respective business plans which shall be considered in the next rate rebasing exercise.

In 2016, the Parent Company paid MWSS ₱500.00 million as compensation for additional water allocation in the Angat reservoir.

In 2016, MWSS entered into a MOA with the Parent Company and Maynilad which was subsequently amended in 2018 for the New Centennial Water Source - Kaliwa Dam Project (NCWS-KDP). The NCWS-KDP aims to develop a new water *source in order to meet the increasing water demand by constructing a dam for MWSS service area's domestic water supply.*

To partially finance the NCWS-KDP, MWSS entered into a Preferential Buyer's Credit Loan Agreement with The Export-Import Bank of China in 2018 amounting to US$211.21 million with a maturity of twenty (20) years including a seven (7)-year grace period. As stipulated in the MOA, the Parent Company and Maynilad shall shoulder equally the repayment of the loan and all reasonable expenditures related to the Project with such payments to form part of the concession fees.

The schedule of undiscounted future concession fee payments follows:

Year	Foreign Currency-Denominated Loans (Translated to US$)	Peso Loans/ Project Local Support	Total Peso Equivalent*
2022	$7,062,305	₱395,714,907	₱755,885,387
2023	8,673,190	395,714,907	838,038,911
2024	8,510,585	395,714,907	829,746,236
2025	8,089,349	395,714,907	808,263,620
2026	7,644,432	395,714,906	785,573,279
2027 onwards	67,071,931	3,957,149,068	7,377,750,467
	$107,051,792	₱5,935,723,602	₱11,395,257,900

**Peso equivalent is translated using the closing rate as of December 31, 2021 amounting to ₱50.9990 to US$1.*

CWD Concession Fees
Under Calasiao Water's concession agreement with CWD, concession fees are based on a fixed schedule of annual payments over the twenty-five (25) year concession period.

TIEZA Concession Fees
The aggregate concession fees pursuant to Boracay Water's concession agreement with TIEZA is equal to the sum of the following:

i. *servicing the aggregate Peso equivalent of all liabilities of BWSS as of commencement date;*
ii. *5.00% of the monthly gross revenue of Boracay Water, inclusive of all applicable taxes which are for the account of Boracay Water; and*
iii. *payment of annual operating budget of the TIEZA-RO starting 2010. For 2010 and 2011, the amount shall not exceed ₱15.00 million. For the year 2012 and beyond, Boracay Water shall pay ₱20.00 million, subject to annual CPI adjustments.*

CCWD Revenue Share
Under Calbayog Water's JVA with CCWD, Calbayog Water is required to pay, on a monthly basis, an annual revenue share, amounting to ₱18.00 million subject to an increase of ₱1.00 million every five (5) years, conditioned upon the approval by the CCWD BOD and LWUA on the increase in tariff rates for the relevant tariff adjustment year. The revenue share for the duration of the appointment period follows:

Appointment Period	Revenue Share
Years 1 to 5	₱18.00 million
Years 6 to 10	₱19.00 million
Years 11 to 25	₱20.00 million
Years 16 to 20	₱21.00 million
Years 21 to 25	₱22.00 million

Subject to the provision of the JVA on EPA, Calbayog Water shall increase the revenue share due to CCWD in case of a corresponding increase in the government-mandated salary and benefits that may be implemented during the appointment period of the JVA.

CDC Concession Fees
The aggregate concession fees pursuant to Clark Water's concession agreement with CDC is equal to the sum of the following:

i. *annual franchise fee of ₱1.50 million; and* *ii.* *semi-annual rental fees of ₱2.77 million for leased facilities from CDC.*

As a result of the extension of the concession agreement of Clark Water, payment of rental fees on the CDC existing facilities was extended by an additional fifteen (15) years from October 1, 2025 to October 1, 2040 (see Note 1).

OWD Concession Fees
The aggregate concession fee pursuant to Obando Water's concession agreement with OWD is equal to the sum of the following:

i. *base concession fee which shall be used for operations of the OWD; and*
ii. *additional concession fee composed of amounts representing amortization payments for the outstanding obligations of OWD (which includes OWD's loan with LWUA) and 2.00% of the gross annual receipts of Obando Water, representing franchise tax to be paid by the OWD.*

On March 28, 2019, LWUA has approved a new loan repayment scheme of thirteen (13) years with OWD. Upon initial payment, which shall not be later than May 15, 2019, LWUA shall no longer impose penalties from OWD.

As of December 31, 2021 and 2020, concession fees recognized as part of SCA arising from the concession agreement with OWD amounted to ₱412.32 million. As of December 31, 2021 and 2020, concession fees recognized as part of SCO arising from the concession agreement with OWD amounted to ₱399.18 million and ₱392.08 million, respectively.

BuWD Concession Fees
The aggregate concession fee pursuant to Bulakan Water's concession agreement with BuWD is equal to the sum of the following:

i. *base concession fee which shall be used for operations of the BuWD; and*
ii. *additional concession fees composed of:*
- *2.00% of the gross monthly water sales of Bulakan Water,*
- *one-time expenditures and payables applicable only for Year 1 of the concession agreement, and*
- *an amount equivalent to the monthly consumption of BuWD under a bulk water supply agreement with Luzon Clean Water Development Corporation, including any minimum guaranteed volume consumption.*

Any loss or reduction in profit for any given year as a result of the operation of the facilities in the service area of BuWD shall not in any way affect or reduce the payment of the base concession fee.

TnWD Fees
Under South Luzon Water's JVA with TnWD, South Luzon Water is required to pay, on an annual basis, a revenue share, amounting to ₱17.50 million subject to an increase of ₱1.00 million every five (5) years, conditioned upon the approval by the TnWD BOD and LWUA on the increase in tariff rates for the relevant tariff adjustment year. The revenue share for the duration of the appointment period follows:

Appointment Period	*Revenue Share*
Years 1 to 5	*₱17.50 million*
Years 6 to 10	*₱18.50 million*
Years 11 to 25	*₱19.50 million*
Years 16 to 20	*₱20.50 million*
Years 21 to 25	*₱21.50 million*

PGL Concession Fees
Under Laguna Water's concession agreement with PGL, Laguna Water is required to pay concession fees to PGL computed as a percentage of water sales as follows:

Operational Period	*Percentage of Water Sales*
Years 1 to 5	*4.00%*
Years 6 to 25	*3.00%*

Seventy percent (70.00%) of the concession fees shall be applied against any advances made by Laguna Water to PGL. The remaining thirty percent (30.00%) of the concession fees shall be payable annually thirty (30) days after the submission of the audited financial statements by Laguna Water, starting on the first operational period, which begins upon the expiration of the transition period.

PAGWAD Revenue Share
Under Laguna Water's JVA with PAGWAD, Laguna Water is required to pay, on a calendar year basis, an annual revenue share, amounting to the higher of:

i. ₱10.50 million for a twelve (12)-month period or the proportionate amount for those years with less than twelve (12) months (the "base revenue share"); or
ii. seven percent (7.00%) of the annual gross operating revenues for the immediately preceding year based on the audited financial statements (the "variable revenue share").

The revenue share shall be payable by Laguna Water in advance at the start of the relevant year. The base revenue share shall be payable within fifteen (15) calendar days from the start of the relevant year. In the event the variable revenue share is higher than the base revenue share, the difference between the variable revenue share and the base revenue share shall be payable to PAGWAD within fifteen (15) calendar days after the approval of Laguna Water's audited financial statements.

Subject to the provision of the JVA on EPA, Laguna Water shall increase the revenue share due to PAGWAD in case of a corresponding increase in the government-mandated salary and benefits that may be implemented during the period of the JVA.

On July 19, 2021 and February 20, 2020, the annual revenue share was increased to ₱12.00 million and ₱11.5 million, respectively, to provide additional provision for government mandated salary increases as stated in Section 9.3.1 of its JVA.

Municipalities of Sta. Barbara, San Fabian, and Manaoag Fees
Under North Luzon Water's MOAs with the Municipalities of Sta. Barbara, San Fabian, and Manaoag, North Luzon Water is required to pay a royalty amounting to:

Municipality	Percentage of Gross Sales*
Sta. Barbara	Not exceeding 0.6%
San Fabian	Not exceeding 0.5%
Manaoag	Not exceeding 0.5%

**Gross sales from water supply or distribution less VAT*

LWD Fees
Under Aqua Centro's JVA with LWD, Aqua Centro is required to pay, on a monthly basis, an annual revenue share, amounting to ₱15.75 million, conditioned upon the approval by the LWD BOD and LWUA on the increase in tariff rates for the relevant tariff adjustment year. The revenue share shall no longer be guaranteed and shall be subject to adjustment by mutual agreement and discussion of Aqua Centro and LWD if the tariff adjustment is not secured or obtained from LWUA. The revenue share for the duration of the appointment period follows:

Appointment Period	Revenue Share
Years 1 to 5	₱15.75 million
Years 6 to 10	₱17.50 million
Years 11 to 25	₱17.50 million
Years 16 to 20	₱17.50 million
Years 21 to 25	₱20.65 million
Years 26 to 30	₱25.75 million
Years 31 to 35	₱35.33 million

Subject to the provision of the JVA on EPA, Aqua Centro shall increase the revenue share due to LWD in case of a corresponding increase in the government-mandated salary and benefits that may be implemented during the appointment period of the JVA.

The Group's interest expense on its service concession obligations amounted to ₱671.37 million, ₱712.37 million, and ₱765.16 million in 2021, 2020, and 2019, respectively (see Note 18).

11. ***Leases***

The Group as a Lessee

The Group leases office space, storage and plant facilities, land, and right-of-way wherein it is the lessee. The terms of the lease range from one year or until the end of the concession period.

The rollforward analysis of the Group's right-of-use assets follows:

	2021			
	Office Space and Parking	**Storage and Plant Facilities**	**Land and Right-of-Way**	**Total**
Cost				
Balance at beginning of year	**₱252,984,610**	**₱194,128,462**	**₱78,606,018**	**₱525,719,090**
Additions	**54,883,897**	**10,606,687**	**23,629,230**	**89,119,814**
Balance at end of year	**307,868,507**	**204,735,149**	**102,235,248**	**614,838,904**
Accumulated amortization				
Balance at beginning of year	**98,176,920**	**49,081,444**	**15,851,259**	**163,109,623**
Amortization	**61,446,136**	**37,242,651**	**3,344,729**	**102,033,516**
Balance at end of year	**159,623,056**	**86,324,095**	**19,195,988**	**265,143,139**
Net book value	**₱148,245,451**	**₱118,411,054**	**₱83,039,260**	**₱349,695,765**

	2020			
	Office Space and Parking	*Storage and Plant Facilities*	*Land and Right-of-Way*	*Total*
Cost				
Balance at beginning of year	*₱170,445,317*	*₱193,887,808*	*₱2,007,366*	*₱366,340,491*
Additions	*86,900,797*	*240,654*	*76,598,652*	*163,740,103*
Reversals	*(4,361,504)*	–	–	*(4,361,504)*
Balance at end of year	*252,984,610*	*194,128,462*	*78,606,018*	*525,719,090*
Accumulated amortization				
Balance at beginning of year	*42,141,382*	*28,415,503*	*108,997*	*70,665,882*
Amortization	*58,339,349*	*20,665,941*	*15,742,262*	*94,747,552*
Reversals	*(2,303,811)*	–	–	*(2,303,811)*
Balance at end of year	*98,176,920*	*49,081,444*	*15,851,259*	*163,109,623*
Net book value	*₱154,807,690*	*₱145,047,018*	*₱62,754,759*	*₱362,609,467*

Amortization of plant facilities used for construction amounting to ₱27.09 million and ₱13.55 million was capitalized in 2021 and 2020, respectively.

The rollforward analysis of the Group's lease liabilities follows:

	2021	*2020*
Balance at beginning of year	**₱393,937,309**	*₱308,482,153*
Additions	**89,119,814**	*163,740,103*
Payments	**(141,470,517)**	*(99,434,114)*
Accretion	**20,131,539**	*28,294,594*
Reversals	**–**	*(7,145,427)*
Balance at end of year	**₱361,718,145**	*₱393,937,309*
Current portion	**₱115,016,609**	*₱126,092,170*
Noncurrent portion	**₱246,701,536**	*₱267,845,139*

The maturity analysis of lease liabilities are disclosed in Note 28.

The following are the amounts recognized in profit or loss:

	2021	*2020*
Depreciation expense of right-of-use assets (Note 18)	**₱74,941,289**	*₱69,049,397*
Interest expense on lease liabilities (Note 18)	**20,131,539**	*27,973,355*
Expenses relating to short-term leases and lease of low-value assets (Note 18)	**22,475,227**	*60,151,042*
	₱117,548,055	*₱157,173,794*

12. *Investments in Associates*

This account consists of the following:

	2021	2020
Acquisition cost	***₱13,029,916,837***	*₱13,028,636,035*
Accumulated equity in net earnings	***1,788,112,824***	*1,636,953,225*
Cumulative translation adjustments	***(279,837,373)***	*(379,849,035)*
Accumulated equity in other comprehensive loss	***(1,906,738)***	*(1,906,738)*
	₱14,536,285,550	*₱14,283,833,487*

Details of the Group's investments in associates are shown below.

Thu Duc Water
Thu Duc Water is incorporated in the Socialist Republic of Vietnam with principal place of business in Ho Chi Minh City, Vietnam.

On October 12, 2011, TDWH and Ho Chi Minh City Infrastructure Investment Joint Stock Company (CII) entered into a share sale and purchase agreement whereby CII will sell to TDWH its 49.00% interest (equivalent to 2.45 million common shares) in Thu Duc Water. On December 8, 2011, TDWH completed the acquisition of CII's interest in the common shares of Thu Duc Water after which TDWH obtained significant influence in Thu Duc Water.

The acquisition cost of the investment amounted to ₱1,788.00 million (VND857.50 billion). The investments in associate account includes a notional goodwill amounting to ₱1,455.51 million (VND698.04 billion) arising from the acquisition of shares of stock in Thu Duc Water.

The financial information of Thu Duc Water as of and for the years ended December 31, 2021 and 2020 follows:

	2021	2020
Current assets	***₱155,901,844***	*₱175,813,419*
Noncurrent assets	***3,722,525,351***	*3,302,514,929*
Current liabilities	***449,061,340***	*490,816,006*
Noncurrent liabilities	***226,209,213***	*298,187,558*
Revenue	***897,082,781***	*846,270,360*
Net income	***562,918,104***	*544,309,796*

The conversion rates used were ₱0.0022 and ₱0.0021 to VND1.00 as of December 31, 2021 and 2020, respectively.

The share of the Group in the net income of Thu Duc Water for the years ended December 31, 2021, 2020 and 2019 amounted to ₱275.83 million, ₱266.71 million, and ₱245.40 million, respectively.

Kenh Dong Water
Kenh Dong Water is incorporated in the Socialist Republic of Vietnam with principal place of business in Ho Chi Minh City, Vietnam.

On May 17, 2012, the Parent Company, through KDWH, entered into a sale and purchase agreement with CII for the purchase of 47.35% of CII's interest in Kenh Dong Water. The payment for the shares was done in two tranches, with additional contingent considerations subject to the fulfillment of certain conditions precedent, for a total purchase price of ₱1,659.89 million.

As of December 31, 2012, considerations paid by the Parent Company for its investment in Kenh Dong Water amounted to ₱1,571.92 million (VND785.24 billion). The share purchase transaction was completed on July 20, 2012 and KDWH gained significant influence in Kenh Dong Water.

In 2013, Kenh Dong Water finalized its purchase price allocation which resulted in a final notional goodwill amounting to ₱1,373.57 million (VND650.85) billion.

The financial information of Kenh Dong Water as of and for the years ended December 31, 2021 and 2020 follows:

	2021	2020
Current assets	**₱401,733,323**	₱344,680,728
Noncurrent assets	**2,396,171,907**	2,214,263,474
Current liabilities	**59,354,923**	160,550,710
Noncurrent liabilities	**60,850,233**	72,718,081
Revenue	**654,546,245**	629,113,846
Net income	**349,474,774**	346,996,403

The conversion rates used were ₱0.0022 and ₱0.0021 to VND1.00 as of December 31, 2021 and 2020, respectively.

The share of the Group in the net income of Kenh Dong Water for the years ended December 31, 2021, 2020, and 2019 amounted to ₱165.48 million, ₱164.30 million, and ₱130.91 million, respectively.

The Group's share in net income from its investments in Thu Duc Water and Kenh Dong Water resulted from concession arrangements with the People's Committee of Ho Chi Minh City (the Grantor). These concession arrangements are accounted for under the Financial Asset model of IFRIC 12 as these associates have an unconditional contractual right to receive fixed and determinable amounts of payment for its construction services at the direction of the Grantor.

Saigon Water
Saigon Water is incorporated in the Socialist Republic of Vietnam with principal place of business in Ho Chi Minh City, Vietnam. Saigon Water is listed in the Ho Chi Minh City Stock Exchange.

On October 8, 2013, the Parent Company, through MWSAH, entered into an Investment Agreement for the acquisition of a 31.47% stake in Saigon Water. The acquisition cost of the investment amounted to ₱642.76 million (VND310.45 billion). The share subscription transaction was completed on October 8, 2013 and MWSAH gained significant influence in Saigon Water.

In 2014, MWSAH finalized the notional goodwill amounting to ₱293.65 million (VND139.51 billion) arising from the acquisition of shares of stock in Saigon Water by the Group as of December 31, 2013. There were no adjustments made to the fair values of the net assets as of acquisition date.

On June 21, 2017, MWSAH subscribed to an additional 6.15 million primary shares of Saigon Water for ₱229.16 million (VND103.87 billion), which increased MWSAH's holding in Saigon Water's outstanding capital stock from 31.47% to 37.99%. The notional goodwill arising from the additional subscription amounted to ₱42.05 million (VND19.06 billion).

In 2020 and 2019, MWSAH recognized impairment on its investment in Saigon Water amounting to ₱3.97 million and ₱74.33 million, respectively, arising from the decline in the market capitalization of Saigon Water shares. This is presented as part of "Other income (loss) - net" in the consolidated profit or loss for the years ended December 31, 2020 and 2019 (see Note 18). No impairment loss was recognized in 2021.

The financial information of Saigon Water as of and for the years ended December 31, 2021 and 2020 follows:

	2021	2020
Current assets	**₱256,189,029**	₱270,603,099
Noncurrent assets	**3,676,562,180**	3,573,318,435
Current liabilities	**1,033,425,310**	831,379,814
Noncurrent liabilities	**1,165,015,858**	1,243,600,941
Revenue	**613,462,756**	590,654,059
Net loss	**(160,006,705)**	(98,466,007)

The conversion rates used were ₱0.0022 and ₱0.0021 to VND1.00 as of December 31, 2021 and 2020, respectively.

The share of the Group in the consolidated net loss of Saigon Water for the years ended December 31, 2021, 2020 and 2019 amounted to ₱60.78 million, ₱37.41 million and ₱18.95 million, respectively. The closing share price of Saigon Water as of December 31, 2021 and December 28, 2020 were VND16,250 per share and VND18,500 per share, respectively.

Cu Chi Water Supply Sewerage Company Ltd. (Cu Chi Water)
Cu Chi Water is incorporated in the Socialist Republic of Vietnam with principal place of business in Ho Chi Minh City, Vietnam. As of December 31, 2021, Cu Chi has no commercial operations.

On October 10, 2015, MWSAH executed a Capital Transfer Agreement with Saigon Water for the acquisition of 24.50% of the charter capital of Cu Chi Water in the total amount of ₱318.16 million (VND154.35 billion). Pursuant to the Capital Transfer Agreement, Saigon Water granted a put option to MWSAH and VIAC (No 1) Limited Partnership, another party to the agreement, which option can be exercised upon the occurrence of certain trigger events. On October 29, 2021, the Capital Transfer Agreement has been extended for one (1) year. As of December 31, 2021 and 2020, no trigger event has occurred and the value of the put option was determined to be nil.

In 2020, MWSAH recognized impairment on its investment in Cu Chi Water amounting to ₱336.67 million due to the current and prospective financial performance and condition of Cu Chi Water. This was presented as part of "Other income (loss) - net" in the consolidated profit or loss for the year ended December 31, 2020 (see Note 18).

The financial information of Cu Chi Water as of and for the years ended December 31, 2021 and 2020 follows:

	2021	2020
Current assets	***₱104,859***	*₱129,642*
Noncurrent assets	***1,407,735,887***	*1,308,416,026*
Current liabilities	***234,596***	*217,012*

The conversion rates used were ₱0.0022 and ₱0.0021 to VND1.00 as of December 31, 2021 and 2020, respectively.

PT. Triguna Rapindo Mandiri (PT STU)
PT STU is incorporated in Indonesia with principal place of business in Semarang, Indonesia. PT STU is a bulk water supply company servicing Perusahaan Daerah Air Minum (PDAM) Kabupaten Semarang and industrial customers in Bawen, located in Ungaran area of Semarang Regency, Central Java Province, with a capacity of 21.50 million liters per day.

On March 6, 2018, PTMWI signed a SPA with PT. Triguna Rapindo Mandiri to acquire 4,478 ordinary shares in PT STU to own 20.00% of its outstanding capital stock.

On October 23, 2020, management approved the disposal of PTMWI's investment in PT STU. Although the approval to sell investment in PT STU was approved in 2020, the divestment to a buyer was only concluded in April 2021. On April 30, 2021, PTMWI reclassified its investment in PT STU as an "asset held for sale" since it expected the divestment to be completed within the year.

On July 8, 2021, management approved to withdraw the sale of the investment in PT STU with the intent to continue holding the investment indefinitely given PT STU's potential for internal and external growth. The previous sale agreement with the identified buyer was withdrawn and consented to by the buyer. On July 31, 2021, PTMWI reclassified its investment in PT STU from "asset held for sale" to "investments in associates."

The financial information of PT STU as of and for the years ended December 31, 2021 and 2020 follows:

	2021	2020
Current assets	***₱62,758,176***	*₱37,803,796*
Noncurrent assets	***141,219,958***	*142,848,017*
Current liabilities	***6,560,034***	*5,159,801*
Revenue	***88,841,528***	*69,191,842*
Net income	***15,130,315***	*7,411,541*

The conversion rates used were ₱0.00364 and ₱0.0034 to IDR1.00 as of December 31, 2021 and 2020.

The acquisition cost of the investment amounted to ₱37.00 million (IDR10.00 billion). The investment in associate account includes a notional goodwill amounting to ₱1.01 million (IDR295.46 million) arising from the acquisition of shares of stock in PT STU. The share in the net identifiable assets of PT STU on the date of acquisition amounted to ₱35.91 million.

The share of the Group in the net income (loss) of STU for the year ended December 31, 2021, 2020 and 2019 amounted to ₱3.02 million, (₱0.70 million) and ₱1.48 million, respectively.

Eastern Water Resources Development and Management Public Company Limite (East Water)
East Water is incorporated in Thailand with principal place of business in Bangkok, Thailand. East Water is listed in the Stock Exchange of Thailand.

On February 19, 2018, the Parent Company signed a SPA with Electricity Generating Public Company Limited (EGCO) to acquire EGCO's 18.72% equity in East Water. East Water is engaged in the provision of raw water and tap water since

1992 in the eastern seaboard of Thailand.

On March 14, 2018, MWTC acquired 311.44 million ordinary shares in East Water representing 18.72% equity of East Water.

The financial information of East Water as of and for the years ended December 31, 2021 and 2020 and follows:

	2021	2020
Current assets	**₱1,040,481,650**	₱1,343,120,000
Noncurrent assets	**56,138,786,968**	58,714,215,730
Current liabilities	**4,415,645,975**	4,339,696,000
Noncurrent liabilities	**18,010,456,003**	19,075,801,093
Revenue	**5,579,666,018**	4,853,650,000
Net income	**843,262,095**	1,230,930,000
Other comprehensive loss	**(5,214,841)**	(2,995,694)

The conversion rates used was ₱1.5277 and ₱1.6000 to THB1.00 as of December 31, 2021 and 2020, respectively.

The acquisition cost of the investment amounted to ₱8,834.04 million (THB5.29 billion). As of December 31, 2021 and 2020, the investment in associate account includes a notional goodwill amounting to ₱1,298.10 million (THB 811.30 million), respectively.

The share of the Group in the net income (loss), after fair value adjustments of East Water for the years ended December 31, 2021, 2020 and 2019, amounted to ₱157.86 million, (₱179.06 million), and ₱294.66 million, respectively. The closing share price of East Water as of December 31, 2021 and December 30, 2020 was THB9.30 per share.

IWP

IWP is incorporated in Saudi Arabia with principal place of business in the city of Madinah, Kingdom of Saudi Arabia. IWP is a mixed capital limited liability company incorporated under the laws of the Kingdom of Saudi Arabia by Saur Saudi Arabia Ltd., Miahona Company, and MWAP with equity shareholdings of 40.00%, 40.00%, and 20.00%, respectively.

