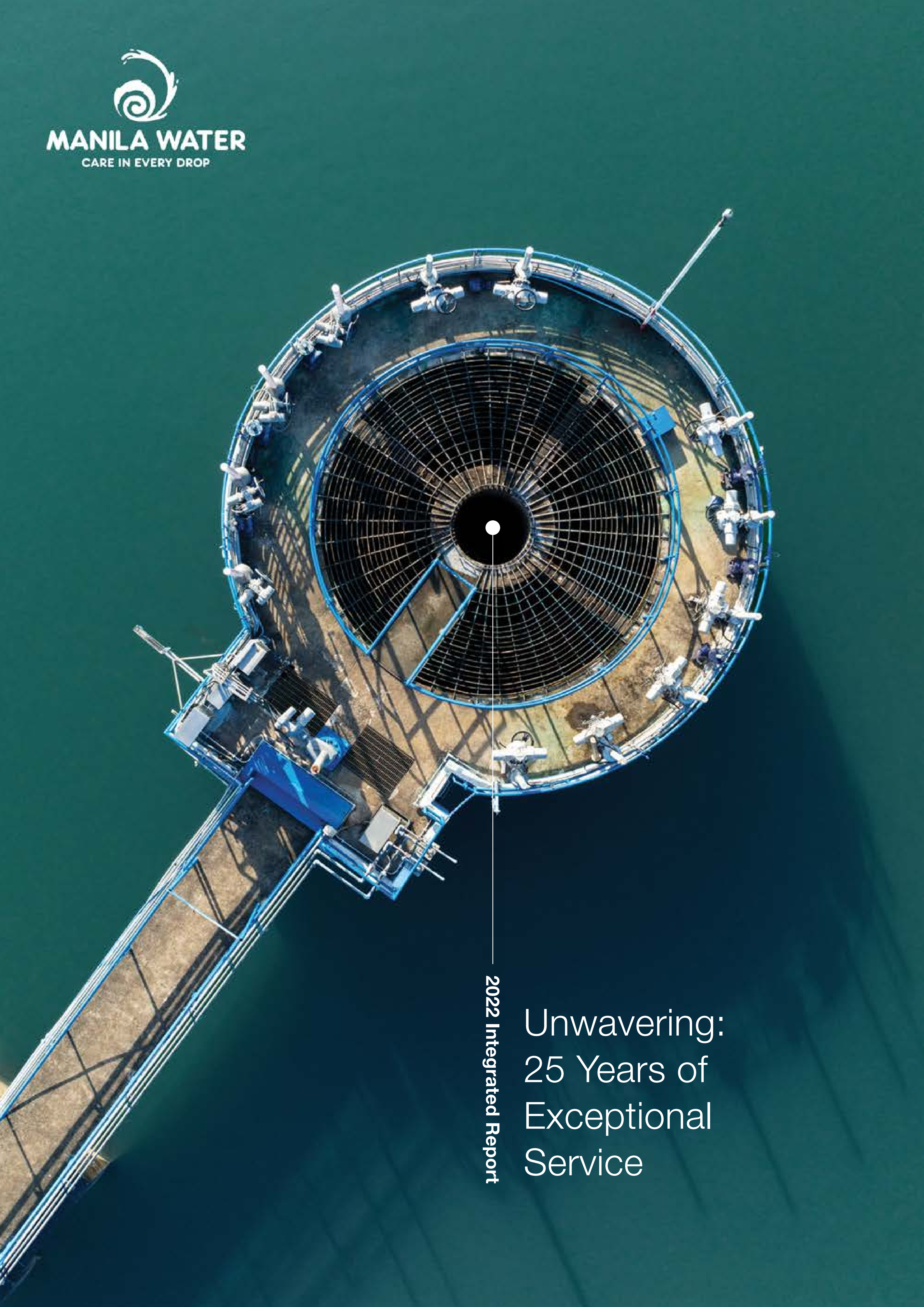
MANILA WATER
CARE IN EVERY DROP



2022 Integrated Report

Unwavering: 25 Years of Exceptional Service

About This Integrated Report

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.

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 and illustrations include information that does not relate solely to historical or current facts. These can be identified by the use of "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. Moreover, these 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), 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). It is also in reference to the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) Standards. The GRI and SASB disclosures that have been referred to are in the Sustainability Content Index. The information contained in this report covers the period from January to December 2022.

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 5 years. More information about our audit process is found on Pages 169-170, while our financial statements are found on Pages 176-302.

ON OUR SUSTAINABILITY PERFORMANCE

Senior Management appointed DNV, an independent organization and a global provider of certification, assurance assessment, and training services. The scope of work includes the independent assurance of the sustainability and non-financial disclosures, and its alignment to the <IR> Framework presented in this report.