The financial information of IWP as of and for the year ended December 31, 2021 follows:

	2021
Current assets	₱619,349,328
Noncurrent assets	5,659,914
Current liabilities	425,951,211
Noncurrent liabilities	62,250,517
Revenue	476,039,353
Net income	140,278,233

The conversion rate used was ₱13.60 to SAR1.00 as of December 31, 2021.

The share of the Group in the net income of IWP for the year ended December 31, 2021 amounted to ₱28.05 million.

The reconciliation of the net assets of the associates to the carrying amounts of the investments in associates recognized in the consolidated financial statements follows:

		December 31, 2021			
Associate	**Net Assets of Associate***	**Proportionate Ownership Interest**	**Share in Net Identifiable Assets**	**Notional Goodwill (Impairment)**	**Carrying Values**
Thu Duc Water	**₱3,203,156,642**	**49.00%**	**₱1,569,546,755**	**₱1,559,593,006**	**₱3,129,139,761**
Kenh Dong Water	**2,677,700,074**	**47.35%**	**1,267,890,985**	**1,454,158,716**	**2,722,049,701**
Saigon Water	**1,734,310,041**	**37.99%**	**658,864,385**	**213,116,345**	**871,980,730**
Cu Chi Water	**1,407,606,150**	**24.50%**	**344,863,507**	**(344,863,507)**	**–**
PT STU	**197,418,100**	**20.00%**	**39,483,620**	**1,055,355**	**40,538,975**
East Water	**34,753,166,640**	**18.72%**	**6,505,792,795**	**1,239,422,085**	**7,745,214,880**
IWP	**136,807,516**	**20.00%**	**27,361,503**	**–**	**27,361,503**
Total	**₱44,110,165,163**		**₱10,413,803,550**	**₱4,122,482,000**	**₱14,536,285,550**

**Attributable to common shareholders.*

December 31, 2020					
Associate	Net Assets of Associate*	Proportionate Ownership Interest	Share in Net Identifiable Assets	Notional Goodwill (Impairment)	Carrying Values
Thu Duc Water	₱2,689,324,784	49.00%	₱1,317,769,144	₱1,449,595,983	₱2,767,365,127
Kenh Dong Water	2,325,675,411	47.35%	1,101,207,307	1,351,597,917	2,452,805,224
Saigon Water	1,768,940,779	37.99%	672,020,602	198,085,407	870,106,009
Cu Chi Water	1,308,328,656	24.50%	320,540,521	(320,540,521)	–
PT STU	175,492,012	20.00%	35,098,402	1,005,960	36,104,362
East Water	36,641,838,637	18.72%	6,859,352,193	1,298,100,572	8,157,452,765
Total	₱44,909,600,279		₱10,305,988,169	₱3,977,845,318	₱14,283,833,487

*Attributable to common shareholders.

The rollforward of acquisition cost follows:

	2021	2020
Balance at beginning of year	**₱13,028,636,035**	₱13,369,281,128
Additions	**1,280,802**	–
Impairment loss (Note 18)	**–**	(340,645,093)
Balance at end of year	**₱13,029,916,837**	₱13,028,636,035

The rollforward of accumulated equity in net earnings follow:

	2021	2020
Balance at beginning of year	**₱1,636,953,225**	₱1,784,596,114
Equity in net earnings	**569,460,003**	213,838,618
Dividend income	**(418,300,404)**	(361,481,507)
Balance at end of year	**₱1,788,112,824**	₱1,636,953,225

The rollforward of the equity share in other comprehensive loss of an associate as presented in consolidated statement of changes in equity follows:

	2021	2020
Balance at beginning of year	**₱1,906,738**	₱1,345,944
Equity in share in other comprehensive loss	**–**	560,794
Balance at end of year	**₱1,906,738**	₱1,906,738

13. *Other Noncurrent Assets*

This account consists of:

	2021	2020
Advances to contractors	**₱3,328,138,442**	₱1,680,936,552
Deferred FCDA	**528,692,315**	403,178,708
Deposits	**437,630,739**	292,086,146
Derivative assets	**386,711,746**	–
Escrow fund	**225,000,000**	150,000,000
Water rights	**182,247,140**	182,247,140
Net input VAT	**163,079,120**	166,592,498
Receivable from Ayala Multi-Purpose Cooperative (AMPC)	**37,554,385**	49,645,245
Miscellaneous	**66,411,218**	26,283,100
	₱5,355,465,105	₱2,950,969,389

Advances to contractors are advance payments for the construction of the Group's property and equipment and service concession assets. These are being recouped for more than one (1) year against progress billings based on contract provisions.

Deferred FCDA refers to the net unrecovered amounts from (amounts for refund to) customers for realized losses (gains) from payments of foreign loans based on the difference between the drawdown or rebased rate versus the closing rate at payment date. This account also covers the unrealized gains or losses from loan revaluations (see Note 1).

Deposits pertain to those made for land acquisition, for leased properties, for environmental guaranty funds, and for guaranty deposits with Manila Electric Company for electric connections and its related deferred charges.

Derivative assets consist of principal only swap and currency option agreements used to hedge the Parent Company's exposure to foreign currency risk on its long-term debt.

Water rights pertains to the rights to draw water from the Luyang River, Pampanga River, Abacan River, Pasig-Potrero River, Agno River, and Cagayan River.

On August 22, 2012, the NWRB approved the assignment of Water Permit No. 16241 from Central Equity Ventures Inc. (now Stateland Inc.) to MW Consortium which MW Consortium allows Cebu Water to use for its project. As of December 31, 2021 and 2020, Cebu Water's water right amounted to ₱45.00 million.

In 2020, MWPVI incurred costs to acquire conditional water permits from the NWRB amounting to ₱137.25 million (nil in 2021). A conditional water permit is necessary prior to the issuance of the water permit by NWRB subject to submission of certain requirements, including plans and specifications for the diversion works, pump structure, water measuring device and water distribution system, and environmental compliance certification by the DENR, among others. On April 23, 2018, the NWRB granted MWPVI the permit to use the water from the Pampanga River and on September 24, 2018, granted permits to use the water from the Abacan River and Pasig-Potrero River which superseded the conditional water permits granted to MWPVI on April 20 and September 20, 2017, respectively. On August 27, 2019, the NWRB granted MWPVI the permit to use water from the Agno River which superseded the conditional water permit granted on March 21, 2018. As of December 31, 2021, all requirements for the conversion of the conditional water permit in Cagayan River were submitted to NWRB.

Escrow fund was established by Laguna Water to facilitate the repurchase of its redeemable preferred shares to comply with the pertinent rules of the Securities and Exchange Commission (SEC).

Receivable from AMPC pertains to the term loan and credit line facility agreement.

Miscellaneous noncurrent assets include Cebu Water's advances to the Carmen Development Fund for its permit to extract water at the Carmen property in Cebu, long-term prepayments, and time deposits with maturities of more than one (1) year.

14. Accounts and Other Payables and Contract Liabilities

a. Accounts and other payables

This account consists of:

	2021	2020
Trade payables	**₱8,921,860,881**	₱6,864,950,164
Accrued expenses:		
Salaries, wages, and employee benefits	**572,704,952**	520,685,534
Repairs and maintenance	**293,060,967**	285,659,496
Management and professional fees	**365,556,799**	204,059,441
Contractual services	**274,996,395**	232,053,375
Utilities	**145,575,816**	152,003,513
Occupancy costs (Note 25)	**113,449,983**	67,862,817
Water treatment chemicals	**68,494,495**	11,967,483
Wastewater costs	**56,938,898**	55,959,095
Water service connections	**44,845,013**	38,637,646
Collection fees	**35,709,263**	31,935,038
Water tankering and bulk water costs	**17,099,667**	14,716,283
Printing and communication	**15,262,637**	15,330,651
Rental of equipment	**5,586,558**	18,242,023
Miscellaneous	**98,736,431**	77,643,279
Interest payable (Note 15)	**971,665,069**	864,990,605
Contractors' payable	**1,016,752,846**	765,481,780
Others	**210,568,554**	220,156,587
	₱13,228,865,224	₱10,442,334,810

Trade payables and accrued expenses are non-interest bearing and are normally settled on fifteen (15) to sixty (60)-day terms.

Miscellaneous accrued expenses include accruals for advertising, transportation and travel, and supplies.

Interest payable pertains to the unpaid portion of interest arising from the long-term debts of the Group.

Contractors' payable pertains to the accrual of expenses which requires the Group to pay the contractor based on progress billings. Contracts payable are normally settled within one (1) year.

Other payables are non-interest bearing and are normally settled within one (1) year.

b. Contract liabilities

This account consists of:

	2021	2020
Supervision fees	***₱521,261,203***	*₱396,908,372*
Connection fees - current	***1,053,325***	*156,759*
Current portion	***522,314,528***	*397,065,131*
Connection fees - noncurrent portion	***151,548,734***	*111,686,008*
	₱673,863,262	*₱508,751,139*

Contract liabilities from supervision fees consist of advance customer payments for the provision of design and project management services in the development of water and used water facilities and for future water service. Contract liabilities are reclassified to "Supervision fees" under "Other operating income" upon completion of performance milestones for these services.

Contract liabilities from connection fees pertain to customer payments for the set-up of a connection from the customer's establishment to the Group's water or used water network. These are initially recognized at the time of receipt of customer payments and reclassified to "Connection fees from water and service connections" under "Other operating income" upon provision of the related water and used water services to customers.

15. Long-term Debt

a. Short-term debt

₱900.00 million Philippine National Bank (PNB) Short-term Loan
On November 28, 2019, the Parent Company entered into a loan agreement with PNB for a short-term facility amounting to ₱900.00 million which were used to finance the working capital requirements of the East Zone. Interest was payable quarterly with principal payable at a bullet in 364 days. On January 31, 2020, the Parent Company made its first and only drawdown amounting to ₱900.00 million. The loan was fully paid as of December 31, 2020.

₱3.00 billion Bank of the Philippines Islands (BPI) Short-term Loan
On March 24, 2020, the Parent Company entered into a loan agreement with BPI amounting to ₱3.00 billion, which were used to finance the working capital requirements of the East Zone. The loan was fully paid as of December 31, 2020.

b. *Long-term debt*

This account consists of:

	2021	2020
Parent Company loans:		
USD bonds:		
US$500.00 million sustainability bonds	***₱24,988,118,390***	*₱23,495,102,941*
USD loans:		
MWMP Loan	***6,061,670,460***	*6,074,671,294*
Japanese Yen (JP¥) loans:		
JP¥40.00 billion Loan	***1,495,423,436***	*4,727,142,192*
MTSP Loan	***74,158,057***	*234,903,612*
European (EUR) loan:		
EUR250.00 million Loan	***6,792,854,823***	*7,530,830,523*
PHP loans:		
₱5.00 billion PNB Loan	***3,357,204,155***	*3,852,036,011*
₱5.00 billion BDO Loan	***4,980,395,314***	*4,970,799,214*
Subsidiaries' loans:		
Thailand Baht (THB) loan:		
THB5.30 billion MWTC Loan	***₱8,074,043,037***	*₱8,445,724,188*
Canadian Dollar (CAD) loan:		
CAD0.87 million Laguna Water Loan	***34,792,542***	*32,647,319*
PHP loans:		
₱0.50 billion Laguna Water DBP Loan	***344,999,590***	*374,320,967*
₱0.83 billion Laguna Water DBP Loan	***592,174,094***	*642,501,878*
₱2.50 billion Laguna Water SBC Loan	***1,722,318,958***	*1,912,828,081*
₱2.50 billion Laguna Water BPI Loan	***1,291,374,036***	*1,093,068,399*
₱0.50 billion Boracay Water DBP-SBC Loan	***292,041,983***	*313,763,411*
₱0.50 billion Boracay Water DBP-SBC Loan	***312,447,740***	*335,675,681*
₱0.65 billion Boracay Water DBP-SBC Loan	***537,048,270***	*576,887,908*
₱2.40 billion Boracay Water BPI Loan	***1,409,578,349***	*1,240,071,342*
₱1.15 billion Clark Water RCBC Loan	***834,170,452***	*929,069,938*
₱0.54 billion Clark Water DBP Loan	***531,361,311***	*317,522,047*
₱0.80 billion Cebu Water DBP Loan	***525,120,750***	*568,720,330*
₱7.00 billion MWPVI Loan	***6,361,442,784***	*5,461,654,620*
₱0.45 billion Tagum Water PNB Loan	***360,079,276***	*401,850,910*
₱0.15 billion Tagum Water PNB Loan	***139,659,451***	–
₱0.23 billion Aqua Centro BPI Loan	***106,264,735***	–
₱0.47 billion South Luzon Water BPI Loan	***100,000,000***	–
₱0.39 billion Calbayog Water BPI Loan	***70,000,000***	–
	71,388,741,993	*73,531,792,806*
Less current portion	***5,311,356,305***	*4,739,618,949*
	₱66,077,385,688	*₱68,792,173,857*

Unamortized debt discounts and issuance costs of the Group's long-term debt are as follows:

	2021	2020
USD loans	***₱549,106,279***	*₱556,021,809*
JPY loans	***4,126,240***	*39,283,727*
EUR loan	***108,549,177***	*98,921,477*
THB loan	***22,733,766***	*34,275,812*
PHP loans	***132,219,202***	*145,895,646*
	₱816,734,664	*₱874,398,471*

The rollforward analysis of unamortized debt discounts and issuance costs of long-term debt follows:

	2021	2020
Balance at beginning of year	***₱874,398,471***	*₱403,780,615*
Additions	***149,881,490***	*648,736,031*
Amortization (Note 18)	***(234,425,142)***	*(161,721,539)*
Foreign exchange adjustments	***26,879,845***	*(16,396,636)*
Balance at end of year	***₱816,734,664***	*₱874,398,471*

Interest expense on short and long-term debt amounted to ₱1,620.83 million, ₱1,417.87 million, and ₱1,249.78 million in 2021, 2020, and 2019, respectively (see Note 18).

All proceeds from loan drawdowns of the Parent Company were used for the East Zone business.

Parent Company Bonds
US$500.00 million sustainability bonds
On July 22, 2020, the Parent Company announced its plan to issue an offering of USD-denominated senior unsecured notes, which qualified as ASEAN sustainability bonds. Proceeds from the issuance of the bond were intended to refinance debt and finance programmed capital expenditures for 2020 to 2021 of the East Zone, pursuant to the Sustainability Financing Framework (SFF) which the Parent Company established; proceeds are targeted towards financing projects related to (1) Sustainable water and wastewater management, (2) Terrestrial and aquatic biodiversity conservation, and (3) Affordable basic infrastructure categories. The Parent Company's SFF is aligned with the Green Bond Principles 2018 and Social Bond Principles 2018 and likewise complies with the ASEAN Sustainability Bond Standards 2018 and SEC Memorandum Circular No. 8, series of 2019.

On July 23, 2020, the Parent Company successfully issued the US$500.00 million ASEAN sustainability bonds, debuting in the international debt capital markets. The Parent Company is the first Philippine Corporate to issue an ASEAN sustainability bond. Equally important, this issuance is the single largest green, social or sustainability bond issued by a listed private water utility in Asia.

The ten (10)-year bond was priced at 99.002 with a coupon rate of 4.375% p.a. payable in equal installments semi-annually in arrear, on January 30 and July 30 of each year. The bonds will be redeemed at their principal amount on July 30, 2030 unless previously redeemed or repurchased and cancelled as provided in the following conditions:

Gross-up Event
- *If a Gross-up Event occurs, the Parent Company may redeem the Notes (in whole but not in part) at 100% of the principal amount of the Notes plus any accrued but unpaid interest, on the giving of not less than 30 and not more than 60 calendar days' irrevocable notice of redemption to the Noteholders.*

Change of Control Event
- *Following the occurrence of a Change of Control triggering event, each bondholder will have a right at such bondholder's option to require the Parent Company to redeem in whole but not in part such bondholder's notes on the change of control triggering event put date at 101% of the principal amount plus any accrued but unpaid interest.*

Regulatory Redemption Event
- *Upon a regulatory redemption triggering event, each bondholder will have the right to require the Parent Company to repurchase all or any part of such holder's bonds pursuant to a Special Repurchase Offer. In the Special Repurchase Offer, the Parent Company will offer to purchase the bonds at a purchase price in cash equal to the special redemption price and additional amounts, if any, to but excluding the date of repurchase (subject to the right of bondholders of record on the relevant record date to receive interest due on the relevant interest payment date), except to the extent the Parent Company has previously or concurrently elected to redeem the Notes in full as described under the conditions of an early redemption due to a gross-up event.*

Redemption at the Option of the Issuer

- *On any payment business day on or after July 30, 2025, and up to but excluding the maturity date, the Parent Company may on one or more occasions redeem all or a part of the bonds, at the redemption prices plus accrued and unpaid interest, if any, to the date of redemption, if redeemed during the twelve (12)-month period commencing on the call dates set forth below:*

Call Dates	***Prices***
July 30, 2025	*102.188%*
July 30, 2026	*101.094%*
July 30, 2027	*100.547%*
July 30, 2028 and thereafter	*100.000%*

The successful bond issuance enabled the Parent Company to diversify its fund sources, to refinance maturing obligations, as well as fund its committed water and wastewater infrastructure projects in the East Zone concession. The carrying value of the bonds as of December 31, 2021 and 2020 amounted to US$489.97 million and US$489.25 million, respectively.

Parent Company Loans
MWMP Loan
On October 2, 2012, the Parent Company entered into a Subsidiary Loan Agreement with Land Bank of the Philippines under the Metro Manila Wastewater Management Project (MWMP) with the World Bank (MWMP Loan). The MWMP aims to improve wastewater services in Metro Manila through increased wastewater collection and treatment. The loan has a term of twenty-five (25) years and was made available in United States Dollar in the aggregated principal amount of US$137.50 million, payable via semi-annual installments after the seven (7)-year grace period. The Parent Company has made four (4) drawdowns in 2015 with an aggregate amount of US$22.60 million, three (3) drawdowns in 2016 with an aggregate amount of US$17.46 million, three (3) drawdowns in 2017 with a total amount of US$22.40 million, one (1) drawdown in 2018 amounting to US$8.88 million, and four (4) drawdowns in 2019 with an aggregate amount of US$41.68 million. In 2020, the Parent Company made three (3) additional drawdowns with a total amount of US$24.48 million to fully utilize the facility. The carrying value of the MWMP loan as of December 31, 2021 and 2020 amounted to US$118.86 million and US$126.50 million, respectively.

JP¥40.00 billion Loan
On September 30, 2015, the Parent Company signed a seven (7)-year JP¥40.00 billion term loan facility, payable semi-annually, with three (3) international banks: MUFG Bank, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Banking Corporation. The proceeds of the loan were used to finance the East Zone's capital expenditures. The Parent Company made its first drawdown on March 9, 2016 amounting to JP¥13.40 billion. In 2017, the Parent Company made two (2) additional drawdowns totaling JP¥26.60 billion. The loan's carrying value as of December 31, 2021 and 2020 amounted to JP¥3,388.68 million and JP¥10,212.02 million, respectively.

MTSP Loan
On October 20, 2005, the Parent Company entered into a Subsidiary Loan Agreement with Land Bank of the Philippines (MTSP Loan) to finance the improvement of the sewerage and sanitation conditions in the Manila Concession. The loan has a term of seventeen (17) years and was made available in JP¥ in the aggregate principal amount of JP¥6.59 billion payable via semi-annual installments after the five (5)-year grace period.

The Parent Company made its last drawdown on October 26, 2012. Total drawn amount from the loan is JP¥3.99 billion. As of December 31, 2021 and 2020, the outstanding balance of the MTSP loan amounted to JP¥168.04 million and JP¥507.51 million, respectively.

EUR250.00 million Loan
On August 27, 2019, the Parent Company entered into a syndicated loan agreement amounting to €250.00 million to fund the capital investment program of the East Zone starting in 2019. The loan will be prepaid in eight (8) installments starting April 2023 and is financed by a syndicate of two (2) banks namely Bank of China (Hong Kong) Limited and Bank of China Limited, Manila Branch. The Parent Company has made a drawdown amounting to €40.00 million in 2019, and €90.00 million in 2020. In August 2021, the Parent Company prepaid the outstanding loan amounting to €130.00 millionwith a prepayment cost of ₱7.74 million (see Note 18). In the same month, the Parent Company drew €120.00 million which it will use to continue funding its capital investment program. The carrying value of the loan as of December 31, 2021 and 2020 amounted to €118.11 million and €128.31 million, respectively.

₱5.00 billion PNB Loan
On May 11, 2018, the Parent Company signed a ₱5.00 billion, ten (10)-year term loan facility with the PNB. The loan will be used to finance general corporate requirements and capital investment programs in the East Zone as well as to refinance existing concessionaire loans. On July 31, 2018, the Parent Company made its first and only drawdown amounting to ₱5.00 billion. The carrying value of the loan as of December 31, 2021 and 2020 amounted to ₱3,357.20 million and ₱3,852.04 million, respectively.

₱5.00 billion BDO Unibank, Inc. (BDO) Loan
On November 13, 2019, the Parent Company signed a ₱5.00 billion, five (5)-year term, revolver loan facility with BDO with principal payable at bullet after sixty (60) months. The loan proceeds were used for the expansion and improvement of the water source, distribution and sewerage systems, and other general corporate requirements as well as to refinance existing concessionaire loans. The Parent Company made two (2) drawdowns in 2019 with an aggregate amount of ₱3,800.00 million, and an additional drawdown in 2020 amounting to ₱1,200.00 million. The carrying value of the loan as of December 31, 2021 and 2020 amounted to ₱4,980.40 million and ₱4,970.80 million, respectively.

NEXI Loan
On October 21, 2010, the Parent Company entered into a term loan agreement (NEXI Loan) amounting to US$150.00 million to finance capital expenditures and working capital requirements within the East Zone. The loan has a tenor of ten (10) years and is financed by a syndicate of four (4) banks, namely, ING N.V Singapore, Mizuho Corporate Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ Ltd., and Sumitomo Mitsui Banking Corporation, and is insured by Nippon Export and Investment Insurance. The first, second, and third drawdowns of the loan amounted to US$84.00 million, US$30.00 million, and US$36.00 million, respectively.The carrying value of the loan was nil as of December 31, 2021 and 2020

Fixed Rate Corporate Notes
On April 8, 2011, the Parent Company issued ₱10.00 billion Fixed Rate Corporate Notes (FXCN) with ₱5.00 billion having a term of five (5) years (Five-Year FXCN) from the issue date and the other ₱5.00 billion with a term of ten (10) years (Ten-Year FXCN) from the issue date, both of which is payable quarterly. The loan proceeds were used to finance the Parent Company's obligations under the CA with MWSS. The Parent Company may repay the whole and not a part only of the Ten-Year FXCN on the 7th anniversary of the drawdown date of such FXCN or on any FXCN interest payment date thereafter.

On April 8, 2016, the Parent Company repaid the outstanding balance of the Five-Year FXCN in bullet as scheduled. The outstanding balance of the Ten-Year FXCN was prepaid in October 2020. The carrying value of the fixed rate corporate notes was nil as of December 31, 2021 and 2020.

Amendments to Omnibus Agreements, Intercreditor Agreement and Loan Agreements
On July 17, 2008, the Parent Company, together with all of its lenders, signed an Omnibus Amendment Agreement and Intercreditor Agreement and these agreements became effective on September 30, 2008.

Prior to the execution of the Omnibus Amendment Agreement, the obligations of the Parent Company to pay amounts due and owing or committed to be repaid to the lenders under the existing facility agreements were secured by Assignments of Interests by Way of Security executed by the Parent Company in favor of a trustee acting on behalf of the lenders. The Assignments were also subject to the provisions of the Amended and Restated Intercreditor Agreement dated March 1, 2004 and its Amendatory Agreement dated December 15, 2005 executed by the Parent Company, the lenders and their appointed trustee.

Under the Omnibus Amendment Agreement, the lenders effectively released the Parent Company from the assignment of its present and future fixed assets, receivables, and present and future bank accounts, all the Project Documents (except for the Agreement, Technical Corrections Agreement and the DOF Undertaking Letter), all insurance policies where the Parent Company is the beneficiary and performance bonds posted in its favor by contractors or suppliers.

In consideration for the release of the assignment of the above-mentioned assets, the Parent Company agreed not to create, assume, incur, permit or suffer to exist, any mortgage, lien, pledge, security interest, charge, encumbrance or other preferential arrangement of any kind, upon or with respect to any of its properties or assets, whether now owned or hereafter acquired, or upon or with respect to any right to receive income, subject only to some legal exceptions. The lenders shall continue to enjoy their rights and privileges as Concessionaire Lenders (as defined under the Agreement), which include the right to appoint a qualified replacement operator and the right to receive payments and/or other consideration pursuant to the Agreement in case of a default of either the Parent Company or MWSS. Currently, all lenders of the Parent Company are considered Concessionaire Lenders and are on pari passu status with one another.

In November and December 2014, the Parent Company signed Amendment Agreements to its loan agreements with its existing lenders. This effectively relaxed certain provisions in the loan agreements providing the Parent Company more operational and financial flexibility. The loan amendments include the shift to the use of the Parent Company from consolidated financial statements to stand-alone financial statements for the purposes of calculating the financial covenant ratios, the increase in maximum debt to equity ratio to 3:1 from 2:1 and the standardization of the definition of debt service coverage ratio at a minimum of 1.2:1 across all loan agreements.

MWTC Loan
On February 27, 2019, MWTC signed a THB5.30 billion, five (5)-year term loan facility with Mizuho Bank Ltd. – Bangkok Branch and Bank of Ayudhya Public Company Limited to refinance the previous bridge loan used for the acquisition of an 18.72% equity stake in East Water. This loan bears interest of BIBOR plus margin and is guaranteed by the Parent Company. The carrying value of the loan as of December 31, 2021 and 2020 amounted to THB5,285.12 million and THB5,278.51 million, respectively.

Zamboanga Water Loan
On June 30, 2016, Zamboanga Water entered into an Omnibus Loan and Security Agreement in the amount of ₱85.00 million with DBP. The proceeds of the loan will be used to finance Zamboanga Water's capital expenditures in relation to its NRW reduction and management program in Zamboanga City and its working capital requirements. The first, second, and third loan drawdowns were made on July 29, 2016, September 1, 2016, and September 27, 2017 amounting to ₱30.00 million, ₱30.00 million, and ₱25.00 million, respectively.

On March 30, 2020, Zamboanga Water prepaid its outstanding loan balance with the DBP. The carrying value of the loan as of December 31, 2021 and 2020 amounted to nil.

Laguna Water Loans
On September 7, 2010, Laguna Water entered into a loan agreement with two (2) local banks for the financing of its construction, operation, maintenance, and expansion of facilities in its servicing area. Pursuant to the loan agreement, the lenders have agreed to provide loans to Laguna Water up to ₱500.00 million, the principal payments of which will be made in thirty (30) consecutive equal quarterly installments starting August 2013. The first and second drawdowns from the loan were made in November 2010 and June 2011 amounting to ₱250.00 million each. The carrying value of this loan amounted to nil as of December 31, 2021 and 2020.

On April 29, 2013, Laguna Water entered into a loan agreement with DBP to partially finance the modernization and expansion of the water network system and water supply facilities in Biñan, Sta. Rosa and Cabuyao, Laguna. Under the agreement, the lender has agreed to provide a loan to the borrower through the Philippine Water Revolving Fund (PWRF) in the aggregate principal amount of up to ₱500.00 million. The first and second drawdowns were made in July and November 2013 which amounted to ₱250.00 million each. The carrying value of this loan as of December 31, 2021 and 2020 amounted to ₱345.00 million and ₱374.32 million, respectively.

On January 9, 2014, Laguna Water exercised its option to avail of the second tranche of its loan agreement with DBP, to finance its water network and supply projects, including the development of a well-field network in the Biñan, Sta. Rosa area of Laguna. Under the expanded facility agreement, the lender provided additional loans to Laguna Water in the aggregate principal amount of ₱833.00 million. The first and second drawdowns were made in January and May 2014, respectively, amounting to ₱416.50 million each. The carrying value of the loan amounted to ₱592.17 million and ₱642.50 million as of December 31, 2021 and 2020, respectively.

On October 23, 2015, Laguna Water entered into a loan agreement with Security Bank Corp. (SBC) to finance the modernization and expansion of its water network system and water supply facilities throughout the province of Laguna. Under the loan agreement, the lender agreed to provide a loan to the borrower in the aggregate principal amount of up to ₱2.50 billion for an applicable fixed interest rate, as determined in respect of each drawdown. The first drawdown was made in December 2015 amounting to ₱600.00 million. The second drawdown was made in two tranches in April 2016 amounting to ₱150.00 million and ₱300.00 million. The third drawdown was made in September 2016 amounting to ₱400.00 million. The fourth drawdown was made in three (3) tranches, the first tranche in March amounting to ₱100.00 million and the second and third tranches in April 2017 amounting to ₱50.00 million and ₱350.00 million. The fifth drawdown was made in two (2) tranches in September 2017 amounting to ₱150.00 million and ₱400.00 million. The carrying value of the loan amounted to ₱1,722.32 million and ₱1,912.83 million as of December 31, 2021 and 2020, respectively.

On March 29, 2017, Laguna Water entered into a loan agreement with Grand Challenges Canada to fund a project during the period beginning on the effective date of the loan agreement and ending on the project end date of March 31, 2018 for *up to an aggregate principal amount of CAD873,000. The project supported by the loan is the "Bundling water and sanitation services for the poor in informal urban communities." As of December 31, 2021 and 2020, the carrying value of the loan amounted to CAD873,000.*

On June 28, 2019, Laguna Water signed a ten (10)-year term loan facility amounting to ₱2.50 billion with BPI. The loan will be used to partially finance Laguna Water's capital expenditure program. The first drawdown was made in July 2019 amounting to ₱200.00 million. The second drawdown was made in December 2019 amounting to ₱500.00 million. The third drawdown was made in March 2020 amounting to ₱400.00 million. The fourth drawdown was made in December 2021 amounting to ₱200.00 million. The carrying value of the loan amounted to ₱1,291.37 million and ₱1,093.07 million as of December 31, 2021 and 2020, respectively.

Boracay Water Loans
Boracay Water entered into various Omnibus Loan and Security Agreements with DBP, SBC, and BPI to finance the construction, operation, maintenance and expansion of facilities for the fulfillment of certain service targets for water supply and wastewater services for its service area under its concession agreement with TIEZA, as well as the operation and maintenance of the completed drainage system.

Omnibus loan and security agreement - Sub-tranche 1
On July 29, 2011, Boracay Water entered into an Omnibus Loan and Security Agreement with DBP and SBC. The loan shall not exceed the principal amount of ₱500.00 million and is payable in twenty (20) years inclusive of a three (3)-year grace period. The loan shall be available in three sub-tranches, as follows:

- *Sub-tranche 1A, the loan in the amount of ₱250.00 million to be provided by DBP and funded through Philippine Water Revolving Fund (PWRF);*
- *Sub-tranche 1B, the loan in the amount of ₱125.00 million to be provided by SBC and funded through PWRF; and*
- *Sub-tranche 1C, the loan in the amount of ₱125.00 million to be provided by SBC and funded through its internally-generated funds.*

The first, second, and final loan drawdowns amounted to ₱150.00 million on August 25, 2011, ₱155.00 million on August 25, 2012, and ₱195.00 million on August 23, 2013, respectively. The carrying value of the loan as of December 31, 2021 and 2020 amounted to ₱292.04 million and ₱313.76 million, respectively.

Omnibus loan and security agreement - Sub-tranche 2
The Agreement provided Boracay Water the option to borrow additional loans from the lenders. On November 14, 2012, Boracay Water entered into the second omnibus loan and security agreement with DBP and SBC. The agreed aggregate principal of the loan amounted to ₱500.00 million which is available in three sub-tranches:

- *Sub-tranche 2A, the loan in the amount of ₱250.00 million to be provided by DBP and funded through Philippine Water Revolving Fund (PWRF);*
- *Sub-tranche 2B, the loan in the amount of ₱125.00 million to be provided by SBC and funded through PWRF; and*
- *Sub-tranche 2C, the loan in the amount of ₱125.00 million to be provided by SBC and funded through its internally-generated funds.*

In consideration of DBP undertaking to purchase sub-tranches 1C and 2C, Boracay Water will pay DBP purchase commitment fee which is equivalent to 0.25% per annum of the purchase price on a quarterly basis. Purchase commitment fee payable amounted to ₱0.35 million and ₱0.61 million as of December 31, 2021 and 2020, respectively.

The first, second, and final loan drawdowns amounted to ₱75.00 million on November 23, 2012, ₱200.00 million on August 26, 2014, and ₱225.00 million on November 25, 2015, respectively. The carrying value of the loan amounted to ₱312.45 million and ₱335.68 million as of December 31, 2021 and 2020, respectively.

Omnibus Loan and Security Agreement – Sub-tranche 3
On October 9, 2014, Boracay Water signed a Third Omnibus Loan and Security Agreement amounting to ₱650.00 million with SBC. The first, second, and third drawdowns on this loan were made on November 25, 2016, May 25, 2017, and September 25, 2017, amounting to ₱200.00 million, ₱250.00 million, ₱200.00 million, respectively. The carrying value of the loan amounted to ₱537.05 million and ₱576.89 million as of December 31, 2021 and 2020, respectively.

Omnibus Loan and Security Agreement – BPI
On December 20, 2017, Boracay Water signed a Fourth Omnibus Loan and Security Agreement in the amount of ₱2.40 billion with the BPI. The drawdowns on this loan made on April 30, 2018, September 25, 2018, and December 20, 2018

amounted to ₱250.00 million, ₱250.00 million and ₱100.00 million respectively. On February 13, 2020, March 31, 2020, April 7, 2020, and December 22, 2020, additional drawdowns were made amounting to ₱50.00 million, ₱30.00 million, ₱520.00 million, and ₱50.00 million respectively. On January 28, 2021 and May 26, 2021, drawdowns were made amounting to ₱100.00 million and ₱70.00 million, respectively. The carrying value of loan amounted to ₱1,409.58 million and ₱1,240.07 million as of December 31, 2021 and 2020, respectively.

Clark Water Loans
On April 10, 2015, Clark Water entered into a loan agreement with Rizal Commercial Banking Corporation (RCBC), whereby RCBC extended credit to Clark Water for up to ₱1.15 billion to partially finance its capital expenditures program. Under the agreement, principal payments will be made in forty-eight (48) consecutive equal quarterly installments starting December 2018. The first and second drawdowns on the loan were made on September 29, 2015 and December 29, 2015, amounting to ₱800.00 million and ₱200.00 million, respectively. The last drawdown was made on August 29, 2016 amounting to ₱150.00 million. The carrying value of the loan amounted to ₱834.17 million and ₱929.07 million as of December 31, 2021 and 2020, respectively.

On March 11, 2019, Clark Water signed a term loan agreement amounting to ₱535.00 million with the DBP. The proceeds of the loan will be used to partially finance Clark Water's capital expenditure programs. Under the agreement, principal payments will be made in forty-eight (48) consecutive equal quarterly installments starting March 2022. The first, second, third, and fourth drawdowns on this loan were made on March 22, 2019, December 20, 2019, April 24, 2020, and December 23, 2020 amounting to ₱100.00 million, ₱80.00 million, ₱80.00 million, and ₱60.00 million, respectively. The last drawdown was made on May 7, 2021 amounting to ₱215.00 million. The carrying value of the loan amounted to ₱531.36 million and ₱317.52 million as of December 31, 2021 and 2020, respectively.

Cebu Water Loan
On December 19, 2013, Cebu Water entered into an Omnibus Loan and Security Agreement with the DBP to partially finance the construction works in relation to its bulk water supply project in Cebu. The lender has agreed to extend a loan facility in the aggregate principal amount of ₱800.00 million or up to 70% of the total project cost, whichever is lower. Principal payments will be made in twenty (20) equal quarterly installments starting December 2017.

In 2013, MW Consortium entered into a real estate mortgage agreement with the DBP, as third-party mortgagor, in consideration for this Cebu Water loan.

The first, second, and final drawdowns on the loan facility amounted to ₱541.13 million on December 20, 2013, ₱195.64 million on May 20, 2014, and ₱14.79 million on November 14, 2014, respectively. The carrying value of the loan as of December 31, 2021 and 2020 amounted to ₱525.12 million and ₱568.72 million, respectively.

MWPVI Loan
On October 5, 2016, MWPVI signed a fifteen (15)-year fixed rate term loan facility amounting to ₱4.00 billion with SBC and Metrobank. The terms of the loan include an option to increase the size of the facility to a maximum of ₱7.00 billion. The proceeds of the loan will be used to finance MWPVI's capital expenditures, future acquisitions and other general corporate requirements.

On February 24, 2017, MWPVI made a bridge loan drawdown amounting to ₱150.00 million each from SBC and Metrobank. These bridge loans had a 119-day term. On June 23, 2017, these bridge loans were rolled-over for additional 180 days, repriced monthly. On November 9, 2017, MWPVI repaid its ₱300.00 million bridge loan and made the first drawdown on its loan facility amounting to ₱450.00 million from each bank.

On October 5 and December 19, 2018, MWPVI made its subsequent drawdowns amounting to ₱50.00 million and ₱175.00 million from each bank, respectively. In 2019, MWPVI made additional drawdowns totaling to ₱800.00 million from each bank. These loan drawdowns have a term of thirteen (13) to fifteen (15) years, with interest payable semi-annually and principal repayments starting on November 9, 2022.

On January 15, February 19, and April 7, 2020, MWPVI made additional drawdowns amounting to ₱150.00 million, ₱200.00 million and ₱175.00 million from each bank, respectively.

MWPVI has exercised its option to borrow an additional ₱3.00 billion under the Greenshoe Option of the Omnibus Loan and Security Agreement (OLSA) with SCB and Metrobank. MWPVI signed the Second OLSA on May 22, 2020 and made the first drawdown of ₱750.00 million from each lender. The proceeds of the loan will be used to finance MWPVI's capital expenditures, existing projects of subsidiaries or equity investments, and other general corporate requirements.

On March 12, August 10 and October 5, 2021, MWPVI made additional drawdowns in equal tranches of ₱150.00 million from each bank. The carrying value of the loan as of December 31, 2021 and 2020 amounted to ₱6,361.44 million and ₱5,461.65 million, respectively.

Tagum Water Loan
On October 6, 2016, Tagum Water signed an OLSA in the amount of ₱450.00 million with PNB. The loan will be used to partially finance the construction works in relation to the Tagum Bulk Water Supply Project. Principal payments will be made in forty-eight (48) equal quarterly installments starting December 2020. The first, second, and third drawdowns on this loan were made on September 25, 2017, April 18, 2018, and November 23, 2018, amounting to ₱130.00 million, ₱120.00 million, and ₱154.00 million, respectively. The carrying value of the loan as of December 31, 2021 and 2020 amounted to ₱360.08 million and ₱401.85 million, respectively.

On April 22, 2021, the OLSA was amended for the loan upsize request to fund the additional construction works for the bulk water supply project. The lender has agreed to grant an additional loan in the principal amount of ₱150.00 million under the same payment terms of the initial loan. The first drawdown was made on August 2, 2021 amounting to ₱150.00 million, payable quarterly. The carrying value of the loan as of December 31, 2021 amounted to ₱139.66 million.

Aqua Centro Loan
On March 1, 2021, Aqua Centro signed a ₱233.00 million ten (10)-year term loan facility with BPI to partially finance its capital expenditures, future acquisitions and other general corporate requirements. On March 19 and November 26, 2021, Aqua Centro made its first and second drawdown amouting to ₱80.00 million and ₱27.00 million, respectively. These loan drawdowns have a term of nine (9) to ten (10) years, with interest payable quarterly and principal repayments starting on March 19, 2024. The carrying value of the loan as of December 31, 2021 amounted to ₱106.26 million.

South Luzon Water Loan
On August 18, 2021, South Luzon Water signed a ₱465.00 million term loan facility with BPI to partially finance its capital expenditure projects. Under the agreement, principal payments will be made in fifteen (15) consecutive equal semi-annual installments starting August 2024. The first and second drawdowns were made on August 25, 2021 and December 6, 2021, respectively, amounting to ₱50.00 million each. The carrying value of the loan as of December 31, 2021 amounted to ₱100.00 million.

Calbayog Water Loan
On October 12, 2021, Calbayog Water signed a ₱393.00 million term loan facility with BPI to partially finance its capital expenditure projects. Under the agreement, principal payments will be made in fifteen (15) equal semi-annual payments starting October 24, 2024. The first drawdown was made on October 22, 2021 amounting to ₱70.00 million. The carrying value of the loan as of December 31, 2021 amounted to ₱70.00 million.

South Luzon Water, Aqua Centro, Boracay Water, Laguna Water, Clark Water, and MWPVI have assigned their rights under their respective concession agreements or project documents as their loan collateral, while Cebu Water and Tagum Water's loans are secured by real estate mortgages on real assets with total carrying value amounting to ₱53.60 million and ₱49.00 million, respectively, as of December 31, 2021 and 2020.

Compliance with loan covenants
All these loan agreements provide for certain covenants which must be complied by the Group which include compliance with certain financial ratios such as the debt-to-equity, debt-service-coverage and early termination, as well as limitations in the declaration of dividends to stockholders in some of the subsidiaries. As of December 31, 2021 and 2020, the Group was in compliance with all the loan covenants required by the creditors.

16. ***Retirement Plan***

The Parent Company, MWPVI, Boracay Water, Clark Water, and Laguna Water have funded noncontributory defined benefit pension plans while MWTS, Obando Water, BMDC, and MWTV have nonfunded noncontributory defined benefit pension plans. The defined benefit pension plans cover substantially all of their respective regular employees. The benefits are based on current salaries, years of service, and compensation as of the last year of employment. The latest actuarial valuations were made on December 31, 2021.

RA No. 7641, the existing regulatory framework, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under law. The law does not require minimum funding for the plan.

The Parent Company's funding policies state that equivalent target funding ratio must always be at least 80% and should the ratio reach 120.00%, the Retirement and Welfare Plan Committee may opt to declare a funding holiday. In the event there is an extraordinary increase in defined benefit obligation, which may arise from benefit improvement, massive hiring and the other extraordinary personnel movements, the Parent Company has a maximum of three (3) years to comply with the required minimum funding ratio of 80.00%.

The retirement plans of Parent Company, MWPVI, Boracay Water, Clark Water, and Laguna Water are each covered by a retirement fund administered by trustee banks, which are under the supervision of their respective Retirement and Welfare Plan Committees (the "Committees"). The Committees, which are composed of six (6) to seven (7) members appointed by management, define the investment strategy of the fund and regularly reviews the strategy based on market developments and changes in the plan structure. When defining the investment strategy, the Committees take into account the plan's objectives, benefit obligations, and risk capacity. The Committees review, on a quarterly basis, the performance of the funds managed by trustee banks.

Changes in the net defined benefit liability of retirement plans are as follow:

		2021	
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance at beginning of year	₱1,064,525,492	₱844,923,685	₱219,601,807
Net benefit costs in profit or loss:			
Current service cost	93,019,450	–	93,019,450
Net interest (Note 18)	45,392,698	37,858,539	7,534,159
	138,412,148	37,858,539	100,553,609
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in interest)	–	6,718,388	(6,718,388)
Actuarial changes arising from:			
Experience adjustments	23,896,155	–	23,896,155
Changes in demographic assumptions	1,545,514	–	1,545,514
Changes in financial assumptions	(131,542,713)	–	(131,542,713)
	(106,101,044)	6,718,388	(112,819,432)
Benefits paid	(137,102,474)	(135,158,336)	(1,944,138)
Contributions	–	58,460,000	(58,460,000)
Balance at end of year	₱959,734,122	₱812,802,276	₱146,931,846

	2020		
	Present value of defined benefit obligations	*Fair value of plan assets*	*Net defined benefit liabilities*
Balance at beginning of year	*₱1,073,159,894*	*₱878,965,617*	*₱194,194,277*
Net benefit costs in profit or loss:			
Current service cost	*94,899,005*	*–*	*94,899,005*
Net interest (Note 18)	*51,778,303*	*42,023,405*	*9,754,898*
	146,677,308	*42,023,405*	*104,653,903*
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in interest)	*–*	*(12,198,535)*	*12,198,535*
Actuarial changes arising from:			
Experience adjustments	*(31,525,597)*	*–*	*(31,525,597)*
Changes in demographic assumptions	*27,333*	*–*	*27,333*
Changes in financial assumptions	*45,789,001*	*–*	*45,789,001*
	14,290,737	*(12,198,535)*	*26,489,272*
Benefits paid	*(167,385,832)*	*(167,385,832)*	*–*
Contributions	*–*	*103,519,030*	*(103,519,030)*
Reversals	*(2,216,615)*	*–*	*(2,216,615)*
Balance at end of year	*₱1,064,525,492*	*₱844,923,685*	*₱219,601,807*

The components of the fair value of plan assets are as follows:

	2021	*2020*
Assets:		
Cash and cash equivalents	***₱3,635,181***	*₱4,718,503*
Debt investments – domestic	***628,622,969***	*643,870,657*
Equity investments – domestic	***197,659,965***	*224,227,334*
Interest receivable	***2,782,036***	*2,389,360*
Other receivable	***14,241,213***	*42,317*
	846,941,364	*875,248,171*
Liabilities:		
Accrued trust fees	***436,201***	*538,909*
Other payables	***33,702,887***	*29,785,577*
	34,139,088	*30,324,486*
Fair value of plan assets	***₱812,802,276***	*₱844,923,685*

All equity and debt investments held have quoted prices in active markets. The remaining plan assets do not have quoted market prices in active markets.

The plan assets are invested in different financial instruments and do not have any concentration risk.

The cost of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuations involve making various assumptions. The principal assumptions used in determining pension obligations for the defined benefit plans are shown below:

	2021	*2020*	*2019*
Discount rate	***4.97% to 5.26%***	*3.88% to 4.11%*	*5.60% to 5.61%*
Salary increase rate	***3.50% to 5.00%***	*4.00% to 5.00%*	*6.00%*

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

		Effect on Defined Benefit Obligation	
	Increase (Decrease)	***2021***	*2020*
Discount rate	*1.00%*	***(₱84,230,745)***	*(₱100,321,260)*
	(1.00%)	***100,722,871***	*121,046,108*
Salary increase rate	*1.00%*	***100,168,951***	*118,584,140*
	(1.00%)	***(85,298,507)***	*(100,352,914)*

Shown below is the maturity analysis of the undiscounted benefit payments:

	2021	*2020*
Less than 1 year	***₱157,367,092***	*₱135,878,339*
More than 1 year and up to 5 years	***375,288,239***	*453,786,157*
More than 5 years and up to 10 years	***332,799,892***	*319,803,279*
	₱865,455,223	*₱909,467,775*

The average duration of the defined benefit obligation at the end of the reporting period is 13.57 years and 11.98 years as of December 31, 2021 and 2020, respectively.

The asset allocation of the plan is set and reviewed from time to time by the Committee taking into account the membership profile and the liquidity requirements of the plan. This also considers the expected benefit cash flows to be matched with asset durations.

Contributions to the plan are recommended by the Retirement and Welfare Plan Committee and approved by the Parent Company, MWPVI, Boracay Water, Clark Water, Laguna Water, Obando Water, and BMDC in consideration of the contribution advice from the actuary. The Parent Company and Clark Water expect to make an additional contribution in 2022 amounting to ₱82.46 million while MWPVI, Boracay Water, and Laguna Water have no expected contributions to their respective defined benefit pension plans in 2022.

As of December 31, 2021 and 2020, the plan assets include shares of stock of Ayala, ALI, BPI, and Globe Telecom, Inc. (Globe) with a total fair value of ₱24.27 million and ₱29.57 million, respectively, and shares of stock of Bloomberry Corporation and International Container Terminal Services, Inc. (ICTSI) with a total fair value of ₱4.79 million in 2021.

17. Other Noncurrent Liabilities

Other noncurrent liabilities consist of:

	2021	*2020*
Deferred credits	***₱446,422,967***	*₱445,365,847*
Customers' guaranty deposits and other deposits	***424,557,365***	*384,818,834*
	₱870,980,332	*₱830,184,681*

Deferred credits pertain to the unamortized discounts of the customers' guaranty deposits. The rollforward analysis of the deferred credits follows:

	2021	*2020*
Balance at beginning of year	***₱445,365,847***	*₱449,478,831*
Additions	***18,053,690***	*11,240,339*
Amortization (Note 18)	***(16,996,570)***	*(15,353,323)*
Balance at end of year	***₱446,422,967***	*₱445,365,847*

Customers' guaranty deposits and other deposits pertain to the deposits paid by the Group's customers for the set-up of new connections which will be refunded to the customers upon termination of the customers' water service connections or at the end of the concession, whichever comes first.

18. *Other Operating Income, Operating Expenses, Interest Income and Expense, and Other Income and Losses*

Other operating income consists of:

	2021	2020	2019
Supervision fees (Note 23)	**₱231,481,724**	₱324,114,028	₱882,249,033
Connection fees from water and service connections	**226,256,231**	149,680,291	161,614,281
Pipeworks and integrated used water services	**153,271,806**	95,283,072	198,681,476
Service income from bulk water contracts (Note 6)	**138,934,353**	120,809,411	90,692,866
Operations and maintenance services	**88,422,873**	95,200,999	111,523,478
Septic sludge disposal and bacteriological water analysis	**36,505,204**	27,966,849	40,357,997
Reconnection fee	**34,987,702**	15,571,079	30,527,248
Income from customer late payments	**31,663,719**	14,020,420	42,798,341
Recovery of expenses	**14,370,917**	31,200,088	18,855,764
Cross-border billing	**–**	56,939,641	–
Miscellaneous	**49,354,492**	35,956,658	73,383,762
	₱1,005,249,021	₱966,742,536	₱1,650,684,246

Miscellaneous includes income from water tankering, rental of equipment, and due diligence.