The Independent Assurance Statement found in Pages 150-152 validates that the report is in reference to the GRI and SASB standards and is aligned with the <IR> Guidelines. 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, please e-mail invrel@manilawater.com. Meanwhile, for sustainability concerns, please e-mail sustainability@manilawater.com.

ABOUT THE COVER

A top view of one of the intakes at La Mesa Dam. La Mesa Dam is an artificial basin constructed in 1929. It is the oldest of three reservoirs that supply most of the water to the National Capital Region. Together with the Angat and Ipo dams, these structures supply a total of 4 billion liters of water per day to about 15 million customers.

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Statement of Responsibility from the Board of Directors

The Board ensures the integrity of the Manila Water 2022 Integrated Report by exercising oversight on its production, review, and validation processes.

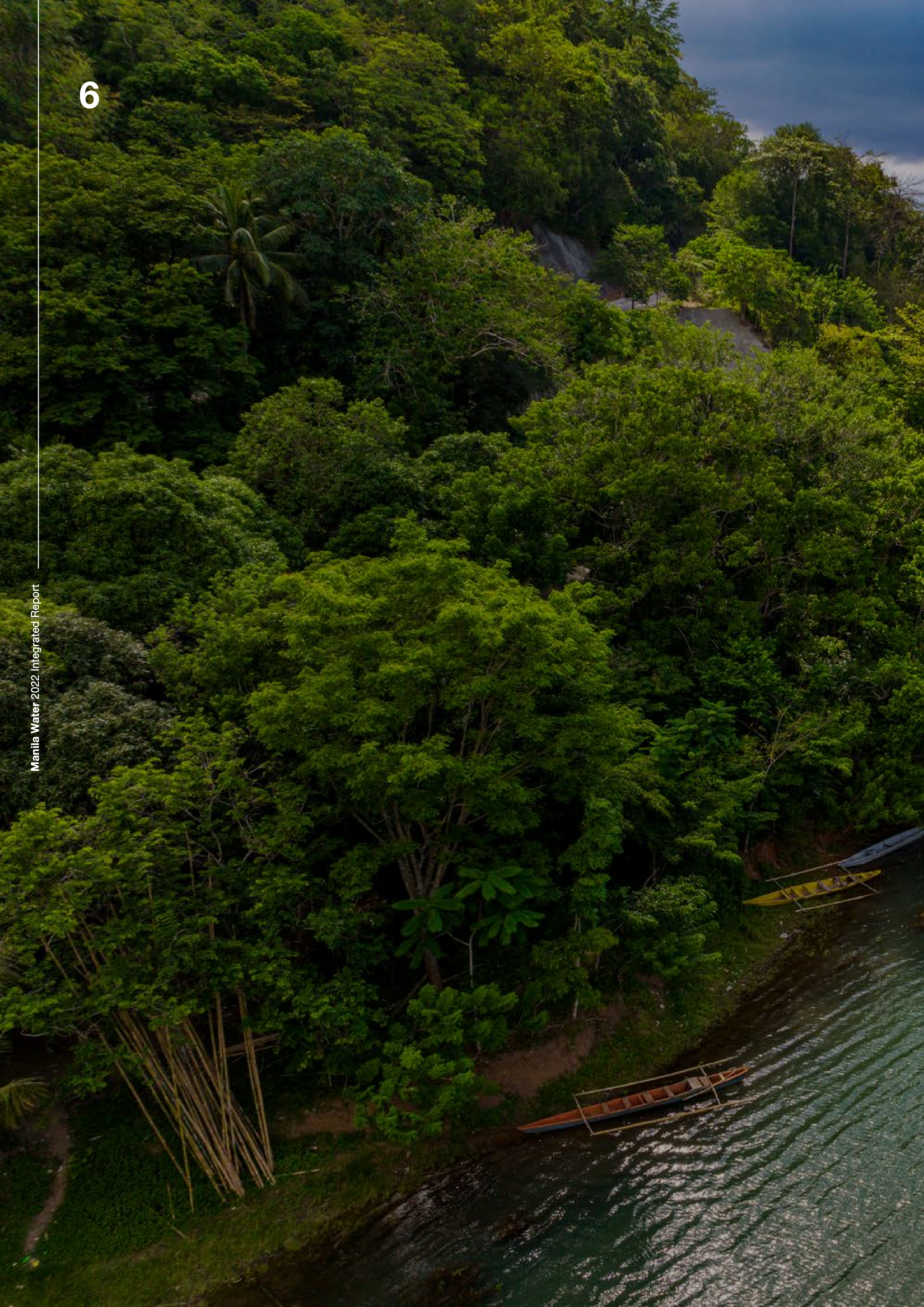
The Board confirms that management has reviewed the disclosures and has undergone an external assurance audit for completeness, accuracy, and transparency. Manila Water engaged external assurance parties, SyCip Gorres Velayo & Company (SGV & Co.) and DNV, to validate the financial, environmental, social, and governance disclosures. This practice seeks to affirm that the data and narrative paint an objective and accurate picture of the company's business practices.