Operating expenses consist of:

	2021	2020	2019
Salaries, wages and employee benefits (Notes 16 and 23)	**₱1,206,524,894**	₱1,082,641,100	₱1,129,904,350
Depreciation and amortization (Notes 9, 10 and 11)	**299,262,704**	519,862,875	357,204,715
ECL on receivables and contract assets (Note 6)	**466,813,300**	458,828,593	15,843,315
Contractual services	**321,837,888**	316,395,147	239,947,384
Provisions and MWSS penalty (Notes 1 and 30)	**313,721,474**	305,498,400	1,224,695,546
Taxes and licenses	**346,562,423**	271,744,789	289,644,627
Management, technical and professional fees (Note 23)	**407,637,105**	246,701,830	325,769,360
Repairs and maintenance	**214,817,910**	208,910,986	254,915,008
Insurance	**129,551,490**	123,031,928	116,181,369
Printing and communication (Note 23)	**24,618,310**	87,887,253	65,462,142
Donations	**20,095,710**	21,319,444	21,033,371
Advertising	**8,731,869**	16,753,201	48,982,002
Business meetings and representation	**24,156,613**	16,326,304	44,601,434
Rent (Notes 11, 23 and 25)	**18,821,842**	15,877,898	53,042,730
Transportation and travel	**11,856,956**	13,029,038	82,321,348
Other expenses	**91,927,252**	190,598,408	51,290,552
	₱3,906,937,740	₱3,895,407,194	₱4,320,839,253

Other expenses include expenses incurred for bank charges and equipment rental.

Interest income consists of:

	2021	2020	2019
Interest income on:			
Cash and cash equivalents and short-term investments (Note 5)	**₱70,247,390**	₱204,394,982	₱228,968,845
Finance income from contract assets (Note 6)	**237,712,035**	291,971,227	144,213,539
Receivable from BWC	**–**	5,348,329	27,814,005
Others	**301,070**	1,476,870	964,990
	₱308,260,495	₱503,191,408	₱401,961,379

Interest expense consists of:

	2021	2020	2019
Interest expense on:			
Service concession obligations (Note 10)	**₱671,367,228**	₱712,367,803	₱765,160,397
Long-term debt (Note 15):			
Coupon interest	**1,382,482,985**	1,256,149,606	1,124,421,615
Amortization of debt discount, issuance costs and premium	**238,349,194**	161,721,539	125,357,757
Lease liabilities (Note 11)	**20,131,539**	27,973,355	27,128,333
Pension liabilities (Note 16)	**7,124,733**	9,698,076	8,930,526
Other financing charges (Notes 15 and 17)	**153,878,783**	92,162,413	17,286,813
	₱2,473,334,462	₱2,260,072,792	₱2,068,285,441

Other financing charges consist of hedging costs, hedging ineffectiveness, amortization of guaranty deposits, and loan pre-termination fees.

Other income (losses) - net consists of:

	2021	2020	2019
Impairment losses (Notes 4 and 12)	**(₱130,319,465)**	(₱340,645,093)	(₱74,325,257)
Gain on bargain purchase	**–**	–	18,332,330
Refund income	**–**	–	7,097,025
Others - net	**(45,166,244)**	(220,793,476)	25,295,563
	(₱175,485,709)	(₱561,438,569)	(₱23,600,339)

Others - net include reversals of long-outstanding accounts amounting to ₱69.84 million, ₱228.64 million, and ₱25.55 million in 2021, 2020 and 2019, respectively; gain on sale of scrap materials, input VAT adjustments, gain on insurance claims, and a net gain on the settlement of the receivable from BWC amounting to ₱52.40 million in 2019.

19. *Discontinued Operations*

MWTS Healthy Family

On August 26, 2020, MWTS announced the permanent closure of its Healthy Family business division effective October 31, 2020 due to its recurring losses and inability to financially sustain business operations, which qualified the MWTS Healthy Family division as a discontinued operation for the years ended December 31, 2021, 2020 and 2019.

The results of operations of MWTS Healthy Family division are as follows:

	2021	2020	2019
Revenue from contracts with customers	**₱–**	₱78,674,895	₱139,860,404
Cost of services and operating expenses	**–**	167,952,026	237,068,387
Operating loss	**–**	(89,277,131)	(97,207,983)
Interest income - net	**–**	4,969	1,040,991
Other income (loss) - net	**–**	34,045,886	(63,006,214)
Loss before income tax	**–**	(55,226,276)	(159,173,206)
Benefit from income tax	**–**	(3,937,260)	(1,926,754)
Net loss from discontinued operations	**₱–**	(₱51,289,016)	(₱157,246,452)

The net cash flows of MWTS Healthy Family division are as follows:

	2021	2020	2019
Operating	**₱12,972,690**	(₱11,160,539)	₱5,429,971
Investing	**–**	26,268,591	(34,004,556)
Financing	**–**	(11,819,105)	(19,784,901)
Net increase (decrease) in cash and cash equivalents	**₱12,972,690**	₱3,288,947	(₱48,359,486)

Zamboanga Water

On April 3, 2020, the ZCWD requested for the termination of the NRWRSA citing the erratic supply of water due to the recurrent dry spell and El Niño phenomenon affecting the DMAs established by Zamboanga Water has rendered the NRWRSA impractical and unworkable. On April 30, 2020, Zamboanga Water approved the termination of the NRWRSA, without prejudice to Zamboanga Water's claims against ZCWD and remedies under the NRWRSA, which qualified Zamboanga Water as a discontinued operation.

The results of operations of Zamboanga Water are as follows:

	2021	2020	2019
Revenue from contracts with customers	**₱191,475**	₱4,995,680	₱162,604,880
Cost of services and operating expenses	**14,854,583**	335,509,004	55,950,590
Operating loss	**(14,663,108)**	(330,513,324)	106,654,290
Interest income (expense) - net	**634**	(44,195)	(4,769,720)
Other income (loss) - net	**(343,820)**	2,907,411	–
Income (loss) before income tax	**(15,006,294)**	(327,650,108)	101,884,570
Provision for (benefit from) income tax	**(43,473)**	(9,881,645)	1,416,831
Net income (loss) from discontinued operations	**(₱14,962,821)**	(₱317,768,463)	₱100,467,739

The net cash flows of Zamboanga Water are as follows:

	2021	2020	2019
Operating	**(₱4,426,586)**	(₱19,114,415)	(₱19,705,788)
Investing	**904,827**	(4,034,566)	(824,672)
Financing	**3,500,000**	13,589,430	28,009,322
Net increase (decrease) in cash and cash equivalents	**(₱21,759)**	(₱9,559,551)	₱7,478,862

The net income attributable to the owners of the Parent Company and noncontrolling interest from continuing and discontinued operations are as follows:

	2021	2020	2019
Net income (loss) attributable to:			
Equity holders of Manila Water Company, Inc.			
Continuing operations	***₱3,683,802,583***	*₱4,769,320,763*	*₱5,579,515,032*
Discontinued operations	***(10,473,975)***	*(268,867,738)*	*(84,005,833)*
	3,673,328,608	*4,500,453,025*	*5,495,509,199*
Noncontrolling interests			
Continuing operations	***85,298,756***	*145,523,960*	*116,689,058*
Discontinued operations	***(4,488,846)***	*(100,189,741)*	*27,227,120*
	₱80,809,910	*₱45,334,219*	*₱143,916,178*
EPS			
Basic, net loss from discontinued operations	***₱–***	*(₱0.13)*	*(₱0.04)*
Diluted, net loss from discontinued operations	***₱–***	*(₱0.13)*	*(₱0.04)*

20. Income Tax

Provision for (benefit from) income tax consists of:

	2021	2020	2019
Current	***₱1,317,513,163***	*₱1,993,760,367*	*₱2,182,474,222*
Final	***2,047,364***	*77,225,700*	*6,229,200*
Deferred	***219,732,881***	*(322,261,714)*	*186,474,613*
	₱1,539,293,408	*₱1,748,724,353*	*₱2,375,178,035*

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2021	2020	2019
Statutory income tax rate	***25.00%***	*30.00%*	*30.00%*
Tax effects of:			
Retrospective effect of the change in tax rate	***0.77***	*–*	*–*
Change in unrecognized deferred tax	***1.54***	*(15.22)*	*0.56*
Excess of 40% Optional Standard Deduction (OSD) against allowable deductions	***–***	*(0.07)*	*(20.05)*
Interest income subjected to final tax	***(0.33)***	*(0.84)*	*(0.04)*
Nontaxable equity in net earnings of associates	***(2.68)***	*(0.96)*	*(2.43)*
Nondeductible expense	***78.52***	*64.45*	*60.19*
Income exempt from tax	***(76.46)***	*(51.09)*	*(38.71)*
Others - net	***2.64***	*(0.03)*	*(0.09)*
Effective income tax rate	***29.00%***	*26.24%*	*29.43%*

The tax effect of "others - net" pertain to the Group's temporary differences and taxable income and deductible expenses for tax reporting purposes.

On March 26, 2021, President Rodrigo Roa Duterte signed the RA No. 11534, the Corporate Recovery and Tax Incentives for Enterprises Act, (the "CREATE Law") which became effective on April 11, 2021. The CREATE Law intends to incentivize businesses by reducing corporate income tax, among others. The following are the key changes to the Philippine tax law pursuant to the CREATE Law which have an impact on the Group:

- *Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30.00% to 25.00% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.00 million and with total assets not exceeding ₱100.00 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20.00%.*
- *Foreign-sourced dividends shall only be exempt from taxation if (1) the funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation within the next taxable year from the time the foreign-sourced dividends were received; (2) shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure projects; (3) provided that the said domestic corporation holds directly at least 20.00% of the outstanding shares of the foreign corporation and has held the shares for at least two (2) years at the time of the dividend distribution.*
- *Minimum corporate income tax (MCIT) rate reduced from 2.00% to 1.00% of gross income effective July 1, 2020 to June 30, 2023.*

The CREATE Law likewise rationalizes income fiscal incentives, making them time-bound, targeted, and performance-based. Holders of tax incentives are given a sunset period to adjust to the tax regime changes that will be brought about by the CREATE Law. Consequently, upon the effectivity of the CREATE Law, some tax exemptions or tax incentives enjoyed by certain members of the Group have expired, will be revoked, or have been repealed, or, if other new laws are enacted, the income from these sources will be subject to the regular corporate income tax rate after the lapse of the sunset period.

As of December 31, 2021, the CREATE Law's retrospective and 5% income tax rate reduction impact on the Group's current income tax expense amounted to a ₱426.05 million reduction, ₱249.46 million additional expense arising from deferred income taxes in the profit or loss, and ₱8.46 million additional expense from deferred income taxes in the OCI.

The net deferred tax assets of the Group pertain to the deferred income tax effects of the following:

	2021	2020
Deferred tax assets:		
Service concession obligations - net	**₱1,720,907,947**	₱2,052,144,388
Provisions and accruals	**539,941,653**	551,732,688
Unrealized foreign exchange losses	**164,409,426**	–
NOLCO and MCIt	**141,464,697**	75,096,410
Allowance for ECL	**111,441,555**	74,822,038
Contract liabilities	**75,593,929**	34,693,128
Pension liabilities	**27,911,178**	55,979,668
Lease liabilities - net	**–**	9,206,723
Others	**4,630,755**	10,044,178
	2,786,301,140	2,863,719,221
Deferred tax liabilities:		
Difference between amortization expense of SCA per straight line method and per UOP	**(1,324,896,862)**	(1,104,812,120)
Derivatives (Note 28)	**(140,746,814)**	–
Bond discounts	**(71,266,284)**	(85,449,574)
Right-of-use assets - net	**(8,658,121)**	–
Unrealized foreign exchange gains	**–**	(123,756,820)
Others	**(10,526,172)**	
	(1,556,094,253)	(1,314,018,514)
	₱1,230,206,887	₱1,549,700,707

The components of the net deferred tax liabilities of the Group represent the deferred income tax effects of the following:

	2021	2020
Deferred tax liabilities:		
Difference between amortization expense of SCA per straight-line method and per UOP	***₱170,151,426***	*₱119,879,385*
Contract assets from bulk water arrangements	***110,032,005***	*100,860,997*
Accrued receivables	***57,551,112***	*57,551,112*
Unrealized gain on bargain purchase	***11,633,709***	*13,666,011*
Contract assets	***11,879,944***	*9,947,170*
Others	***30,193,413***	*14,055,692*
	391,441,609	*315,960,367*
Deferred tax assets:		
Allowance for ECL	***(89,104,777)***	*(84,590,015)*
Net Operating Loss Carryover (NOLCO)	***(11,884,242)***	*(31,305,705)*
Pension liabilities	***(11,401,978)***	*(10,633,092)*
Provisions and accruals	***(15,411,592)***	*(1,925,434)*
Others	**–**	*(8,280,150)*
	(127,802,589)	*(136,734,396)*
	₱263,639,020	*₱179,225,971*

Parent Company
RR No. 16-2008 was issued by the BIR to implement Section 34 (L) of the National Internal Revenue Code of 1997, as amended by Section 3 of RA No. 9504 on the use of Optional Standard Deductions (OSD) for individuals and corporations. The OSD allowed to corporate taxpayers shall be in an amount not exceeding forty percent (40.00%) of their gross income. Gross income refers to gross sales or gross revenue derived from any business activity, net of returns and allowances, less cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses. This was applied by the Parent Company for the year ended December 31, 2019.

The use of OSD as the method of computing tax deductible expenses affected the recognition of several deferred tax assets and liabilities, such that no deferred tax assets and liabilities were recognized on items of income and expenses that are not considered in determining gross income for income tax purposes.

The effective tax rate of 18.00% for the years in which OSD is projected to be utilized was used in computing the deferred income taxes on the net service concession obligation starting 2008.

In 2020, the Parent Company used itemized deductions in the calculation of its current income tax. The tax rate of 30.00% was used in computing for the deferred income taxes of the Parent Company as this is the rate that the underlying deferred tax assets or liabilities are expected to be recovered, settled or utilized in the future. As a result of the shift from OSD to itemized deduction, the Parent Company recorded additional deferred income tax assets amounting to ₱1,181.15 million.

Deferred tax on allowance for ECL was not recognized by the Parent Company. The net reduction in deferred tax assets from applying the effective income tax rate to the recognized deferred taxes on net service obligation and the derecognition of the deferred taxes relating to the accounts with temporary differences which are not considered in determining gross income for income tax purposes by the Parent Company. As of December 31, 2021 and 2020, deferred taxes on allowance for ECL amounting to ₱312.35 million and ₱273.99 million was not recognized.

Clark Water
Clark Water as a duly registered CFZ enterprise under RA No. 9400, An Act Amending RA No. 7227 otherwise known as the Bases Conversion and Development Act of 1992, is entitled to all the rights, privileges and benefits established thereunder including tax and duty-free importation of raw materials and capital equipment and special income tax rate of 5% applied on its gross income earned in lieu of all national and local taxes.

Starting 2020, all sales outside the CFZ are charged with 12% value-added tax and subjected to the Regular Corporate Income Tax rate of 25.00% in 2021 and 30.00% in 2020.

Laguna Water
In 2019, Laguna Water availed of the OSD, as such the effective tax rate of 18% was used in computing the deferred income taxes of Laguna Water for the years in which OSD is projected to be utilized.

In 2020, Laguna Water used the Itemized Deduction in determining the amount of their deductible expenses for income tax purposes. As a result, the applicable income tax rate is the Regular Corporate Income Tax rate of 25.00% in 2021 and 30.00% in 2021 and Minimum Corporate Income Tax rate of 1.00% in 2021 and 2.00% in 2020.

Other subsidiaries
All other domestic subsidiaries of the Parent Company used the Itemized Deduction in determining the amount of their deductible expenses for income tax purposes. As a result, the applicable income tax rate is the Regular Corporate Income Tax rate of 25.00% and Minimum Corporate Income Tax rate of 1.00%, while foreign subsidiaries are subject to tax rates applicable in their respective countries.

NOLCO
The Parent Company's subsidiaries, namely, MWTS, MWPVI, Filipinas Water, Bulakan Water, South Luzon Water, North Luzon Water, Davao Water, MW Consortium, MWTV, and Zamboanga Water have total NOLCO amounting to ₱679.30 million and ₱343.75 million as of December 31, 2021 and 2020, respectively, which may be used as deduction against future taxable gross income. No deferred tax assets were recognized on these future deductible losses. As of December 31, 2021 and 2020, the unrecognized deferred tax assets on NOLCO amounted to ₱169.83 million and ₱0.39 million, respectively.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2021, the Group has incurred NOLCO before taxable year 2021 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Availment Period	Amount	Applied/Expired	Unapplied
2018	2019 to 2021	₱148,876,725	₱148,876,725	₱–
2019	2020 to 2022	323,066,976	122,769,297	200,297,679
		₱471,943,701	₱271,646,022	₱200,297,679

As of December 31, 2021, the Group has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment Period	Amount	Applied/Expired	Unapplied
2020	2021 to 2025	₱641,611,142	₱–	₱641,611,142
2021	2022 to 2027	502,170,340	–	502,170,340
		₱1,143,781,482	₱–	₱1,143,781,482

MCIT
The movements of the Group's MCIT as of December 31, 2021 which can be claimed against future Regular Corporate Income Tax due on taxable income, but not beyond three (3) succeeding taxable years from the year the excess MCIT arose, are as follows:

Year Incurred	Amount	Applied/Expired	Balance	Expiry Year
2019	₱3,128,936	₱–	₱3,128,936	2022
2020	8,636,013	–	8,636,013	2023
2021	7,811,098	–	7,811,098	2024
	₱19,576,047	₱–	₱19,576,047	

21. *Equity*

Paid-in capital
The Parent Company's capital stock consists of:

	2021		2020	
	Shares	**Amount**	Shares	Amount
Common stock - ₱1 per share				
Authorized	**3,100,000,000**	**₱3,100,000,000**	3,100,000,000	₱3,100,000,000
Issued and subscribed	**2,884,839,617**	**2,884,839,617**	2,064,839,617	2,064,839,617
Issued and outstanding	**2,043,237,036**	**2,043,237,036**	2,041,814,326	2,041,814,326
Preferred stock - ₱0.10 par value, 10% cumulative, voting, participating, nonredeemable and nonconvertible				
Authorized, issued and outstanding - 4,000,000,000 shares	**4,000,000,000**	**400,000,000**	4,000,000,000	400,000,000

On March 18, 2005, the Parent Company launched its Initial Public Offering where a total of 745.33 million common shares were offered at an offering price of ₱6.50 per share. The Parent Company has 954 and 968 existing certificated shareholders as of December 31, 2021 and 2020, respectively. The Scripless shareholders are counted under PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Non-Filipino).

On March 1, 2018, the BOD approved the following:

a. *amendment of the Parent Company's Articles of Incorporation to exclude the 300.00 million common shares from the pre-emptive rights of existing stockholders, and endorsed the said amendment for approval by the stockholders; and*
b. *allotment and subsequent issuance of up to 300.00 million common shares for the purpose of exchanging such shares for assets and/or raising funds to acquire assets needed for the business of the Parent Company.*

On April 16, 2018, the stockholders of the Parent Company approved the amendment of the Seventh Article of the Articles of Incorporation to exempt from pre-emptive rights 300.00 million unissued common shares ("carved-out shares") which are reserved or allocated for issuance in one or more transactions or offerings, (i) for properties or assets needed for the business of the Parent Company, or (ii) for cash to acquire properties or assets needed for the business of the Parent Company. The issuance of all or any of the carved-out shares does not require the approval of stockholders.

On February 26, 2019, the BOD approved the amendment of the Second Article of the Articles of Incorporation to include the authority to enter into contracts of guarantee and/or suretyships. This amendment was later ratified by the Parent Company's stockholders during the annual stockholders meeting held on April 22, 2019.

On January 31, 2020, the BOD approved the amendment of the Seventh Article of the Articles of Incorporation to increase the authorized capital stock from ₱3.50 billion to ₱4.40 billion, which increase will consist of an additional 900.00 million common shares. The BOD also approved the increase in the carved-out shares from 300.00 million to 900.00 million unissued common shares and to allow the issuance of the carved-out shares "for cash, properties or assets to carry out" the corporate purposes" of the Parent Company as approved by the BOD. Both the increase in authorized capital stock and the increase in the carved-out shares were ratified at the annual stockholders' meeting on April 17, 2020. The Parent Company did not push through with its application for the increase in its authorized capital stock.

On July 2, 2020, the SEC approved the increase in carved-out shares and the issuance of the 900.00 million carved-out common shares "for cash, properties or assets to carry out" the corporate purposes" as approved by the BOD and stockholders.

On February 15, 2021, the Parent Company and Prime Strategic Holdings, Inc. signed an Amendment to the Subscription Agreement. The amendment covers the inclusion of Trident Water Company Holdings, Inc. (Trident Water) as party to the Subscription Agreement following its establishment, as well as the updated payment terms which is 50.00% or ₱5.33 bilion upon Closing and 50.00% or ₱5.33 bilion upon call of the Parent Company's BOD.

On the same date, Philwater and Trident Water executed a Share Purchase Agreement wherein Philwater agreed to sell 2,691,268,205 of its preferred shares in the Parent Company to Trident Water with a payment term over a five (5)-year period. The purchase of the preferred shares reflects a 39.09% voting stake and 8.19% economic stake in the Parent Company. The rights and title to the shares, except voting rights covered by the proxies, which shall be executed upon the *execution of the Shareholders' Agreement, shall not be transferred until all payments are made. Dividends earned by the preferred shares shall continue to be for the account of Philwater until full payment has been made.*

On April 8, 2021, the Parent Company received the Tender Offer Report from Trident Water to acquire up to 1,118,253,916 common shares of the Parent Company through a tender offer to all shareholders. Said tender offer does not include the 866,996,201 common shares held by Ayala Corporation and its nominees and the 4,000,000,000 preferred shares held by Philwater Holdings Company, Inc. and its nominees. On May 31, 2021, a total of 462,660 common shares of Manila Water were tendered, accepted and purchased by Trident Water via block sale through the facilities of the Philippine Stock Exchange.

On June 3, 2021, Trident Water completed the tender offer. Following the completion of the tender offer, Trident Water owns 870,462,660 common shares of the Parent Company and has voting rights over 2,691,268,205 preferred shares to be acquired by Trident Water. In addition, Prime Strategic Holdings, Inc. also owns 29,589,500 common shares of the Parent Company. On June 24, 2021, Trident Water acquired 29,589,500 shares of the Parent Company from Prime Strategic Holdings, Inc.

The movement of the Parent Company's issued and outstanding common stock follows:

	2021	2020
Number of shares at beginning of year	**2,041,814,326**	2,041,447,232
Additions	**1,422,710**	367,094
Number of shares at end of year	**2,043,237,036**	2,041,814,326

The movement of the Parent Company's paid-in capital for the years ended December 31, 2021, 2020, and 2019 follows:

	2021					
	Common Stock	**Subscribed Common Stock**	**Preferred Stock**	**Additional Paid-in Capital**	**Subscription Receivable**	**Paid-in Capital**
Balance at beginning of year	**₱2,041,814,326**	**₱23,025,291**	**₱400,000,000**	**₱4,608,744,479**	**(₱371,306,653)**	**₱6,702,277,443**
Subscription of shares	**–**	**820,000,000**	**–**	**9,840,000,000**	**(10,660,000,000)**	**–**
Issuance of shares	**1,422,710**	**(1,422,710)**	**–**	**–**		**–**
Cost of share-based payment	**–**	**–**	**–**	**(31,527,328)**	**34,917,983**	**3,390,655**
Collections	**–**	**–**	**–**	**–**	**5,341,912,897**	**5,341,912,897**
Balance at end of year	**₱2,043,237,036**	**₱841,602,581**	**₱400,000,000**	**₱14,417,217,151**	**(₱5,654,475,773)**	**₱12,047,580,995**

	2020					
	Common Stock	Subscribed Common Stock	Preferred Stock	Additional Paid-in Capital	Subscription Receivable	Paid-in Capital
Balance at beginning of year	₱2,041,447,232	₱23,392,385	₱400,000,000	₱4,589,951,153	(₱371,306,653)	₱6,683,484,117
Issuance of shares	367,094	(367,094)	–	18,793,326	–	18,793,326
Balance at end of year	₱2,041,814,326	₱23,025,291	₱400,000,000	₱4,608,744,479	(₱371,306,653)	₱6,702,277,443

	2019					
	Common Stock	Subscribed Common Stock	Preferred Stock	Additional Paid-in Capital	Subscription Receivable	Paid-in Capital
Balance at beginning of year	₱2,030,732,360	₱34,107,257	₱400,000,000	₱4,518,048,369	(₱458,453,326)	₱6,524,434,660
Issuance of shares	10,714,872	(10,714,872)	–	71,902,784	–	71,902,784
Collections	–	–	–	–	87,146,673	87,146,673
Balance at end of year	₱2,041,447,232	₱23,392,385	₱400,000,000	₱4,589,951,153	(₱371,306,653)	₱6,683,484,117

Retained earnings

The movement of the Group's retained earnings follows:

	2021		
	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Retained Earnings
Balance at beginning of year	₱11,639,149,846	₱40,610,000,000	₱52,249,149,846
Net income	3,673,328,608	–	3,673,328,608
Dividends declared	(1,863,849,837)	–	(1,863,849,837)
Balance at end of year	₱13,448,628,617	₱40,610,000,000	₱54,058,628,617

	2020		
	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Retained Earnings
Balance at beginning of year	₱12,253,696,821	₱35,495,000,000	₱47,748,696,821
Net income	4,500,453,025	–	4,500,453,025
Appropriations	(5,115,000,000)	5,115,000,000	–
Balance at end of year	₱11,639,149,846	₱40,610,000,000	₱52,249,149,846

	2019		
	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Retained Earnings
Balance at beginning of year	₱12,052,604,642	₱32,444,000,000	₱44,496,604,642
Net income	5,495,509,199	–	5,495,509,199
Appropriations	(3,051,000,000)	3,051,000,000	–
Dividends declared	(2,243,417,020)	–	(2,243,417,020)
Balance at end of year	₱12,253,696,821	₱35,495,000,000	₱47,748,696,821

The approved Business Plan includes planned capital expenditures on (i) service continuity, (ii) service accessibility, (iii) water security, and (iv) environmental sustainability described as follows:

- *Service continuity projects are endeavored to maintain the level of service provided to its customers even in times of calamity;*
- *Service accessibility projects would enable the Parent Company to expand its service coverage;*
- *Water security projects include two components: (1) new water source development and, (2) existing water source rehabilitation and improvement; and*
- *Projects under the Environmental Sustainability Investment category are comprised of wastewater projects endeavored to achieve the Parent Company's wastewater coverage targets.*

On November 24, 2020 and November 26, 2019, the Parent Company's BOD approved the appropriation of ₱5,115.00 million and ₱3,051.00 milllion, respectively, to ensure the completion of the Parent Company's large system projects included in its approved Business Plan. The implementation of these projects is consistent with the timeline of the approved Business Plan which covers until the end of the concession period. Appropriated retained earnings amounted to ₱40,610.00 million as of December 31, 2021 and 2020.

Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries and associates accounted for under the equity method amounting to ₱3,463.78 million and ₱3,629.61 million as of December 31, 2021 and 2020, respectively, which are not available for dividend declaration by the Parent Company until these are declared by the investee companies.

In accordance with the Revised SRC Rule 68, Annex 68-D, the Parent Company's retained earnings available for dividend declaration as of December 31, 2021 and 2020 amounted to ₱7,394.54 million and ₱5,569.55 million, respectively.

Dividends
The following table shows the cash dividends declared by the Parent Company's BOD on the outstanding capital stock for each of the three (3) years ended December 31, 2021:

		Amount Per Share		
Declaration Date	*Record Date*	*Common Shares*	*Participating Preferred Shares*	*Payment Date*
February 26, 2019	*March 14, 2019*	*₱0.4551*	*₱0.04551*	*March 28, 2019*
September 27, 2019	*October 14, 2019*	*0.4551*	*0.04551*	*October 25, 2019*
November 18, 2021	*December 3, 2021*	*0.5310*	*0.05310*	*December 16, 2021*
November 18, 2021	*December 3, 2021*	*–*	*0.03000*	*December 16, 2021*

Dividends in arrears of the Parent Company amounted to ₱80.00 million and ₱40.00 million as of December 31, 2020 and 2019, respectively (nil as of December 31, 2021).

Executive Stock Option Plan (Executive SOP), Expanded Executive SOP, and ESOWN
The subscribed shares are effectively treated as options exercisable within a given period which is the same time as the grantee's payment schedule.

On March 6, 2018, the Renumeration Committee of the Parent Company's BOD approved the grants of ESOWN equivalent to 16,054,873 shares at the subscription price of ₱27.31 per share. The subscription price is equivalent to the average closing price of Parent Company's common shares at the PSE for twenty (20) consecutive trading days ending March 6, 2018.

The fair values of stock options granted are estimated on the date of grant using the Binomial Tree Model and Black-Scholes Merton Formula, taking into account the terms and conditions upon which the options were granted. The expected volatility was determined based on an independent valuation.

The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follows:

	Grant Dates	
	March 7, 2018	*February 10, 2015*
Number of shares granted	*16,054,873*	*7,281,647*
Number of unsubscribed shares	*5,161,140*	*884,873*
Fair value of each option	*₱5.74*	*₱11.58*
Weighted average share price	*₱26.55*	*₱21.35*
Exercise price	*₱27.31*	*₱26.00*
Expected volatility	*24.92%*	*26.53%*
Dividend yield	*2.80%*	*2.55%*
Risk-free interest rate	*3.43%*	*3.79%*

To enjoy the rights provided for in the ESOWN, the grantee should be with the Parent Company at the time the holding period expires. The holding period of the ESOWN shares granted follows:

Year	*Holding Period*
After one year from subscription date	*40%*
After two years from subscription date	*30%*
After three years from subscription date	*30%*

For the 2018 and 2015 grants, unsubscribed shares were forfeited.

There were no additional stock options in 2021 and 2020. Total expense arising from equity-settled share-based payment transactions amounted to ₱3.39 million, ₱18.79 million, and ₱20.16 million in 2021, 2020 and 2019, respectively.

The expected life of the options is based on management's estimate and is not necessarily indicative of exercise patterns that may occur. The Parent Company's expected volatility was used as an input in the valuation of the outstanding options. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily reflect the actual outcome.

No other features of the options granted were incorporated into the measurement of fair value.

Stock Incentive Plan (SIP)
On February 24, 2022, the BOD approved the Stock Incentive Plan, which is a performance-based bonus extended to the senior leadership, officers, and consultants of Manila Water, its subsidiaries and affiliates, in the form of Manila Water shares as equity-settled transactions, in lieu of cash incentives and bonuses. Shares to be awarded shall vest in three (3) years: 25.00% on the first anniversary date of the award; 25.00% on the second anniversary date of the award; and 50.00% on the third anniversary date of the award. Vesting shall grant the grantee absolute beneficial title and rights over the shares, including full dividend and voting rights. The shares for the SIP will be acquired from the market and held in treasury before they are issued to the SIP grantees. The SIP is in addition to the existing ESOP and ESOWN Plans.

Other equity reserves
On May 9, 2012, the Parent Company sold portion of its investment in MW Consortium to Vicsal Development Corporation (VDC) which decreased its ownership by 10% without loss of control. Proceeds from the sale amounted to ₱15.00 million and the gain of ₱7.50 million was presented as part of "Other equity reserves" in the consolidated statements of financial position.

In 2016, MWPVI increased its ownership interest in MW Consortium from 51.00% to 57.22% and MW Consortium in Cebu Water from 51.00% to 70.58% arising from the issuance of redeemable preferred shares. This resulted to a corresponding increase in effective ownership of MWPVI in Cebu Water from 26.01% to 40.39%. The Group recognized gain on dilution of noncontrolling interest amounting to ₱46.61 million and presented this as part of "Other equity reserves" in the consolidated statements of financial position.

22. *Earnings per Share*

Earnings per share amounts attributable to equity holders of the Parent Company for the years ended December 31, 2021, 2020, and 2019 were computed as follows:

	2021	2020	2019
Net income (loss) attributable to common equity holders of the Parent Company			
Continuing operations	**₱3,683,802,583**	₱4,769,320,763	₱5,579,515,032
Discontinued operations	**(10,473,975)**	(268,867,738)	(84,005,833)
Dividends on preferred shares*	**(543,764,840)**	(763,852,861)	(925,332,930)
Net income attributable to common shareholders for basic and diluted earnings per share	**₱3,129,563,768**	₱3,736,600,164	₱4,570,176,269
Weighted average number of common shares for basic earnings per share	**2,543,172,950**	2,064,839,617	2,064,839,617
Dilutive common shares arising from stock options	**–**	–	–
Adjusted weighted average number of common stocks for diluted earnings per share	**2,543,172,950**	2,064,839,617	2,064,839,617
EPS before discontinued operations			
Basic earnings per share	**₱1.23**	₱1.94	₱2.25
Diluted earnings per share	**₱1.23**	₱1.94	₱2.25
EPS			
Basic earnings per share	**₱1.23**	₱1.81	₱2.21
Diluted earnings per share	**₱1.23**	₱1.81	₱2.21

**Including participating preferred shares' participation in earnings.*

23. *Related Party Transactions*

Parties are considered to be related to the Group if it has the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

In the normal course of business, the Group has transactions with related parties. The sales and investments made to related parties are made at normal market prices. Service agreements are based on rates agreed upon by the parties. Outstanding balances at year-end are unsecured, due for cash settlement or collection, and interest-free except for balances related to cash in banks and cash equivalents and long-term debt. There have been no guarantees provided for nor received on any related party receivables or payables. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Significant transactions with related parties follow:

a. *The Parent Company entered into an Administrative and Support Services Agreement (ASSA) with Ayala in 1997, being its sponsor as required during the privatization process. The ASSA was initially effective for ten (10) years and automatically renewable every five (5) years. Under the agreement, Ayala shall provide technical and other knowledge, experience and skills as reasonably necessary for the development, administration and operation of the concession, for which the Parent Company shall pay an annual base fee of US$1.00 million and adjusted for the effect of CPI. As a result, certain key management positions are occupied by employees of Ayala.*

   On March 1, 2017, the BOD confirmed the automatic renewal of the ASSA between the Parent Company and Ayala for another five (5) years until July 30, 2022 and approved the amendment reducing the base fee to ₱1.00 per year beginning August 1, 2017.

   Total management and professional fees charged to operations arising from these agreements amounted to ₱84.91 million, ₱133.30 million, and ₱156.54 million in 2021, 2020 and 2019, respectively. Total outstanding payables amounted to nil as of December 31, 2021 and 2020 (see Note 14).

b. *The Parent Company entered into a Consultancy Agreement with Prime Infrastructure Holdings, Inc. (PIHI), an affiliate of Trident Water effective June 3, 2021. Under the agreement, PIHI shall provide strategic advice and assistance, for which the Parent Company and its subsidiaries shall pay PIHI an amount equal to 2.70% of the net revenues of the Group for the calendar quarter from October 1, 2021 onwards. The consultancy fee payable from June 3, 2021 to September 30, 2021 was equivalent to 2.25% of the net revenues of the Group.*

   Total management and professional fees charged to operations arising from this agreement amounted to ₱254.72 million in 2021 and nil in both 2020 and 2019. Total outstanding payables amounted to ₱98.52 million and nil as of December 31, 2021 and 2020, respectively (see Note 14).

c. *The following tables provide the total amount of all other transactions that have been entered into with the Parent Company's shareholders and affiliates for the relevant financial year:*

	***Cash in Banks, Cash Equivalents and Short-term Investments** (Note 5)*		***Receivables and Contract Assets*** (Note 6)*	
	2021	*2020*	***2021***	*2020*
Shareholder:				
Ayala	***₱–***	*₱–*	***₱69,512***	*₱69,512*
Affiliates:				
ALI and subsidiaries	***–***	*–*	***294,141,068***	*186,246,893*
Integrated Microelectronics, Inc. (IMI)	***–***	*–*	***–***	*3,941,802*
Globe and subsidiaries	***–***	*–*	***37,929***	*21,328*
AC Industrial Technology Holdings, Inc. (AITHI) and subsidiaries	***–***	*–*	***4,021***	*4,021*
BPI and subsidiaries	***5,176,834,102***	*6,143,392,683*	***1,482,261***	*4,095,093*
	5,176,834,102	*6,143,392,683*	***295,665,279***	*194,309,137*
	₱5,176,834,102	*₱6,143,392,683*	***₱295,734,791***	*₱194,378,649*

**Includes trade, retention and interest receivables*

Cash in banks and cash equivalents pertain to deposits and investments with original maturities of three (3) months or less from the date of original acquisition.

Trade receivables are primarily composed of receivables for water and used water services rendered by the Group. These are non-interest bearing and are collectible within thirty (30) days from bill generation. Allowance for ECL provided for receivables from related parties amounted to ₱16.29 million and ₱24.70 million as of December 31, 2021 and 2020, respectively.

	Payables and Contract Liablities (Note 14)*		***Long-term Debt** (Note 15)*	
	2021	*2020*	***2021***	*2020*
Shareholder:				
PIHI	***₱98,523,347***	*₱–*	***₱–***	*₱–*
Affiliates:				
ALI and subsidiaries	***354,923,436***	*₱147,712,019*	***–***	*–*
AC Energy Holdings, Inc. (AC Energy)	***–***	*86,735,603*	***–***	*–*
BPI and subsidiaries	***796,220***	*25,608,180*	***2,977,217,120***	*2,333,139,741*
Globe and subsidiaries	***5,750,586***	*5,215,464*	***–***	*–*
AITHI and subsidiaries	***–***	*–*	***–***	*–*
HCX Technology Partners, Inc.	***981,740***	*981,740*	***–***	*–*
Ayala Healthcare Holdings, Inc.	***–***	*15,680*	***–***	*–*
	362,451,982	*266,268,686*	***2,977,217,120***	*2,333,139,741*
	₱460,975,329	*₱266,268,686*	***₱2,977,217,120***	*₱2,333,139,741*

**Includes trade, retention and interest payables*

Trade payables pertain to retentions deducted from contractors' billings and are normally paid within a year after project acceptance.

Long-term debt pertains to loans made by Boracay Water, Laguna Water, Aqua Centro, South Luzon and Calbayog Water with BPI (see Note 15).

	Revenues			Purchases		
	2021	2020	2019	**2021**	2020	2019
Shareholders:						
PIHI	**₱–**	₱–	₱–	**₱254,720,321**	₱–	₱–
Ayala	**3,895,104**	5,061,894	7,753,611	**114,664,008**	178,492,976	156,537,256
	3,895,104	5,061,894	7,753,611	**369,384,329**	178,492,976	156,537,256
Affiliates:						
ALI and subsidiaries	**495,254,953**	515,293,654	1,137,740,158	**27,650,260**	284,481,160	421,158,449
IMI and subsidiaries	**44,998,517**	51,271,558	34,197,393	**–**	–	–
BPI and subsidiaries	**3,393,774**	7,264,119	94,023,336	**3,541,225**	42,310,291	45,136,463
AITHI and subsidiaries	**4,696,832**	5,428,333	5,042,869	**1,505,839,469**	41,499,053	104,350,965
Globe and subsidiaries	**1,354,227**	1,622,556	2,430,837	**45,843,681**	56,011,412	57,510,596
Ayala Healthcare Holdings, Inc.	**–**	–	–	**547,163**	9,653,347	–
AC Energy	**–**	–	–	**346,483,882**	668,653,577	448,106,541
HCX Technology Partners, Inc.	**–**	–	–	**7,288,146**	7,663,220	5,934,660
Bestfull Holdings, Inc. and subsidiaries	**–**	–	–	**–**	209,288	–
Sureste Properties, Inc.	**–**	–	–	**500,080**	–	–
	549,698,303	580,880,220	1,273,434,593	**1,937,693,906**	1,110,481,348	1,082,197,674
	₱553,593,407	₱585,942,114	₱1,281,188,204	**₱2,307,078,235**	₱1,288,974,324	₱1,238,734,930

Revenue is mainly attributable to water and used water services and facilities, and supervision fees rendered by the Group to its shareholder and affiliates.

Purchases from related parties arise from the following transactions:

- *Ayala and PIHI for management fees;*
- *ALI and subsidiaries, and Bestfull Holdings and subsidiaries for rental of office space;*
- *BPI for banking transactions and financial services such as insurance;*
- *AITHI and its subsidiaries for acquisition of transportation equipment;*
- *Globe for telecommunication services;*
- *Ayala Healthcare Holdings, Inc. for COVID-19 tests;*
- *AC Energy for purchase of power;*
- *HCX Technology Partners, Inc. for payroll management services; and*
- *Sureste Properties, Inc. for representation expenses.*

d. On April 9, 2002, Laguna Water entered into a concession agreement (as amended on March 31, 2004, July 22, 2009, and June 30, 2015) with PGL, one of its shareholders. Concession fees paid to PGL amounted to ₱43.15 million and ₱16.70 million in 2021 and 2020, respectively (see Notes 1 and 29).

e. On December 17, 2009, Boracay Water entered into a concession agreement with TIEZA, one of its shareholders. Concession fees paid to TIEZA amounted to ₱15.97 million and ₱20.51 million in 2021 and 2020, respectively (see Notes 1 and 29).

f. On January 15, 2016, MWPVI entered into a MOA with ALI and its subsidiaries and affiliates (the ALI Group) whereby MWPVI shall exclusively provide water and used water services and facilities to all ALI Group property development projects in the Philippines. Revenues earned by MWPVI from the agreement, included under "Supervision fees", amounted to ₱187.67 million, ₱219.23 million, and ₱803.30 million in 2021, 2020 and 2019, respectively (see Note 18).

g. On April 16, 2016, MWPVI entered into a MOA with Laguna Technopark Inc. (LTI), whereby through its division, Estate Water, MWPVI shall exclusively provide water and used water services to LTI's Cavite Technopark located in Barangay Sabang, Naic, Cavite, and in pursuit of this objective, to construct, develop, finance, and own the water facilities and used water facilities under the terms and conditions set out in the MOA. For and in consideration of the construction and development of the water facilities and used water facilities and the rendition of the services by MWPVI, LTI shall pay a capacity charge. Capacity charge, included under "Supervision fees," amounted to ₱11.71 million, ₱29.70 million, and ₱21.60 million in 2021, 2020 and 2019, respectively (see Note 18).

h. On December 20, 2017, Boracay Water signed a Fourth Omnibus Loan and Security Agreement in the amount of ₱2.40 billion with the BPI. The loan will be used to finance the general corporate and capital expenditures requirements of

Boracay Water. The carrying value of loan as of December 31, 2021 and 2020 amounted to ₱1,409.58 million and ₱1,240.07 million, respectively (see Note 15).

i. *On June 28, 2019, Laguna Water signed a ten (10)-year term loan facility amounting to ₱2.50 billion with BPI. The loan will be used to partially finance Laguna Water's capital expenditure program. The carrying value of the loan amounted to ₱1,291.37 million and ₱1,093.07 million as of December 31, 2021 and 2020, respectively (see Note 15).*

j. *In September 2017, the Parent Company entered into an Open Access Contract with AC Energy which will cover a two (2)-year supply of electricity to five (5) of the Parent Company's facilities currently enrolled under Open Access. The contract was renewed for another two (2) years, and will expire on June 2021. On June 26, 2019, Cebu Water entered into a similar contract with AC Energy which will cover a two (2)-year supply of electricity. These contracts expired last June 2021 and were not renewed. As of December 31, 2021 and 2020, the Group has guaranty deposits with AC Energy amounted to nil and ₱18.49 million, respectively (see Note 13).*

k. *On August 6, 2019, MWSS along with the Parent Company signed a thirty (30)-year Raw Water Supply Offtake Agreement with WawaJVCo, Inc., a joint venture company formed between Prime Metroline Infrastructure Holdings Corporation and San Lorenzo Builders and Developers Corporation. This will involve the supply of 518.00 million liters per day of raw water from the Wawa and Tayabasan rivers and is among the medium-term water supply augmentation measures identified to provide water security and sustainability to the consumers of the East Service Area. On January 7, 2020, the parties executed the First Supplement to the Raw Water Supply Offtake Agreement to reflect their agreement on the joint conditions precedent. On September 28, 2021, the parties executed the Second Supplement to the Raw Water Supply and Offtake Agreement to reflect the impact of the COVID-19 pandemic on the timeline of the project.*

l. *On March 24, 2020, the Parent Company entered into a loan agreement with BPI amounting to ₱3.00 billion. The loan was fully paid as of December 31, 2020.*

m. *In December 2020, the Parent Company established an Escrow Fund amounting to ₱1,112.13 million with BPI Asset Management and Trust Corporation (BPI AMTC) in relation to the acquisition of a parcel of land. BPI AMTC shall hold, invest, and manage the Escrow Fund, including any income therefrom (see Note 8). The escrow fund was released to the seller in September 2021 after complete compliance to the conditions to the contract to sell.*

n. *On March 1, 2021, Aqua Centro signed a ten (10)-year loan facility amounting to ₱233.00 million with BPI. The proceeds of the loan will be used to finance the Company's capital expenditures, future acquisitions, and other general corporate requirements. As of December 31, 2021, carrying value of the loan amounted to ₱106.26 million.*

o. *On May 31, 2021, MWPVI and the ALI Group signed an Amended and Restated MOA. MWPVI shall have a preferred status with regards to the provision of water and used water services to all property development projects of the ALI Group except for the excluded developments namely, Amaia Scape Pampanga, Amaia Scape San Fernando, Amaia Scape Capas, Amaia Scape Cabanatuan, Amaia Scape Trece Martires, Bellavita Capas, Bellavita Cabanatuan 1 and East, Bellavita Pililia, Bellavita Lian, Bellavita Lipa, Bellavita Rosario and Bellavita Iloilo.*

   On December 29, 2021, MWPVI entered into a Deed of Absolute Sale with Amaia Land Corp. (Amaia) and BellaVita Land Corp. (BellaVita) whereby MWPVI sells, conveys, transfers, assigns and delivers the Properties and all rights, title, and interest to Amaia and BellaVita for the excluded development on the Amended and Restated MOA with ALI Group. As of December 31, 2021, MWPVI completed the sale and transfer of the Properties to Amaia and BellaVita for a purchase price of ₱63.20 million .

p. *On May 31, 2021, MWPVI entered a Deed of Accession with Ayala Land Malls, Inc. namely, North Eastern Commercial Corporation (Cloverleaf, The 30th), North Triangle Depot Commercial Corp (Trinoma), Ayala Land Metro North Inc. (U.P Town Center), North Ventures Commercial Corporation (Fairview Terraces), Summerhill Commercial Ventures Corp (Feliz), Arvo Commercial Corporation (Marikina, The District Dasmarinas, Legaspi), ALI-CII Development Corp. (Metropoint), Bay City Commercial Ventures Corp. (Manila Bay), Alabang Commercial Corporation (ATC), Lagoon Development Corporation (Pavilion), North Beacon Commercial Corporation (Marquee), Cavite Commercial Towncenter Inc. (The District Imus, Serin), Cagayan de Oro Gateway Corp (Centrio) and Capitol Central Commercial Ventures Corp. (Capitol Central), (collectively the "ALI Malls Group") whereby MWPVI shall provide used water services and operation and management of the Used Water Facilities only.*

q. *On August 18, 2021, South Luzon Water signed a ₱465.00 million term loan facility with BPI to partially finance its capital expenditure projects. The carrying value of the loan as of December 31, 2021 amounted to ₱100.00 million.*

r. *On October 12, 2021, Calbayog Water signed a ₱393.00 million term loan facility with BPI to partially finance its capital expenditure projects. The carrying value of the loan as of December 31, 2021 amounted to ₱70.00 million.*

s. *On February 24, 2022, the BOD approved the award for the design and construction of the Cabading Reservoir and Booster Station to Prime BMD Corporation. This project is part of the water sources roadmap of the MWSS to address the deficit in water supply of the East Zone in the next five (5) years.*

t. *One of the trustee banks which manages the Group's retirement fund is BPI, an affiliate. The Group's plan assets under BPI amounted to ₱522.31 million and ₱523.46 million as of December 31, 2021 and 2020, respectively (see Note 16). The Group's plan assets include shares of stock of Ayala, ALI, BPI, and Globe with a total fair value of ₱24.27 million and ₱29.57 million as of December 31, 2021 and 2020, respectively, and and shares of stock of Bloomberry Corporation and International Container Terminal Services, Inc. (ICTSI) with a total fair value of ₱4.79 million in 2021.*

u. *Compensation of key management personnel of the Group by benefit type, included as part of "Salaries, wages and employee benefits," are as follows:*

	2021	2020	2019
Short-term employee benefits	**₱617,990,169**	₱530,425,483	₱523,863,831
Post-employment and long-term employee benefits	**29,630,420**	26,604,271	24,818,496
Share-based payments	**3,390,655**	18,793,326	13,743,064
	₱651,011,244	₱575,823,080	₱562,425,391

24. *Significant Contracts with the West Zone Concessionaire*

In relation to the Concession Agreement, the Parent Company entered into the following contracts with Maynilad:

a. *Interconnection Agreement that provides for the arrangements on the cross-border flows both incidental or permanent transfers, including the water interconnection points. The terms of the agreement provide, among others, the cost and the volume of water to be transferred between zones. For sewerage, the Parent Company and Maynilad may enter into a separate contracts.*

b. *Joint Venture Arrangement that will operate, maintain, renew, and as appropriate, decommission common purpose facilities, and perform other functions pursuant to and in accordance with the provisions of the Agreement and perform such other functions relating to the concession (and the concession of the West Zone Concessionaire) as the Concessionaires may choose to delegate to the joint venture, subject to the approval of MWSS.*

c. *In March 2010, MWSS entered into a loan agreement with The Export-Import Bank of China to finance the Angat Water Utilization and Aqueduct Improvement Project Phase II (the Project). Total loan facility is US$116.60 million with maturity of twenty (20) years, including five (5) years of grace period. Interest rate is 3% per annum. MWSS then entered into a MOA with the Parent Company and Maynilad for the Parent Company and Maynilad to shoulder equally the repayment of the loan, with such repayment to be part of the concession fees (see Note 10).*

d. *On May 12, 2015, MWSS entered into a MOA with the Parent Company and Maynilad for the Angat Water Transmission Improvement Project (Angat Transmission Project). The Angat Transmission Project aims to improve the reliability and security of the raw water coming from the Angat Dam through the rehabilitation of the transmission system from Ipo to La Mesa and the application of water safety, risk and asset management plans. Subsequently, on May 27, 2016, MWSS entered into a loan agreement with Asian Development Bank to finance the Angat Transmission Project. The loan amounts to US$123.30 million with a maturity of twenty-five (25) years including a seven (7)-year grace period. As stipulated in the MOA, the Parent Company and Maynilad shall shoulder equally the repayment of the loan and all reasonable expenditures related to the Project with such payments to form part of the concession fees.*

c. *In 2016, MWSS entered into a MOA with the Parent Company and Maynilad which was subsequently amended in 2018 for the New Centennial Water Source - Kaliwa Dam Project (NCWS-KDP). The NCWS-KDP aims to develop a new water source in order to meet the increasing water demand by constructing a dam for MWSS service area's domestic water supply.*

To partially finance the NCWS-KDP, MWSS entered into a Preferential Buyer's Credit Loan Agreement with The Export-Import Bank of China in 2018 amounting to US$211.21 million with a maturity of twenty (20) years including a seven (7)-year grace period. As stipulated in the MOA, the Parent Company and Maynilad shall shoulder equally the repayment of the loan and all reasonable expenditures related to the Project with such payments to form part of the concession fees.

d. In 2021, the Parent Company and Maynilad entered into a contract with Dohwa Engineering, Co. Ltd. for the construction management of the proposed Angat Water Transmission Project (Tunnel 5). On January 25, 2022, the Parent Company and Maynilad entered into a contract with China International Water and Electric Corp. for the design and build of the proposed Angat Water Transmission Project (Tunnel 5). The contractor will provide the necessary resources, skills and expertise for the performance and completion of certain civil, electro-mechanical, installation and other related works. The Angat Water Transmission Project (Tunnel 5) is part of the MWSS's water security program which aims to provide (i) additional nineteen (19) cubic meters per second of raw water supply, and (ii) improve the reliability and operational flexibility of the Umiray-Angat-Ipo raw water conveyance system.