Furthermore, the Board attests that the report is presented in accordance with the <IR> Framework.

ENRIQUE K. RAZON JR.
Chairman

JOSE VICTOR EMMANUEL A. DE DIOS
President and CEO
Chairman, ESG Committee

Water intake structures at La Mesa Dam



BUSINESS OVERVIEW

Ipo Dam in Norzagaray, Bulacan

Unwavering: 25 Years of Exceptional Service

> "As we look ahead to the future, we are excited to pursue new opportunities and to further strengthen our position as a leader in the water and wastewater industry. We remain committed to delivering excellent services, investing in new technologies and innovations, and creating value for our customers, employees, and stockholders."

ENRIQUE K. RAZON JR.
Chairman

Fellow stockholders, ladies and gentlemen.

Together with the Board of Directors and Management of Manila Water Company Inc., I am pleased to present to you the report on our Company's achievements over the past year and to share with you our plans for the future. Despite the challenges brought about by the COVID-19 pandemic, Manila Water remained steadfast in its commitment to provide safe, reliable, and sustainable water and wastewater services to our customers.

As we look ahead to the future, we are excited to pursue new opportunities and to further strengthen our position as a leader in the water and wastewater industry. We remain committed to delivering excellent services, investing in new technologies and innovations, and creating value for our customers, employees, and stockholders.

Once again, thank you for your trust and confidence in Manila Water. We look forward to another successful year of growth and development with all of you.

Enrique K. Razon Jr.
Chairman

"On the year that we celebrate our 25th anniversary, we are grateful that our hard work and commitment to excellence have been recognized by the global water community. In April 2022, Manila Water made history by becoming the first water company from the Philippines, and from any developing country, to be given the distinction as Water Company of the Year in the highly coveted 2022 Global Water Awards."

JOSE VICTOR EMMANUEL A. DE DIOS
President & CEO

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

Considering the challenges we faced in recent years, I can proudly say that 2022 was the recovery year for Manila Water. When we committed to our strategy of efficiency and growth more than a year ago, we realized then that the road ahead would not be easy. Nevertheless, we put our trust in the women and men of Manila Water and believed that we had what was needed to see our objectives through. We were not let down.

In 2022, consolidated net income grew 61% to Php5.9 billion with the significant topline recovery in our East Zone and Non-East Zone Philippines businesses.

In our East Zone Concession, the business returned to its upward trajectory in revenues with a 7% growth to end the year at Php17.1 billion.

Similarly, our Non-East Zone business revenues grew by 30% to over Php5.8 billion, led by the higher contributions from our Estate Water, VisMin cluster and Infratech Solutions units.

Meanwhile, cost and expenses increased by 17% to Php7.2 billion. Higher direct costs following our ramp up of repairs and maintenance, collection, and connection activities; as well as higher power costs due largely to increased operating levels and necessary compliance to more stringent bio-nutrient removal standards in the East Zone Concession, drove this increase.

Even in the face of these new, recurring costs, we pushed relentlessly with our cost rationalization and efficiency initiatives. We are encouraged by the results

we are seeing from these programs and are confident that more efficiency gains will be realized in the coming years.

This deliberate, more disciplined view is what we have similarly established for our international business development. As we continue to gain traction in both our existing markets and new geographies, we proceed with a sense of optimism which is balanced with a clear understanding of risks and returns.

For our capital expenditure program, 2022 was another banner year. CAPEX for the group during the period reached a record level of over Php22 billion – a 36% increase from last year, as we continue to ramp-up projects in line with our commitment to meet our service obligations.

Finally, 2022 underscored our big push towards our ESG and sustainability thrusts.

First, on Environment, we pushed forward in our Water Efficiency and Accessibility projects, as well as in our Carbon Emission Reduction and Avoidance initiatives. Specifically, we have established an enterprise-wide water supply buffer level to ensure sufficient raw water for our business units.

Second, for the Social pillar, we focused on Community Enrichment and Workforce Empowerment to positively impact communities and properly equip and empower our employees. Specifically, through our Manila Water Foundation, an estimated 2.5 million individuals have been reached by our various social development programs.

Finally, for Governance, we achieved marked improvement in our ESG scores and ratings under the Carbon Disclosure Project, and Sustainalytics. Equally significant, I am pleased to share that we were recently awarded our very first 4-Golden Arrow Award from the Institute of Corporate Directors, for our performance rating in the ASEAN Corporate Governance Regional Assessment for 2021.

On the year that we celebrate our 25th anniversary, we are grateful that our hard work and commitment to excellence have been recognized by the global water community. In April 2022, Manila Water made history by becoming the first water company from the Philippines, and from any developing country, to be given the distinction as Water Company of the Year in the highly coveted 2022 Global Water Awards. The Global Water Awards, which were established by Global Water Intelligence in 2006, recognize the most important achievements in the international water industry. We are truly humbled yet very proud and appreciative of this important recognition.