25. Assets Held in Trust

MWSS
The Parent Company was granted the right to operate, maintain in good working order, repair, decommission and refurbish the movable property required to provide the water and sewerage services under the Concession Agreement. The legal title to all movable property in existence at the Commencement Date, however, shall be retained by MWSS and upon expiration of the useful life of any such movable property as may be determined by the Parent Company, such movable property shall be returned to MWSS in its then-current condition at no charge to MWSS or the Parent Company.

The Concession Agreement also provides for the Concessionaires to have equal access to MWSS facilities involved in the provision of water supply and sewerage services in both the East and West Zones including, but not limited to, the MWSS management information system, billing system, telemetry system, central control room and central records.

The net book value of the facilities transferred to the Parent Company on Commencement Date based on MWSS' closing audit report amounted to ₱4.60 billion, with a sound value of ₱10.40 billion.

MWSS' corporate headquarters is made available to the Concessionaires starting August 1, 1997, subject to periodic renewal by mutual agreement of the parties. On August 28, 2012, additional office space was leased by the Parent Company. The lease was last renewed on July 8, 2019. Payments amounting to ₱33.37 million, ₱36.40 million, and ₱40.04 million was recorded in 2021, 2020 and 2019, respectively, as deduction to lease liabilities.

In March 2015, the Parent Company and MWSS entered into an agreement for the lease of a portion of the San Juan Reservoir and Aqueduct Complex being utilized by the Parent Company as stockyard for its pipes and other materials. The lease agreement shall continue to be in effect until the termination of the Concession Agreement. Rent payments amounting to ₱16.20 million each year is recorded from 2019 to 2021 as deduction to lease liabilities.

CWD
On October 23, 2017, Calasiao Water was granted the right to develop, manage, operate, maintain, repair, refurbish and improve, expand, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water delivery and sanitation services in the Municipality of Calasiao. Legal title to all facilities (including any fixed assets resulting from the exercise of rights and powers), other than new assets contributed by Calasiao Water, shall remain with CWD.

CCWD
On July 3, 2019, Calbayog Water was granted the right to operate, maintain, repair, improve, expand, renew, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water supply and sanitation services in the service area of CCWD.

TIEZA
Boracay Water was granted the right to operate, maintain in good working order, repair, decommission and refurbish all fixed and movable property (except retained assets) required to provide the water and sewerage services under its concession agreement with TIEZA. The legal title to all these assets in existence at the commencement date, however, shall be retained by TIEZA and upon expiration of the useful life of such assets as may be determined by Boracay Water, such assets shall be returned to TIEZA in its then-current condition at no charge to TIEZA or Boracay Water.

The net book value of the facilities transferred to Boracay Water on commencement date based on TIEZA's closing audit report amounted to ₱618.24 million.

CDC
Clark Water was granted the right to finance, design and construct new facilities and to manage, exclusively possess, occupy, operate, repair, maintain, decommission, and refurbish all facilities, except private deep wells, to provide and manage the water and wastewater-related services in the CFZ.

BuWD
On June 14, 2019, Bulakan Water was granted the right to operate, maintain, repair, improve, expand, renew, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water delivery and sanitation services in the service area of BuWD.

TnWD
On February 4, 2019, South Luzon Water was granted the right to operate, maintain, repair, improve, expand, renew, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water supply and sanitation services in the service area of TnWD.

OWD
On October 12, 2017, Obando Water was granted the right to manage, operate, maintain, repair, refurbish and improve, expand and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water delivery and sanitation services in the Municipality of Obando. Legal title to all facilities (including any fixed assets resulting from the exercise of rights and powers), other than new assets contributed by Obando Water, shall remain with OWD.

PGL
Laguna Water was granted the right to manage, occupy, operate, repair, maintain, decommission and refurbish the property required to provide water services under its concession agreement with PGL. The legal title of all property in existence at the commencement date shall be retained by PGL. Upon expiration of the useful life of any such property as may be determined by Laguna Water, such property shall be returned to PGL in its then condition at no charge to PGL or Laguna Water.

PAGWAD
On January 21, 2019, Laguna Water was granted the right to operate, finance, maintain, repair, improve, expand, renew, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required and exclusively used to provide water delivery and sanitation services in the service area of PAGWAD.

LWD
On July 3, 2019, Aqua Centro was granted the right to operate, maintain, repair, improve, expand, renew, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water supply in the service area of LWD.

26. Segment Information

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. Accordingly, the segment information is reported based on geographic location.

The Group's BOD and Management Committee monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arms' length basis in a manner similar to transactions with third parties.

The amount of segment assets and liabilities are based on measurement principles that are similar with those used in measuring assets and liabilities in the consolidated statements of financial position which is in accordance with PFRS.

The segments where the Group operates follow:

- *Manila Concession and Head Office – represents the operations of the Manila Concession (East Zone) of the Parent Company in accordance with its Concession Agreement.*
- *Domestic Subsidiaries – represents the financial results of the Philippine businesses such as MWTS, Calasiao Water, MWPVI (including Laguna Water, Clark Water, Boracay Water, North Luzon Water, Filipinas Water, Obando Water, Bulakan Water, Ilagan Water, South Luzon Water, MW Consortium, Cebu Water, Davao Water, Tagum Water, BMDC, Aqua Centro, MWTV, EcoWater, Leyte Water, Zamboanga Water, and Calbayog Water).*
- *Foreign Subsidiaries – consists of businesses outside the Philippines under MWAP (MWSAH, Asia Water, TDWH, KDWH, MWTH, MWTC, MSEA, and PTMWI).*

Details of the Group's operating segments as of and for the years ended December 31, 2021, 2020, and 2019 are as follows:

	2021			
	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Consolidated
	(In Thousands)			
Revenue				
Sales to external customers	₱16,036,595	₱4,255,793	₱–	₱20,292,388
Operating expenses (excluding depreciation and amortization)	6,130,908	2,952,038	136,831	9,219,777
Depreciation and amortization	2,930,272	696,560	1,410	3,628,242
Other income (expenses) – net				
Equity share in net income of associates	–	–	569,460	569,460
Revenue from rehabilitation works	14,978,676	1,991,397	–	16,970,073
Cost of rehabilitation works	(14,978,676)	(1,991,397)	–	(16,970,073)
Interest income	56,339	249,857	2,064	308,260
Interest expense	(1,421,892)	(920,017)	(131,425)	(2,473,334)
Foreign exchange loss – net	(342,531)	(4,322)	(907)	(347,760)
Impairment losses	–	(130,319)	–	(130,319)
Other income (loss) – net	(140,696)	185,392	(106,977)	(62,281)
Income (loss) before income tax	5,126,635	(12,214)	193,974	5,308,395
Provision for income tax	1,445,916	93,308	69	1,539,293
Net income (loss) from continuing operations	3,680,719	(105,522)	193,905	3,769,102
Net loss from discontinued operations	–	(14,963)	–	(14,963)
Net income (loss)	₱3,680,719	(₱120,485)	₱193,905	₱3,754,139
Other information				
Segment assets, exclusive of investments in associates and deferred tax assets	₱119,471,237	₱29,028,803	₱863,680	₱149,363,720
Investments in associates	–	–	14,536,286	14,536,286
Derivative assets	386,712	–	–	386,712
Deferred tax assets	802,653	427,554	–	1,230,207
	₱120,660,602	₱29,456,357	₱15,399,966	₱165,516,925
Segment liabilities, exclusive of deferred tax liabilities	₱66,687,798	₱22,089,539	₱8,150,785	₱96,928,122
Deferred tax liabilities	–	263,639	–	263,639
	₱66,687,798	₱22,353,178	₱8,150,785	₱97,191,761

	2020			
	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Consolidated
	(In Thousands)			
Revenue				
Sales to external customers	₱16,888,949	₱4,236,186	₱–	₱21,125,135
Operating expenses (excluding depreciation and amortization)	5,407,559	2,845,658	84,991	8,338,208
Depreciation and amortization	2,848,360	673,269	1,356	3,522,985
Other income (expenses) - net				
Equity share in net income of associates	–	–	213,839	213,839
Revenue from rehabilitation works	9,751,168	1,224,999	–	10,976,167
Cost of rehabilitation works	(9,751,168)	(1,224,999)	–	(10,976,167)
Interest income	179,241	323,002	948	503,191
Interest expense	(1,278,726)	(807,812)	(173,535)	(2,260,073)
Foreign exchange gain (loss) - net	(504,214)	816	(6,716)	(510,114)
Impairment losses	–	–	(340,645)	(340,645)
Other income (loss) - net	(264,898)	51,267	7,059	(206,572)
Income (loss) before income tax	6,764,433	284,532	(385,397)	6,663,568
Provision for (benefit from) income tax	1,533,461	230,190	(14,927)	1,748,724
Net income (loss) from continuing operations	5,230,972	54,342	(370,470)	4,914,844
Net loss from discontinued operations	–	(369,057)	–	(369,057)
Net income (loss)	₱5,230,972	(₱314,715)	(₱370,470)	₱4,545,787
Other information				
Segment assets, exclusive of investments in associates and deferred tax assets	₱113,822,344	₱26,214,790	₱655,897	₱140,693,031
Investments in associates	–	–	14,283,833	14,283,833
Deferred tax assets	1,245,558	304,143	–	1,549,701
	₱115,067,902	₱26,518,933	₱14,939,730	₱156,526,565
Segment liabilities, exclusive of deferred tax liabilities	₱67,566,041	₱20,113,108	₱8,504,735	₱96,183,884
Deferred tax liabilities	–	179,226	–	179,226
	₱67,566,041	₱20,292,334	₱8,504,735	₱96,363,110

	2019			
	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Consolidated
	(In Thousands)			
Revenue				
Sales to external customers	₱16,862,821	₱4,778,688	₱5,796	₱21,647,305
Operating expenses (excluding depreciation and amortization)	6,530,900	2,900,354	174,633	9,605,887
Depreciation and amortization	2,405,355	517,992	1,305	2,924,652
Other income (expenses) - net				
Equity share in net income of associates	–	–	653,502	653,502
Revenue from rehabilitation works	9,518,912	1,333,999	–	10,852,911
Cost of rehabilitation works	(9,518,912)	(1,333,999)	–	(10,852,911)
Interest income	215,026	183,412	3,523	401,961
Interest expense	(1,234,218)	(605,332)	(228,735)	(2,068,285)
Foreign exchange income (loss) - net	(2,337)	(336)	(1,967)	(4,640)
Impairment losses	–	–	(74,325)	(74,325)
Other income (loss) - net	35,402	11,001	–	46,403
Income before income tax	6,940,439	949,087	181,856	8,071,382
Provision for income tax	2,040,639	318,571	15,968	2,375,178
Net income from continuing operations	4,899,800	630,516	165,888	5,696,204
Net loss from discontinued operations	–	(56,779)	–	(56,779)
Net income	₱4,899,800	₱573,737	₱165,888	₱5,639,425
Other information				
Segment assets, exclusive of investments in associates and deferred tax assets	₱93,128,758	₱24,148,456	₱615,812	₱117,893,026
Investments in associates	–	–	15,519,808	15,519,808
Deferred tax assets	975,573	213,234	–	1,188,807
	₱94,104,331	₱24,361,690	₱16,135,620	₱134,601,641
Segment liabilities, exclusive of deferred tax liabilities	₱52,176,830	₱17,304,488	₱8,991,967	₱78,473,285
Deferred tax liabilities	–	137,147	–	137,147
	₱52,176,830	₱17,441,635	₱8,991,967	₱78,610,432

The Group does not have a single customer contributing more than 10.00% of its total revenue.

Disaggregated revenue information

The following are the disaggregation of the Group's revenue from contracts with customers as of December 31, 2021, 2020 and 2019:

	2021			
	Manila Concession and Head Office	***Domestic Subsidiaries***	***Foreign Subsidiaries***	***Total***
		(In Thousands)		
Revenue from contracts with customers:				
Water and used water revenues	***₱15,775,550***	***₱3,511,589***	***₱–***	***₱19,287,139***
Other operating income	***261,045***	***744,204***	***–***	***1,005,249***
	₱16,036,595	***₱4,255,793***	***₱–***	***₱20,292,388***
Timing of revenue recognition:				
Revenue recognized over time	***₱15,962,645***	***₱4,023,927***	***₱–***	***19,986,572***
Revenue recognized at a point in time	***73,950***	***231,866***	***–***	***305,816***
	₱16,036,595	***₱4,255,793***	***₱–***	***₱20,292,388***

	2020			
	Manila Concession and Head Office	*Domestic Subsidiaries*	*Foreign Subsidiaries*	*Total*
		(In Thousands)		
Revenue from contracts with customers:				
Water and used water revenues	*₱16,676,121*	*₱3,482,271*	*₱–*	*₱20,158,392*
Other operating income	*212,828*	*753,915*	*–*	*966,743*
	₱16,888,949	*₱4,236,186*	*₱–*	*₱21,125,135*
Timing of revenue recognition:				
Revenue recognized over time	*₱16,798,309*	*₱4,145,171*	*₱–*	*₱20,943,480*
Revenue recognized at a point in time	*90,640*	*91,015*	*–*	*181,655*
	₱16,888,949	*₱4,236,186*	*₱–*	*₱21,125,135*

	2019			
	Manila Concession and Head Office	*Domestic Subsidiaries*	*Foreign Subsidiaries*	*Total*
		(In Thousands)		
Revenue from contracts with customers:				
Water and used water revenues	*₱16,645,094*	*₱3,351,527*	*₱–*	*₱19,996,621*
Other operating income	*150,493*	*1,487,423*	*12,768*	*1,650,684*
	₱16,795,587	*₱4,838,950*	*₱12,768*	*₱21,647,305*
Timing of revenue recognition:				
Revenue recognized over time	*₱16,772,613*	*₱4,709,351*	*₱–*	*₱21,481,964*
Revenue recognized at a point in time	*22,974*	*129,599*	*12,768*	*165,341*
	₱16,795,587	*₱4,838,950*	*₱12,768*	*₱21,647,305*

27. Fair Value Measurement

The carrying amounts approximate fair values for the Group's financial assets and liabilities due to its short-term maturities except for the following financial assets and financial liabilities as of December 31, 2021 and 2020:

	2021			
	Carrying Value	**Fair Value Quoted Market Prices (Level 1)**	**Fair Value Significant Observable Inputs (Level 2)**	**Fair Value Significant Unobservable Inputs (Level 3)**
		(In Thousands)		
Financial assets at fair value				
Derivative assets	**₱386,712**	**₱–**	**₱386,712**	**₱–**
Financial assets at amortized cost				
Contract assets from MCWD, TWD and CIWD	**1,944,693**	**–**	**–**	**3,408,438**
	₱2,331,405	**₱–**	**₱386,712**	**₱3,408,438**
Other financial liabilities				
Long-term debt	**₱71,388,742**	**₱26,549,314**	**₱–**	**₱44,744,062**
Service concession obligations	**8,958,321**	**–**	**–**	**10,163,159**
Customers' guaranty deposits and other deposits	**424,557**	**–**	**–**	**226,355**
	₱80,771,620	**₱26,549,314**	**₱–**	**₱55,133,576**

	2020			
	Carrying Value	Fair Value Quoted Market Prices (Level 1)	Fair Value Significant Observable Inputs (Level 2)	Fair Value Significant Unobservable Inputs (Level 3)
		(In Thousands)		
Financial assets at amortized cost				
Contract assets from MCWD, TWD and CIWD	₱1,923,476	₱–	₱–	₱3,852,930
Other financial liabilities				
Long-term debt	₱73,531,793	₱24,461,716	₱–	₱50,124,332
Service concession obligations	9,105,646	–	–	11,378,431
Customers' guaranty deposits and other deposits	384,819	–	–	229,214
	₱83,022,258	₱24,461,716	₱–	₱61,731,977

The methods and assumptions used by the Group in estimating the fair value of the long-term financial assets at amortized cost and other financial liabilities such as long-term debt, service concession obligations, and customers' guaranty deposits and other deposits are as follows:

a. *The fair values are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.*

b. *The discount rates used for PHP-denominated loans were 0.37% to 10.18% in 2021 and 0.99% to 10.50% in 2020 while the discount rates used for foreign currency-denominated loans ranged from 1.09% to 6.88% in 2021 and 0.99% to 5.52% in 2020.*

For the Parent Company, the recoverable amounts of its nonfinancial assets, particularly its property and equipment and service concession assets, have been determined through the assistance of external appraisers. The fair value, which was considered in the calculation of the recoverable amounts, was established as the current highest and best use of the property. This was further defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms' length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Foreign exchange forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates, yield curves of the respective currencies and currency basis spreads between the respective currencies. As at December 31, 2021, the mark-to market value of other derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

<u>Fair Value Hierarchy</u>
During the periods ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement.

*28. **Financial Risk Management Objectives and Policies***

The Group's principal financial instruments comprise of cash and cash equivalents, short-term investments, contract assets from MCWD, TWD and CIWD, derivative assets, short-term debt, long-term debt, and service concession obligations. The main purpose of the Group's financial instruments is to fund its operations and capital expenditures. The main risks arising from the use of financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Group has other financial assets such as trade receivables and payables which arise directly from the conduct of its operations.

The Parent Company's BOD reviews and approves the policies for managing each of these risks. The Group monitors risks arising from all financial instruments and regularly report financial management activities and the results of these activities to the Parent Company's BOD. In addition, the Group ensures that all loan covenants are complied with.

The Group's risk management policies are summarized below:

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to its financial instruments with floating and/or fixed rates. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk.

The Group's policy is to manage the interest payments using a mix of fixed and variable rate debts to minimize the Group's exposure to changes in interest rates primarily from its long-term debt. As of December 31, 2021 and 2020, the Group's mix of fixed interest and floating interest rate of long-term debt are 65.25% to 34.75% and 64.85% to 35.15%, respectively.

As of December 31, 2021, the fixed interest rates of the Group's foreign currency denominated long-term debt are from 1.39% to 4.38% and are from 4.63% to 9.00% for Peso denominated long-term debt. As of December 31, 2020, the fixed interest rates of the Group's foreign currency denominated long-term debt are from 1.33% to 4.38% and are from 4.98% to 9.00% for Peso denominated long-term debt. Floating interest rates are based on 6-month LIBOR, EURIBOR or BIBOR plus margin as of December 31, 2021 and 2020.

The following tables summarize the maturity profile of the Group's long-term debt based on contractual undiscounted principal payments:

	2021*											
	Due in 2022	Due in 2023	Due in 2024	Due in 2025	Due in 2026	Due after 2026	Total in Original Currency (In PHP)	Total in Original Currency (In JPY)	Total in Original Currency (In USD)	Total in Original Currency (In EUR)	Total in Original Currency (In THB)	Total (In PHP)
Liabilities:												
Long-term debt												
East Zone loans:												
Fixed Rate (exposed to fair value risk)												
₱5.00 billion PNB Loan	₱500,000,000	₱500,000,000	₱500,000,000	₱500,000,000	₱500,000,000	₱875,000,000	₱3,375,000,000	¥–	$–	€–	THB–	₱3,375,000,000
₱5.00 billion BDO Loan	₱–	₱–	₱1,800,000,000	₱–	₱–	₱–	₱1,800,000,000	¥–	$–	€–	THB–	₱1,800,000,000
JP¥40.00 billion Loan	¥3,397,902,104	¥–	¥–	¥–	¥–	¥–	₱–	¥3,397,902,104	$–	€–	THB–	₱1,499,494,198
US$500.00 million sustainability bonds	$–	$–	$–	$–	$–	$500,000,000	₱–	¥–	$500,000,000	€–	THB–	₱25,499,500,000
Floating Rate (exposed to cash flow risk)												
MTSP Loan	¥168,170,255	¥–	¥–	¥–	¥–	¥–	₱–	¥168,170,255	$–	€–	THB–	₱74,213,534
MWMP Loan	$7,721,832	$7,721,832	$7,721,832	$7,721,832	$7,721,832	$80,989,168	₱–	¥–	$119,598,328	€–	THB–	₱6,099,395,130
₱5.00 billion BDO Loan	₱2,000,000,000	₱–	₱–	₱1,200,000,000	₱–	₱–	₱3,200,000,000	¥–	$–	€–	THB–	₱3,200,000,000
EUR250.00 million Loan	€–	€62,500,000	€57,500,000	€–	€–	€–	₱–	¥–	$–	€120,000,000	THB–	₱6,901,404,000
Subsidiaries' loans:												
Fixed Rate (exposed to fair value risk)												
₱1.15 billion Clark Water RCBC Loan	₱95,833,333	₱95,833,333	₱95,833,333	₱95,833,333	₱95,833,333	₱359,375,000	₱838,541,665	¥–	$–	€–	THB–	₱838,541,665
₱0.80 billion Cebu Water DBP Loan	₱44,209,804	₱44,209,804	₱44,209,804	₱44,209,804	₱44,209,804	₱309,468,628	₱530,517,648	¥–	$–	€–	THB–	₱530,517,648
₱0.50 billion Laguna Water DBP Loan	₱29,411,765	₱29,411,765	₱29,411,765	₱29,411,765	₱29,411,765	₱198,529,412	₱345,588,237	¥–	$–	€–	THB–	₱345,588,237
₱0.83 billion Laguna Water DBP Loan	₱50,484,848	₱50,484,848	₱50,484,848	₱50,484,848	₱50,484,848	₱340,772,727	₱593,196,967	¥–	$–	€–	THB–	₱593,196,967
₱2.50 Laguna Water SBC Loan	₱180,682,047	₱192,307,692	₱192,307,692	₱192,307,692	₱186,538,462	₱823,076,923	₱1,767,220,508	¥–	$–	€–	THB–	₱1,767,220,508
₱2.50 billion Laguna Water BPI Loan	₱51,724,138	₱179,310,345	₱179,310,345	₱179,310,345	₱179,310,345	₱493,103,448	₱1,262,068,966	¥–	$–	€–	THB–	₱1,262,068,966
₱0.38 billion Boracay Water DBP-SBC Loan	₱–	₱1,654,412	₱9,414,391	₱31,039,916	₱31,039,916	147,439,601	₱220,588,236	¥–	$–	€–	THB–	₱220,588,236
₱0.50 billion Boracay Water DBP-SBC Loan	₱–	₱2,360,491	₱13,432,318	₱44,287,309	₱44,287,309	₱210,364,716	₱314,732,143	¥–	$–	€–	THB–	₱314,732,143
₱0.65 billion Boracay Water DBP-SBC Loan	₱–	₱4,062,500	₱23,117,560	₱76,220,238	₱76,220,238	₱362,046,131	₱541,666,667	¥–	$–	€–	THB–	₱541,666,667
₱2.40 billion Boracay Water BPI Loan	₱–	₱10,650,000	₱14,200,000	₱67,450,000	₱127,800,000	₱1,199,900,000	₱1,420,000,000	¥–	$–	€–	THB–	₱1,420,000,000
₱0.45 billion Tagum Water PNB Loan	₱33,666,667	₱33,666,667	₱33,666,667	₱33,666,667	₱33,666,667	₱193,583,332	₱361,916,667	¥–	$–	€–	THB–	₱361,916,667
₱0.15 billion Tagum Water PNB Loan	₱13,333,333	₱13,333,333	₱13,333,333	₱13,333,333	₱13,333,333	₱76,666,668	₱143,333,333	¥–	$–	€–	THB–	₱143,333,333
₱7.00 billion MWPVI Loan	₱305,280,000	₱610,560,000	₱609,920,000	₱609,280,000	₱609,280,000	₱3,655,680,000	₱6,400,000,000	¥–	$–	€–	THB–	₱6,400,000,000
₱0.39 billion Calbayog Water BPI Loan	₱–	₱–	₱3,325,239	₱9,690,858	₱8,573,040	₱48,410,863	₱70,000,000	¥–	$–	€–	THB–	₱70,000,000
₱0.23 billion Aqua Centro BPI Loan	₱–	₱1,800,900	₱14,273,800	₱14,273,800	₱14,273,800	₱62,377,700	₱107,000,000	¥–	$–	€–	THB–	₱107,000,000
₱0.47 billion South Luzon Water BPI Loan	₱–	₱–	₱6,670,000	₱13,340,000	₱13,340,000	₱66,650,000	₱100,000,000	¥–	$–	€–	THB–	₱100,000,000
Floating Rate (exposed to cash flow risk)												
₱0.54 billion Clark Water DBP Loan	₱–	₱44,583,333	₱44,583,333	₱44,583,333	₱44,583,333	₱356,666,668	₱535,000,000	¥–	$–	€–	THB–	₱535,000,000
₱0.12 billion Boracay Water DBP-SBC Loan	₱–	₱551,471	₱3,138,130	₱10,346,639	₱10,346,639	₱49,146,534	₱73,529,413	¥–	$–	€–	THB–	₱73,529,413
THB5.30 billion Loan	THB–	THB–	THB5,300,000,000	THB–	THB–	THB–	₱–	¥–	$–	€–	THB5,300,000,000	₱8,096,776,803
Total in Original Currency							₱23,999,900,450	¥3,566,072,359	$619,598,328	€120,000,000	THB5,300,000,000	₱72,170,684,115
Total in PHP	₱5,272,139,378	₱5,803,067,854	₱15,478,137,821	₱3,652,875,590	₱2,506,338,542	₱39,458,124,930	₱23,999,900,450	₱1,573,707,732	₱31,598,895,130	₱6,901,404,000	₱8,096,776,803	₱72,170,684,115

Interest on financial instruments classified as floating rate is repriced on a semi-annual basis, unless otherwise stated. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.
The spot exchange rates used were ₱0.4413 to JP¥1, ₱50.9990 to US$1, ₱57.5117 to EUR1, and ₱1.5277 to THB1 in 2021.
**Excludes the CAD0.87 million Laguna Water loan whose repayment date is related to the completion of the funded project*

	2020*											
	Due in 2021	Due in 2022	Due in 2023	Due in 2024	Due in 2025	Due after 2025	Total in Original Currency (In PHP)	Total in Original Currency (In JPY)	Total in Original Currency (In USD)	Total in Original Currency (In EUR)	Total in Original Currency (In THB)	Total (In PHP)
Liabilities:												
Long-term debt												
East Zone loans:												
Fixed Rate (exposed to fair value risk)												
₱5.00 billion PNB Loan	₱500,000,000	₱500,000,000	₱500,000,000	₱500,000,000	₱500,000,000	₱1,375,000,000	₱3,875,000,000	¥–	$–	€–	THB–	₱3,875,000,000
₱5.00 billion BDO Loan	₱–	₱–	₱–	₱1,800,000,000	₱–	₱–	₱1,800,000,000	¥–	$–	€–	THB–	₱1,800,000,000
JP¥40.00 billion Loan	¥6,897,902,094	¥3,397,902,104	¥–	¥–	¥–	¥–	₱–	¥10,295,804,198	$–	€–	THB–	₱4,765,927,763
US$500.00 million sustainability bonds	$–	$–	$–	$–	$–	$500,000,000	₱–	¥–	$500,000,000	€–	THB–	₱24,011,500,000
Floating Rate (exposed to cash flow risk)												
MTSP Loan	¥340,366,724	¥168,170,255	¥–	¥–	¥–	¥–	₱–	¥508,536,979	$–	€–	THB–	₱235,401,768
MWMP Loan	$7,721,832	$7,721,832	$7,721,832	$7,721,832	$7,721,832	$88,711,000	₱–	¥–	$127,320,160	€–	THB–	₱6,114,296,044
₱5.00 billion BDO Loan	₱–	₱2,000,000,000	₱–	₱–	₱1,200,000,000	₱–	₱3,200,000,000	¥–	$–	€–	THB–	₱3,200,000,000
EUR250.00 million Loan	€–	€–	€32,500,000	€32,500,000	€32,500,000	€32,500,000	₱–	¥–	$–	€130,000,000	THB–	₱7,629,752,000
Subsidiaries' loans:												
Fixed Rate (exposed to fair value risk)												
₱1.15 billion Clark Water RCBC Loan	₱95,833,333	₱95,833,333	₱95,833,333	₱95,833,333	₱95,833,333	₱455,208,335	₱934,375,000	¥–	$–	€–	THB–	₱934,375,000
₱0.80 billion Cebu Water DBP Loan	₱44,209,804	₱44,209,804	₱44,209,804	₱44,209,804	₱44,209,804	₱353,678,431	₱574,727,451	¥–	$–	€–	THB–	₱574,727,451
₱0.50 billion Laguna Water DBP Loan	₱29,411,765	₱29,411,765	₱29,411,765	₱29,411,765	₱29,411,765	₱227,941,175	₱375,000,000	¥–	$–	€–	THB–	₱375,000,000
₱0.83 billion Laguna Water DBP Loan	₱50,484,848	₱50,484,848	₱50,484,848	₱50,484,848	₱50,484,848	₱391,257,578	₱643,681,818	¥–	$–	€–	THB–	₱643,681,818
₱2.50 Laguna Water SBC Loan	₱192,307,692	₱192,307,692	₱192,307,692	₱192,307,692	₱192,307,692	₱961,538,464	₱1,923,076,924	¥–	$–	€–	THB–	₱1,923,076,924
₱2.50 billion Laguna Water BPI Loan	₱–	₱75,862,069	₱151,724,138	₱151,724,138	₱151,724,138	₱568,965,517	₱1,100,000,000	¥–	$–	€–	THB–	₱1,100,000,000
₱0.38 billion Boracay Water DBP-SBC Loan	₱22,058,824	₱22,058,824	₱22,058,824	₱22,058,824	₱22,058,824	₱126,838,232	₱237,132,352	¥–	$–	€–	THB–	₱237,132,352
₱0.50 billion Boracay Water DBP-SBC Loan	₱31,473,214	₱31,473,214	₱31,473,214	₱31,473,214	₱31,473,214	₱180,970,984	₱338,337,054	¥–	$–	€–	THB–	₱338,337,054
₱0.65 billion Boracay Water DBP-SBC Loan	₱54,166,667	₱54,166,667	₱54,166,667	₱54,166,667	₱54,166,667	₱311,458,331	₱582,291,666	¥–	$–	€–	THB–	₱582,291,666
₱2.40 billion Boracay Water BPI Loan	₱–	₱–	₱62,500,000	₱125,000,000	₱125,000,000	937,500,000	₱1,250,000,000	¥–	$–	€–	THB–	₱1,250,000,000
₱0.45 billion Tagum Water PNB Loan	₱42,083,332	₱33,666,667	₱33,666,667	₱33,666,667	₱33,666,667	₱227,250,000	₱404,000,000	¥–	$–	€–	THB–	₱404,000,000
₱7.00 billion MWPVI Loan	₱–	₱262,350,000	₱524,700,000	₱524,150,000	₱523,600,000	₱3,665,200,000	₱5,500,000,000	¥–	$–	€–	THB–	₱5,500,000,000
Floating Rate (exposed to cash flow risk)												
₱0.54 billion Clark Water DBP Loan	₱–	₱26,666,667	₱26,666,667	₱26,666,667	₱26,666,667	₱213,333,332	₱320,000,000	¥–	$–	€–	THB–	₱320,000,000
₱0.12 billion Boracay Water DBP-SBC Loan	₱7,352,941	₱7,352,941	₱7,352,941	₱7,352,941	₱7,352,941	₱42,279,413	₱79,044,118	¥–	$–	€–	THB–	₱79,044,118
THB5.30 billion Loan	THB–	THB–	THB–	THB5,300,000,000	THB–	THB–	₱–	¥–	$–	€–	THB5,300,000,000	₱8,480,000,000
Total in Original Currency							₱23,136,666,383	¥10,804,341,177	$627,320,160	€130,000,000	THB5,300,000,000	₱74,373,543,958
Total in PHP	₱4,790,802,594	₱5,447,404,924	₱4,104,820,098	₱14,446,770,098	₱5,366,220,098	₱40,217,526,146	₱23,136,666,383	₱5,001,329,531	₱30,125,796,044	₱7,629,752,000	₱8,480,000,000	₱74,373,543,958

Interest on financial instruments classified as floating rate is repriced on a semi-annual basis, unless otherwise stated. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.
The spot exchange rates used were ₱0.4629 to JP¥1, ₱48.0230 to US$1, ₱58.6904 to EUR1, and ₱1.6000 to THB1 in 2020.
**Excludes the CAD0.87 million Laguna Water loan whose repayment date is related to the completion of the funded project*

The following tables demonstrate the sensitivity of the Group's income before income tax to a reasonably possible change in interest rates on December 31, 2021 and 2020, with all variables held constant (through the impact on floating rate borrowings).

		2021	2020
	Changes in Basis Points	**Effect on Income Before Income Tax**	*Effect on Income Before Income Tax*
		(In Thousands)	
Floating rate borrowings	**100**	**(₱252,444)**	(₱197,824)
	(100)	**252,444**	198,824

Foreign exchange risk

The Group's foreign exchange risk results primarily from movements of the PHP against the USD, JPY and EUR on its long-term debt and service concession obligations. Substantially all revenues are generated in PHP while majority of capital expenditures are also in PHP. Approximately 66.57% and 68.73% of debt, including bonds payable, as of December 31, 2021 and 2020, respectively, are denominated in foreign currency.

On August 1, 2021, the BOD approved the Foreign Exchange Risk Policy to help the Parent Company properly address or mitigate the adverse effects of foreign exchange volatility to its profit and loss through the employment of various risk mitigation strategies which include several derivative structures. As an enhancement on the foreign exchange risk management strategy approved by the BOD on February 24, 2022, the Parent Company shall maximize the use of available accounting hedges and shall take into account the capitalization of foreign exchange losses pertaining to capitalizable foreign currency-denominated loans as and when possible to minimize the adverse effect of foreign exchange volatility to profit and loss while managing overall cost that includes hedging costs.

The Group manages its foreign currency risk by hedging transactions that are expected to occur upon maturity of the hedged long-term debts. When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to match the terms of the hedged exposure. As at December 31, 2021, the Group hedged the €120.00 million loan (principal only swap) and US$100.00 million of the US$500.00 million sustainability bonds (currency option transaction).

The Group hedges its exposure to fluctuations on the translation from USD to PHP of its investment in a foreign subsidiary by holding net borrowings in a foreign currency. As at December 31, 2021, the Group hedged US$100.00 million of the US$500.00 million sustainability bonds.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine Peso equivalents are as follows:

	2021		2020	
	Original Currency	**Peso Equivalent**	*Original Currency*	*Peso Equivalent*
	(In Thousands)		*(In Thousands)*	
Assets				
Cash and cash equivalents:				
USD	**USD120,378**	**₱6,139,174**	USD304,951	₱14,644,655
THB	**THB87,532**	**133,722**	THB191,489	306,387
VND	**VND4,182,432**	**9,345**	VND65,906,826	136,867
IDR	**IDR2,389,115**	**8,534**	IDR1,072,486	3,651
SGD	**SGD3**	**104**	SGD14	508
MMK	**MMK11**	**–**	MMK–	–
JP¥	**JP¥–**	**–**	JP¥556	258
Short-term investments:				
THB	**THB140,000**	**213,877**	–	–
Accounts receivable:				
SAR	**SAR6,160**	**83,321**	SAR–	–
VND	**VND1,191,300**	**2,662**	VND198,650	413
IDR	**IDR244,558**	**874**	IDR576,952	1,964
USD	**USD55**	**2,798**	USD484	23,242
THB	**THB–**	**–**	THB16	26
Other current assets:				
THB	**THB41,332**	**63,142**	THB28,171	45,074
VND	**VND1,031,358**	**2,304**	VND464,211	964
GBP	**GBP17**	**1,197**	GBP–	–
IDR	**IDR179,062**	**640**	IDR376,132	1,281
USD	**USD3**	**146**	USD10	474

	2021		2020	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Other noncurrent assets:				
USD	**USD622**	**31,702**	USD11	541
IDR	**IDR75,169**	**268**	IDR46,525	158
VND	**VND–**	**–**	VND56,150	117
THB	**THB–**	**–**	THB1	2
		6,693,810		15,166,582
Liabilities				
Accounts payable:				
THB	**THB23,153**	**35,371**	THB23,967	38,348
USD	**USD188**	**9,589**	USD332	15,924
VND	**VND1,310,757**	**2,929**	VND1,338,154	2,779
SGD	**SGD67**	**2,521**	SGD56	2,014
EUR	**EUR1**	**44**	EUR–	–
IDR	**IDR–**	**–**	IDR189,134	644
Long-term debt:				
USD	**USD608,831**	**31,049,789**	USD615,742	29,569,774
THB	**THB5,285,119**	**8,074,043**	THB5,278,512	8,445,724
EUR	**EUR118,113**	**6,792,855**	EUR128,315	7,530,831
JP¥	**JP¥3,556,722**	**1,569,581**	JP¥10,719,527	4,962,069
CAD	**CAD873**	**34,793**	CAD873	32,647
Service concession obligations:				
USD	**USD72,991**	**3,722,452**	USD75,970	3,648,328
JP¥	**JP¥276,831**	**122,165**	JP¥345,603	159,980
		51,416,132		54,409,062
Net foreign currency-denominated liabilities		**(₱44,722,322)**		(₱39,242,480)

The spot exchange rates used were ₱50.9990 to US$1, ₱39.8540 to CAD1, ₱57.5117 to EUR1, ₱68.5347 to GBP1, ₱0.0036 to IDR1, ₱0.4413 to JP¥1, ₱0.0285 to MMK1, ₱13.5260 to SAR1, ₱37.5547 to SGD1, ₱1.5277 to THB1, and 0.0022 to VND1 in 2021; and ₱48.0230 to US$1, ₱37.3967 to CAD1, ₱58.6904 to EUR1, ₱0.0034 to IDR1, ₱0.4629 to JP¥1, ₱36.1200 to SGD1, ₱1.6000 to THB1, and ₱0.0021 to VND1 in 2020.

Under their respective concession agreements, the Parent Company and Boracay Water have a natural hedge on foreign exchange risks on their loans and concession fee payments through a recovery mechanism in their respective tariffs (see Notes 1 and 13).

The following table demonstrate the sensitivity of the Group's income before income tax to a reasonably possible change in foreign exchange rate on December 31, 2021:

	Changes in Percentage	Effect on Income Before Income Tax (In Thousands)
Foreign exchange rate	**5.00%**	**(₱1,023,098)**
	(5.00%)	**1,023,098**

Beginning November 18, 2021, the Parent Company's RCA has removed its FCDA recovery mechanism from the water rates of the Parent Company's customers. Boracay Water, on the other hand, still maintains this natural hedge and does not expect any movement of the foreign currencies against the Philippine Peso to have a significant effect on the Group's income before income tax.

- *Cash flow hedges for foreign currency risks*
  During the period, the Parent Company designated foreign currency forward contracts as hedges of exposure to foreign exchange currency risk on its seven (7)-year term loan from Bank of China Hong Kong and Manila Branches denominated in EUR.

  The terms of the foreign currency forward contracts have been negotiated to match the terms of the EUR leg of the principal only swap. Both parties to the contract have fully cash-collateralized the foreign currency forward contracts, and, therefore, effectively eliminated any credit risk associated with the contracts (both the Hedge Counterparty's and the Group's own credit risk).

The Parent Company designated a USD/PHP non-deliverable deferred premium currency option transaction as hedging instrument for the USD100 Mn denominated bond. The bond will be hedged against unfavourable movements of USD/PHP to minimize potential friction cost from unwinding the hedge in case Parent Company wishes to exercise the pretermination right on the first call date

As of December 31, 2021, an unrealized loss of ₱1,141.95 million relating to the derivatives are included in other comprehensive income.

- *Hedge of net investments in foreign operations*
  Included in loans as at December 31, 2021 was a borrowing of USD100.00 million, which is designated as a hedge of the net investment in MWAP, the Parent Company's wholly-owned foreign holding company, with USD as its functional currency. As of December 31, 2021, a gain of ₱121.42 million on the translation of this borrowing was transferred to OCI to offset the gains on translation of the investment in MWAP. There is no ineffectiveness for the year ended December 31, 2021. There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the USD borrowing. The Group has established a hedge ratio of 1:1 as the underliying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the fixed rate borrowing.

The hedge effectiveness can be assessed by considering the economic relationship, effect of credit risk and hedge ratio.

The maturity profile of the hedging instruments as of December 31, 2021 follows:

	Within 1 year	1 to 5 years	More than 5 years	Total
EUR120 Mn Loan - Principal only swap	–	€120,000,000	–	€120,000,000
Hedge rate	–	₱59.34	–	–
USD100 Mn Bonds - Currency Option Transaction	–	$100,000,000	–	$100,000,000
Hedge rate	–	₱50.86 - ₱56.50	–	–
USD100 Mn Bonds - Net Investment Hedge	–	–	$100,000,000	$100,000,000
Hedge rate	–	–	₱49.76	–

The impact of the hedging instruments and hedged items on the statement of financial position as of December 31, 2021 follows:

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value*
EUR120 Mn Loan - Principal only swap	€120,000,000	₱391,325,605	Other noncurrent assets	₱457,932,425
USD100 Mn Bonds - Currency Option Transaction	$100,000,000	(4,613,859)	Other noncurrent assets	(35,691,984)
USD100 Mn Bonds - Net Investment Hedge	$100,000,000	–	–	(121,415,238)
		₱386,711,746		₱300,825,203

**net of income tax effect*

The impact of the hedged items on the statement of financial position as of December 31, 2021 follows:

	Notional amount	Change in fair value *	Cash flow hedge reserve*	Cost of hedging reserve*
EUR120 Mn Loan - Principal only swap	€120,000,000	₱457,932,425	₱775,253,964	(₱317,321,539)
USD100 Mn Bonds – Currency Option Transaction	$100,000,000	(35,691,984)	366,700,065	(402,392,049)
USD100 Mn Bonds - Net Investment Hedge	$100,000,000	(121,415,238)	–	–
		₱300,825,203	₱1,141,954,029	(₱719,713,588)

**net of income tax effect*

The effect of the cash flow hedge in the statement of profit and loss and OCI follows:

	Total hedging gain (loss) recognized in OCI*	Ineffectiveness recognized in profit or loss	Line item in profit or loss	Amount reclassified from OCI to profit or loss	Line item in profit or loss
EUR120 Mn Loan - Principal only swap	₱457,932,425	₱3,525,757	Interest expense	₱215,725,207	Foreign exchange gains (losses)
USD100 Mn Bonds – Currency Option Transaction	(35,691,984)	48,310	Interest expense	(43,023,765)	Foreign exchange gains (losses)
USD100 Mn Bonds - Net Investment Hedge	(121,415,238)	–	–	121,415,238	Foreign exchange gains (losses)
	₱300,825,203	₱3,574,067		₱294,116,680	

**net of income tax effect*

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Customer credit risk is managed by the Group's established policy, procedures and control relating to customer credit risk management. Credit risk for receivables from customers is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group has no significant concentration of credit risk. Outstanding customer receivables and contract assets are regularly monitored and customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of customer segments with similar loss patterns (i.e., by geographical region, and product type). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

Generally, trade receivables are written off when deemed unrecoverable and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The information about the credit risk exposure on the Group's receivables and contract assets using a provision matrix follow:

	December 31, 2021						
	Current	Days Past Due					
	Standard Grade	Less than 30 Days	30 to 60 Days	61 to 90 Days	Over 90 Days	Expected Credit Loss	Total
			(In Thousands)				
Receivables							
Trade receivables	₱755,643	₱579,374	₱369,520	₱255,697	₱655,044	₱1,940,724	₱4,556,002
Employees	22,882	–	–	–	–	518	23,400
Interest from banks	8,149	–	–	–	–	–	8,149
Others	56,846	–	–	–	–	191,610	248,456
	843,520	579,374	369,520	255,697	655,044	2,132,852	4,836,007
Contract assets	2,487,440	–	–	–	–	379,958	2,867,398
	₱3,330,960	₱579,374	₱369,520	₱255,697	₱655,044	₱2,512,810	₱7,703,405

	December 31, 2020						
	Current	Days Past Due					
	Standard Grade	Less than 30 Days	30 to 60 Days	61 to 90 Days	Over 90 Days	Expected Credit Loss	Total
			(In Thousands)				
Receivables							
Trade receivables	₱316,965	₱177,770	₱91,191	₱76,118	₱2,346,192	₱1,683,840	₱4,692,076
Employees	26,717	–	–	–	–	5	26,722
Interest from banks	10,306	–	–	–	–	–	10,306
Others	111,947	–	–	–	–	65,223	177,170
	465,935	177,770	91,191	76,118	2,346,192	1,749,068	4,906,274
Contract assets	2,504,480	–	–	–	–	337,520	2,842,000
	₱2,970,415	₱177,770	₱91,191	₱76,118	₱2,346,192	₱2,086,588	₱7,748,274

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty limits are reviewed and approved by the BOD and are updated when necessary.

Cash and cash equivalents and short-term investments are placed in various banks. Material amounts are held by banks which belong to the top five (5) banks in the country. The rest are held by local banks that have good reputation and low probability of insolvency. These are considered to be low credit risk investments.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, and debentures. The Group's policy is to maintain a level of cash that is sufficient to fund its operating cash requirements for the next three (3) to six (6) months and any claim for refund of customers' guaranty deposits. Capital expenditures are funded through long-term debt, while operating expenses and working capital requirements are sufficiently funded through internally generated cash. Maturing debts are refinanced through a combination of long-term debt and internally generated cash.

The Group's financial assets used for liquidity management based on their maturities are as follows:

	December 31, 2021			
	Within 1 year	1 to 5 years	More than 5 years	Total - Gross
Assets:				
Cash and cash equivalents	₱13,337,711,573	₱–	₱–	₱13,337,711,573
Short-term investments	268,516,237	–	–	268,516,237
Receivables:				
Customers	4,516,492,234	–	–	4,516,492,234
Employees	23,400,262	–	–	23,400,262
Interest from banks	8,149,445	–	–	8,149,445
ZCWD	39,509,823			39,509,823
Others	248,456,004	–	–	248,456,004
Contract assets from MCWD, TWD, and CIWD	279,360,368	1,214,713,976	3,122,109,103	4,616,183,447
	₱18,721,595,946	₱1,214,713,976	₱3,122,109,103	₱23,058,419,025

December 31, 2020

	Within 1 year	1 to 5 years	More than 5 years	Total - Gross
Assets:				
Cash and cash equivalents	₱20,727,258,023	₱–	₱–	₱20,727,258,023
Short-term investments	129,300,000	–	–	129,300,000
Receivables:				
Customers	4,652,566,513	–	–	4,652,566,513
Employees	26,721,569	–	–	26,721,569
Interest from banks	10,306,422	–	–	10,306,422
ZCWD	39,509,823			39,509,823
Others	177,169,210	–	–	177,169,210
Contract assets from MCWD and TWD	276,328,970	1,143,936,076	3,415,957,589	4,836,222,635
	₱26,039,160,530	₱1,143,936,076	₱3,415,957,589	₱30,599,054,195

The Group's financial liabilities based on contractual undiscounted payments:

	December 31, 2021			
	Within 1 year	**1 to 5 years**	**More than 5 years**	**Total - Gross**
Liabilities:				
Accounts and other payables	**₱13,228,865,224**	**₱–**	**₱–**	**₱13,228,865,224**
Long-term debt*	**8,401,817,959**	**36,650,984,137**	**48,432,960,385**	**93,485,762,481**
Service concession obligation*	**990,122,682**	**4,122,049,584**	**9,632,383,228**	**14,744,555,494**
Lease liabilities*	**103,161,096**	**190,151,644**	**217,691,456**	**511,004,196**
Other noncurrent liabilities	**–**	**–**	**870,980,332**	**870,980,332**
	₱22,723,966,961	**₱40,963,185,365**	**₱59,154,015,401**	**₱122,841,167,727**

*Includes contractual interest cash flows

	December 31, 2020			
	Within 1 year	1 to 5 years	More than 5 years	Total - Gross
Liabilities:				
Accounts and other payables	₱10,442,334,810	₱–	₱–	₱10,442,334,810
Long-term debt*	7,600,746,243	39,000,591,790	49,037,975,632	95,639,313,665
Service concession obligation*	1,021,836,962	3,701,868,959	10,813,279,788	15,536,985,709
Lease liabilities*	148,816,240	187,528,204	227,367,965	563,712,409
Other noncurrent liabilities	–	–	830,184,681	830,184,681
	₱19,213,734,255	₱42,889,988,953	₱60,908,808,066	₱123,012,531,274

*Includes contractual interest cash flows

Changes in liabilities arising from financing activities:

	December 31, 2021					
	Short-term Debt	**Long-term Debt**	**Service Concession Obligations**	**Lease Liabilities**	**Interest Payable**	**Total**
Balance at beginning of year	**₱–**	**₱73,531,792,806**	**₱9,105,646,095**	**₱393,937,309**	**₱864,990,605**	**₱83,896,366,815**
Cash flows - net	**–**	**(3,467,183,991)**	**(925,759,914)**	**(141,470,517)**	**(3,012,274,103)**	**(7,546,688,525)**
Accretion	**–**	**238,349,194**	**548,326,473**	**20,131,539**	**–**	**806,807,206**
Interest	**–**	**–**		**–**	**3,367,103,501**	**3,367,103,501**
Concession fees	**–**	**–**	**66,102,348**	**–**	**–**	**66,102,348**
Additions - net	**–**	**–**	**(51,486,640)**	**89,119,814**	**–**	**37,633,174**
Accrual of liability	**–**	**–**	**3,521,415**	**–**	**–**	**3,521,415**
Foreign exchange losses (gains) - net	**–**	**1,085,783,984**	**211,971,556**	**–**	**(248,154,934)**	**1,049,600,606**
	₱–	**₱71,388,741,993**	**₱8,958,321,333**	**₱361,718,145**	**₱971,665,069**	**₱81,680,446,540**

	December 31, 2020					
	Short-term Debt	Long-term Debt	Service Concession Obligations	Lease Liabilities	Interest Payable	Total
Balance at beginning of year	₱–	₱56,355,808,132	₱9,153,821,686	₱308,482,153	₱493,428,795	₱66,311,540,766
Cash flows - net	(12,032,877)	18,004,454,847	(1,211,982,518)	(99,434,114)	(2,578,403,389)	14,102,601,949
Accretion	12,032,877	161,721,539	603,526,856	28,294,594	–	805,575,866
Interest	–	–	–	–	3,140,807,030	3,140,807,030
Concession fees	–	–	762,637,047	–	–	762,637,047
Additions - net	–	–	–	156,594,676	–	156,594,676
Foreign exchange losses (gains) - net	–	(990,191,712)	(202,356,976)	–	(190,841,831)	(1,383,390,519)
	₱–	₱73,531,792,806	₱9,105,646,095	₱393,937,309	₱864,990,605	₱83,896,366,815

Capital management

The primary objective of the Group's capital management strategy is to ensure that it maintains a healthy capital structure, in order to maintain a strong credit standing while it maximizes shareholder value.

The Group considers total equity and debt as its capital, and closely manages its capital structure by monitoring key covenant ratios in compliance with the respective loan covenants of the entities within the Group. These ratios include debt-to-equity, debt service coverage and early termination.

For the purposes of computing its debt-to-equity, which generally should not exceed 3x, "debt" is defined as the aggregate of all obligations of the borrower to pay or repay money or bank debt, excluding service concession obligations. Debt service coverage ratio, which measures the ability of the Group to pay the scheduled principal and interest payments, shall not be less than 1.2x to 1.3x. Early termination ratio, which applies to the Parent Company, is calculated consistent with the definition under the Concession Agreement, and should not be less than 1x. The ratios are to be achieved by managing the level of borrowings and dividend payments to shareholders. As of December 31, 2021 and 2020, the entities within the Group are compliant with their respective financial loan covenants.

As of December 31, 2021, the Parent Company's market capitalization was higher than its net book value while it was lower as of December 31, 2020.

*29. **Commitments***

Parent Company's Concession Agreement
The significant commitments of the Parent Company under the Concession Agreement and Extension are as follows:

a. *To pay MWSS concession fees;*

b. *To post a performance bond, bank guarantee or other security acceptable to MWSS in favor of MWSS as a bond for the full and prompt performance of the Parent Company's obligations under the Agreement. The aggregate amounts drawable in one or more installments under such performance bond during the Rate Rebasing Period to which it relates are set out below.*

Rate Rebasing Period	*Aggregate amount drawable under performance bond (in US$ millions)*
First (August 1, 1997 - December 31, 2002)	*US$70.00*
Second (January 1, 2003 - December 31, 2007)	*70.00*
Third (January 1, 2008 - December 31, 2012)	*60.00*
Fourth (January 1, 2013 - December 31, 2017)	*60.00*
Fifth (January 1, 2018 - December 31, 2022)	*50.00*
Sixth (January 1, 2023 - December 31, 2027)	*50.00*
Seventh (January 1, 2028 - December 31, 2032)	*50.00*
Eighth (January 1, 2033 - May 6, 2037)	*50.00*

Within thirty (30) days from the commencement of each renewal date, the Parent Company shall cause the performance bond to be reinstated in the full amount set forth above as applicable for that year.

With a minimum of ten (10)-day written notice period to the Parent Company, MWSS may make one or more drawings under the performance bond relating to a Rate Rebasing Period to cover amounts due to MWSS during that period; provided, however, that no such drawing shall be made in respect of any claim that has been submitted to the Appeals Panel for adjudication until the Appeals Panel has handed down its decision on the matter.

In the event that any amount payable to MWSS by the Parent Company is not paid when due, such amount shall accrue interest at a rate equal to that of a 364-day Treasury Bill for each day it remains unpaid;

c. *With the Extension, the Parent Company agreed to increase its annual share in MWSS operating budget by 100% from ₱100.00 million to ₱395.00 million, subject to annual CPI;*

d. *To meet certain specific commitments in respect of the provision of water and sewerage services in the East Zone, unless deferred by MWSS RO due to unforeseen circumstances or modified as a result of rate rebasing exercise;*

e. *To operate, maintain, renew and, as appropriate, decommission facilities in a manner consistent with the National Building Standards and best industrial practices so that, at all times, the water and sewerage system in the East Zone is capable of meeting the service obligations (as such obligations may be revised from time to time by the MWSS RO following consultation with the Parent Company);*

f. *To repair and correct, on a priority basis, any defect in the facilities that could adversely affect public health or welfare, or cause damage to persons or third-party property;*

g. *To ensure that at all times, the Parent Company has sufficient financial, material and personnel resources available to meet its obligations under the Agreement; and*

h. *To ensure that no debt or liability that would mature after the life of the Concession Agreement will be incurred unless with the approval of MWSS.*

The Parent Company is committed to perform its obligations under the RCA to safeguard its continued right to operate the East Zone concession. There are no

<u>Calasiao Water's Concession Agreement</u>
The significant commitments of Calasiao Water under its concession agreement with CWD are as follows:

a. *Finance, design, engineer, and construct new facilities for water;*

b. *Upgrade existing water facilities;*

c. *Operate, manage, and maintain water facilities and services; and*

d. *Bill and collect tariff for water services.*

<u>Calbayog Water's JVA with CCWD</u>
The significant commitments of Calbayog Water under its JVA are as follows:

a. *Develop, improve, and expand the water infrastructure of CCWD;*

b. *Provide water supply and install new water service connections;*

c. *Ensure continuous water supply and appropriate pressure;*

d. *Connect water service connections to the water main;*

e. *Ensure potability of water supply and compliance with drinking water quality standards;*

f. *Provide high quality customer/after-sales service; and*

g. *Payment of revenue share of CCWD.*

Boracay Water's Concession Agreement
The significant commitments of Boracay Water under its concession agreement with TIEZA are as follows:

a. *Meet certain specific commitments in respect of the provision of water and sewerage services in the service area, unless deferred by the TIEZA-RO due to unforeseen circumstances or modified as a result of rate rebasing exercise;*

b. *Pay concession fees, subject to the following provisions:*

   i. *Assumption of all liabilities of the BWSS as of commencement date and service such liabilities as they fall due. BWSS has jurisdiction, supervision and control over all waterworks and sewerage systems within Boracay Island prior to commencement date. The servicing of such liabilities shall be applied to the concession fees;*

   ii. *Payment of an amount equivalent to 5% of the monthly gross revenue of Boracay Water, inclusive of all applicable taxes. Such payments shall be subject to adjustment based on the gross revenue of Boracay Water as reflected in its separate financial statements;*

   iii. *Provision of the amount of the TIEZA BOD's approved budget in 2012, payable semi-annually and not exceeding:*

Month	*Maximum Amount*
January	*₱10,000,000*
July	*10,000,000*

   iv. *Provision of the annual operating budget of the TIEZA-RO, payable in 2 equal tranches in January and July and not exceeding:*

Year	*Maximum Amount*
2011	*₱15,000,000*
2012	*20,000,000*
2013 and beyond	*Previous year, subject to annual CPI adjustment*

c. *Establish, at Boracay Island, a TIEZA-RO building with staff house, the cost of which should be reasonable and prudent;*

d. *Pay an incentive fee pegged at ₱1.00 per tourist, local and foreign, entering the service area;*

e. *Raise financing for the improvement and expansion of the BWSS water and wastewater facilities;*

f. *Operate, maintain, repair, improve, renew and, as appropriate, decommission facilities, as well as to operate and maintain the drainage system upon its completion, in a manner consistent with the National Building Standards and best industrial practices so that, at all times, the water and sewerage system in the service area is capable of meeting the service obligations (as such obligations may be revised from time to time by the TIEZA-RO following consultation with Boracay Water);*

g. *Repair and correct, on a priority basis, any defect in the facilities that could adversely affect public health or welfare, or cause damage to persons or third-party property; and*

h. *Ensure that at all times, Boracay Water has sufficient financial, material and personnel resources available to meet its obligations under the concession agreement.*

In addition, the Parent Company, as the main proponent of Boracay Water, shall post a bank security in the amount of US$2.50 million to secure the Parent Company's and Boracay Water's performance of their respective obligations under the agreement. The amount of the performance security shall be reduced by the Parent Company following the schedule below:

Rate Rebasing Period	*Amount of Performance Security (in US$ millions)*
First	*US$2.50*
Second	*2.50*
Third	*1.10*
Fourth	*1.10*
Fifth	*1.10*

On or before the start of each year, Boracay Water shall cause the performance security to be reinstated in the full amount set forth as applicable for that year.

With a minimum of ten (10) days written notice period to Boracay Water, TIEZA may take one or more drawings under the performance security relating to a Rate Rebasing Period to cover amounts due to TIEZA during that period; provided, however, that no such drawing shall be made in respect of any claim that has been submitted to the Arbitration Panel for adjudication until the Arbitration Panel has handed its decision on the matter.

In the event that any amount payable to TIEZA by Boracay Water is not paid when due, such amount shall accrue interest at a rate equal to that of a 364-day Treasury Bill for each day it remains unpaid.

Failure of Boracay Water to perform any of its obligations that is deemed material by TIEZA-RO may cause the concession agreement to be terminated.

<u>Clark Water's Concession Agreement</u>
The significant commitments of Clark Water under its concession agreement with CDC are follows:

a. *Pay franchise and lease fees of CDC;*

b. *Finance, design, and construct new facilities - defined as any improvement and extension works to (i) all existing facilities - defined as all fixed and movable assets specifically listed in the concession agreement; (ii) construction work - defined as the scope of construction work set out in the concession agreement; and (iii) other new works that do not constitute refurbishment or repair of existing facilities undertaken after commencement date;*

c. *Manage, exclusively possess, occupy, operate, repair, maintain, decommission and refurbish the existing facilities, except for the private deep wells set out in the concession agreement, the negotiations for the acquisition and control of which shall be the sole responsibility and for the account of the Clark Water; and manage, own, operate, repair, maintain, decommission and refurbish the new facilities;*

d. *Treat raw water and wastewater in CFZ;*

e. *Provide and manage all water and wastewater related services like assisting locator in relocating of pipes and assess internal leaks;*

f. *Bill and collect payment from the customers for the services (with the exception of SM City Clark). SM City Clark has been carved out by virtue of RA No. 9400 effective 2007 even if it is located within the franchise area; and*

g. *Extract raw water exclusively from all sources of raw water including all catchment areas, watersheds, springs, wells and reservoirs in CFZ free of charge by CDC.*

On August 15, 2014, the Clark Water and CDC signed an amendment agreement to the concession agreement dated March 16, 2000. The Amendment provides for the following:

a. *Extension of the original concession period for another fifteen (15) years up to October 1, 2040;*

b. *Additional investment of ₱4.00 billion provided under the amended concession agreement to be spent for further improvement and expansion water and wastewater services in the area. Investment requirement under the original CA amounted to ₱3.00 billion and the amended concession agreement required an additional investment of ₱2.00 billion. Total investment prior to the amendment of the concession agreement amounted to ₱1.00 billion;*

c. *Introduction of rate rebasing mechanism for every four (4) years starting 2014;*

d. *Reduction in tariff rates by 3.9% (from ₱25.63/m^3 to P₱24.63/m^3) effective September 1, 2014, subject to the Extraordinary Price Adjustment; and*

e. *Increase in tariff rates by:*
   i. *₱0.41/m^3 (from ₱24.63/m^3 to ₱25.04/m^3) in 2018*
   ii. *₱0.42/m^3 (from ₱25.04/m^3 to ₱25.45/m^3) in 2019*
   iii. *₱0.42/m^3 (from ₱25.45/m^3 to ₱25.87/m^3) in 2020*
   iv. *₱0.43/m^3 (from ₱25.87/m^3 to ₱26.30/m^3) in 2021*

As a result of the extension of the concession period, service concession assets and service concession obligation as of August 15, 2014 increased by ₱56.58 million. Further, the recovery period of Clark Water's investment is now extended by another fifteen (15) years from 2025 to 2040.

On May 26, 2017, Clark Water submitted its proposed 2018 rate rebasing plan following the four (4)-year rebasing period stated in its concession agreement. As of December 31, 2021, Clark Water's 2018 rate rebasing is still ongoing which put on hold the approved tariff increases when the concession agreement was amended in August 15, 2014.

Bulakan Water's Concession Agreement
The significant commitments of Bulakan Water under its concession agreement with BuWD are as follows:

a. *Financing, designing, engineering, and constructing new facilities for water and sanitation such as, but not limited to, deep wells, reservoirs, and booster pumps;*

b. *Upgrading of existing water and sanitation facilities, including water network replacement and expansion;*

c. *Operating, managing, and maintaining water and sanitation facilities and services; and*

d. *Billing and collection of tariff for water and sanitation services including a seven (7)-year replacement cycle program commencing on Year 1 of the concession.*

Ilagan Water's BWSPA with CIWD
The significant commitments of Ilagan Water under the BWSPA are as follows:

a. *Develop raw surface water sources which includes planning, designing, building, financing, testing, operating, and upgrading the bulk water facilities related thereto; and*

b. *Provision of minimum guaranteed volume of five (5) million liters of treated water per day on Year 1, gradually increasing to thirty (30) million liters per day on Year 23 of the operations of the bulk water facilities.*

Ilagan Water's SMA with CIWD
The significant commitments of Ilagan Water under the SMA are as follows:

a. *Develop septage facility which includes planning, designing, building, financing, testing, operating, and upgrading; and*

b. *Provision of septage management services to the customers of CIWD, particularly septage collection, septage treatment, and bio solids disposal for a period of twenty-two (22) years.*

South Luzon Water's JVA with TnWD
The significant commitments of South Luzon Water under its JVA are as follows:

a. Develop, improve, and expand the water infrastructure of TnWD;

b. Provide water supply and install new water service connections;

c. Provide sanitation services and septage management within the service area;

d. Ensure continuous water supply and appropriate pressure;

e. Connect water service connections to the water main;

f. Ensure potability of water supply and compliance with drinking water quality standards;

g. Provide high quality customer/after-sales service;

h. Payment of revenue share to TnWD; and

i. Such other obligations as may be agreed upon by the Parties.

Obando Water's Concession Agreement
The significant commitments of Obando Water under its concession agreement with OWD are as follows:

a. Finance, design, engineer, and construct new facilities for water and sanitation;

b. Upgrade existing water and sanitation facilities;

c. Operate, manage, and maintain water and sanitation facilities and services; and

d. Bill and collect tariff for water and sanitation services.

Laguna Water's Concession Agreement
The significant commitments of Laguna Water under its concession agreement with PGL are as follows:

a. To pay PGL concession fees;

b. To manage, occupy, operate, repair, maintain, decommission, and refurbish the transferred facilities;

c. To design, construct and commission the new facilities during the cooperation period;

d. To provide and manage the services;

e. To bill and collect payment from the customer for all services;

f. To extract raw water exclusively from all sources of raw water; and

g. To negotiate in good faith with PGL any amendment or supplement to the concession agreement to establish, operate and maintain wastewater facilities if doing such is financially and economically feasible.

On June 30, 2015, PGL and MWPVI signed an amendment to their JVA dated November 10, 2000. Simultaneously, and consequent to the amendment of the JVA of Laguna Water, Laguna Water signed an amendment to its concession agreement with the PGL which includes the following:

a. Expansion of its concession area to cover all cities and municipalities in the PGL; and

b. Inclusion in the service obligations of Laguna Water the provision of wastewater services and the establishment of an integrated sewage and septage system in the province.

Laguna Water's APA with LTI

On December 23, 2013, Laguna Water entered an APA with LTI to acquire and operate its water operations division in Laguna. The significant commitments of Laguna Water under the agreement follow:

a. *Offer water supply and sewerage services to all current or future locators in the Laguna Technopark, including future area(s) of expansion;*

b. *Ensure the availability of an uninterrupted 24-hour supply of water to all current and future locators, subject to interruptions resulting from the temporary failure of items of the Water Facilities (where Laguna Water acts promptly to remedy such failure) or required for the repair of the construction of the Water Facilities where such repairs or construction cannot be performed without interruption to the supply of water;*

c. *Upon request from a current or future locator in the LTI for a connection to a water main, make such a connection as soon as reasonably practicable, upon payment of reasonable connection fees as determined by Laguna Water;*

d. *Ensure at all times that the water supplied to current and future locators in LTI complies with Philippine National Standards for Drinking Water as published by the Department of Health (or successor entity responsible for such standards) and prevailing at such time and shall observe any requirement regarding sampling, record keeping or reporting as may be specified by law;*

e. *Make available an adequate supply of water for firefighting and other public purposes as the municipality and/or barangay in which LTI may reasonably request. Laguna Water shall not assess for such water used for firefighting purposes but may charge for all other water used for public purposes; and*

Laguna Water shall make a supply of water available to current and future locators in LTI, including the areas of expansion in the future.

Laguna Water's JVA with PAGWAD

The significant commitments of Laguna Water under its JVA with PAGWAD are as follows:

a. *Finance, design, engineer, and construct new facilities for water and sanitation;*

b. *Upgrade existing water and sanitation facilities;*

c. *Operate, manage, and maintain water and sanitation facilities and services; and*

d. *Bill and collect tariff for water supply and sanitation services.*

North Luzon Water's MOAs with the Municipalities of Sta. Barbara, San Fabian, and Manaoag in Pangasinan

The significant commitments of North Luzon Water under its MOAs are as follows:

a. *Construct, maintain, and operate a water system;*

b. *Construct, maintain, and implement a septage management system;*

c. *Supply, sell, and furnish water to any person or entity within the territorial limits and political boundaries of the Municipalities of Sta. Barbara, San Fabian, and Manaoag for domestic, commercial or other use, and to charge and collect tariff for the supply of water; and*

d. *Provide septage management services and to charge and collect septage management fees and sewage collection.*

<u>Aqua Centro's JVA with LWD</u>
The significant commitments of Aqua Centro under its JVA are as follows:

a. *Develop, improve, and expand the water infrastructure of LWD;*

b. *Provide water supply and install new water service connections;*

c. *Ensure continuous water supply and appropriate pressure;*

d. *Connect water service connections to the water main;*

e. *Ensure potability of water supply and compliance with drinking water quality standards;*

f. *Provide high quality customer/after-sales service; and*

g. *Payment of revenue share to LWD.*

<u>Tagum Water's Bulk Water Supply and Purchase Agreement</u>
Tagum Water will have the sole and exclusive right and responsibility during the term of the agreement to:

a. *Develop raw surface water sources in Hijo River;*

b. *Plan, develop, design, build and test the facilities;*

c. *Implement the Tagum Bulk Water Project;*

d. *Manage, use, occupy, operate, repair, maintain, upgrade and develop the facilities; and*

e. *Supply treated water to TWD for distribution to its network.*

Facilities and any and all assets, equipment and properties used by Tagum Water to implement the bulk water project will be owned by Tagum Water even after the expiration of the BWSPA.

<u>Cebu Water's Bulk Water Supply Agreement</u>
On December 18, 2013, Cebu Water entered into a bulk water supply agreement with MCWD. The significant commitments of Cebu Water under its agreement with MCWD are as follows:

a. *Provide potable and treated water at an aggregate volume of eighteen (18) million liters per day for the first year and thirty-five (35) million liters per day for the succeeding years up to twenty (20) years at ₱24.59 per cubic meter;*

b. *Ensure that the source shall be sustainable and 100% reliable at any day for the duration of the agreement; and*

c. *Construct a facility capable of delivering a production capacity of thirty-five (35) million liters per day and maintain the same on its account.*

<u>MWPVI's MOA with ALI</u>
MWPVI's significant commitments under its MOA with ALI are as follows:

a. *Provision of water and used water services in existing ALI Group developments;*

b. *Connection and disconnection of services to customers;*

c. *Collection of billings for water and used water services, including service connection fees, from all customers;*

d. *Customer relations and compliance with regulatory requirements;*

e. *Develop, construct, finance, own, operate, maintain, rehabilitate, and upgrade future water and used water facilities; and*

f. *Maintain, rehabilitate, and upgrade existing water and used water facilities at MWPVI's own cost.*

MWPVI's Lease Agreement with PEZA
On December 18, 2017, MWPVI entered into a Lease Agreement for the Operations and Management of the Water and Used Water Facilities of PEZA in Cavite Economic Zone (CEZ), whereby MWPVI agrees to lease, operate, and maintain the existing water and used water facilities in the CEZ for the provision of water and used water services to the locators therein. The lease agreement has a term of twenty-five (25) years from signing of the contract and shall be effective on its commencement date on February 1, 2018.

MWPVI's MOA with LTI
On April 16, 2016, the MWPVI entered into a MOA with LTI, whereby through its division, Estate Water, MWPVI shall exclusively providee water and used water services to LTI's Cavite Technopark to be located in Barangay Sabang, Naic, Cavite, and in pursuit of this objective, to construct, develop, finance, and own the water facilities and used water facilities under the terms and conditions set out in the MOA.

MWPVI's Deed of Accession with Ayala Land Malls, Inc.
MWPVI's significant commitments are as follows:

a. Provision of used water services in ALI Malls Group;

b. Compliance with regulatory requirements; and

c. Maintain, rehabilitate, and upgrade existing water and used water facilities at MWPVI's own cost.

Aqua Centro's MOAs with the SM Group
Under Aqua Centro's MOAs with the SM Group, Aqua Centro will develop, construct, finance, own, operate, maintain, rehabilitate, and upgrade the potable water and/or grey water facilities of the SM Group development.

30. Provisions and Contingencies

On October 13, 2005, the Municipality of Norzagaray, Bulacan assessed the Parent Company and Maynilad (jointly, the Concessionaires) real property taxes on certain common purpose facilities registered in the name of and owned by MWSS purportedly due from 1998 to 2005 amounting to ₱357.11 million. On November 15, 2010, the local government of Quezon City demanded the payment of ₱302.71 million for deficiency real property taxes from MWSS on MWSS properties within its territorial jurisdiction. The assessment from the municipality of Norzagaray has been questioned by the Concessionaires and MWSS, and is pending resolution before the Central Board of Assessment Appeals. The On November 7, 2018, the Supreme Court issued its decision declaring that the real properties of MWSS located in Quezon City are exempt from the real estate tax imposed by the local government of Quezon City. On June 17, 2019, the Supreme Court decision on the case became final and executory and was thereby recorded in the Book of Entries of Judgments.

As of December 31, 2021 and 2020, the provision for estimated probable losses pertains to various legal proceedings and exposures arising in the ordinary course of business. Management believes that any amount the Group may have to pay in connection with any of these matters will not have a material adverse effect on the Group's financial position or operating results. The information normally required under PAS 37, Provisions, Contingent Liabilities and Contingent Assets, is not disclosed as it may prejudice the outcome of the proceedings (Note 1).

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