I thank the Chairman and the rest of the Board for their unwavering support. I thank our shareholders who continue to believe in our ability to improve the lives of our customers. Last but not the least, to my fellow Katubigs of Manila Water: thank you for your unwavering dedication in the work that you do. You are the reason that we now see our Company in this trajectory of recovery. With the solid foundation you have helped set in place, we are now ready to take on the opportunities of the next 25 years, and beyond.

Jose Victor Emmanuel A. De Dios
President & CEO

MANILA WATER
CARE IN EVERY DROP

25 YEARS
OF MANILA WATER

1997

• Manila Water took over as the East Zone concessionaire of the Metropolitan Waterworks and Sewerage System (MWSS), in what was the "world's largest privatization".

1998

• Flagship sustainability program *Tubig Para Sa Barangay* is designed to provide greater access to water services at the grassroots level.

• *Huwarang Manggagawa*, the first employee recognition program, was launched.

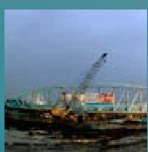
1999

• Territory management was introduced which divided the East Zone into territories via their hydraulic boundaries.

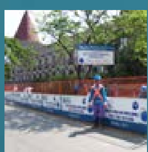
• Fresh talents joined the company through the Cadetship Training Program.

2000

• Capital expenditure program went on full blast with infrastructure rehabilitation and expansion.



• "Laying the pipeline for the future" was the Company's battlecry.



2001

• The Customer Service Institute and "We Care" mantra were established to address customer concerns.

• The Manggahan Floodway Water Supply Project, the the largest water supply improvement project, was inaugurated.

2002

• Manila Water welcomed the entry of foreign investors.

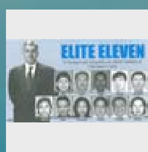
2003

• The "*Lingap*" program was developed to provide reliable water supply for public service institutions.

• The Magallanes Sewage Treatment Plant, the oldest wastewater facility in the East Zone, was rehabilitated.

2004

• Two employee programs, the Chairman's Circle for senior managers and the President's Pride due to Performance for middle managers, were born.



2005

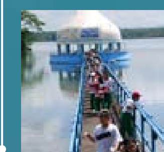
• Trailblazing corporate sustainability practices started with the publication of the first Sustainability Report.

• Manila Water launched a successful Initial Public Offering.

2006

• Manila Water was honored by the People Management Association of the Philippines with the Employer of the Year award.

• *"Lakbayan"*, also known as the Company's Water Trail education program, was launched.



2007

• Water delivered peaked at 1 billion liters per day.

• Manila Water became the first Philippine company to implement a Climate Change Policy.

• A Corporate Governance Policy was instituted to serve the best interests of the investing public.

2008

• The Company achieved a 100% customer satisfaction rating in the Public Assessment of Water Services survey of the MWSS.

• Manila Water won its first successful bid outside the Philippines, a leakage reduction contract with Saigon Water Company in Ho Chi Minh City, Vietnam.

2009

• Manila Water overcomes the challenges brought about by typhoon Ondoy.

• The Public-Private Partnership with MWSS was extended by 15 years to 2037.

• Laguna Water was the first acquisition outside of the East Zone.

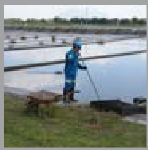
• Boracay Island Water Company, a joint venture with the Tourism Infrastructure and Enterprise Zone Authority, was established.

2010

- Systems losses hit an all-time low of 11%, earning Manila Water the Water Efficiency Project of the Year award from the Global Water Intelligence and the Global Project Innovation award from the International Water Association.

- Manila Water Foundation (MWF), the Company's corporate social responsibility (CSR) arm, was formed to serve the poorest communities even outside of the East Zone concession area.

2011



- Manila Water acquired Clark Water which serves Clark Freeport Zone in Pampanga.

- The Singapore Ministry of Manpower hailed Manila Water as best Philippine employer and awarded the Asian Human Capital Award.

2012

- Toka Toka, the first and only environmental advocacy movement on wastewater was launched.

- Manila Water entered into a joint bulk water supply project with the Provincial Government of Cebu.

- Adding to its acquisition of Thu Duc in 2011, Manila Water became the largest foreign investor in the Vietnam water sector with the acquisition of Kenh Dong.

2013

- The Company updated its brand and corporate identity.

2014

- Manila Water was cited by the World Economic Forum as the only Philippine company in the elite list of 20 Global Growth Companies.

- Regional expansion continued with a proposed leakage reduction project in Yangon City, Myanmar.

- Manila Water Total Solutions' pioneer product, Healthy Family Purified Water, was introduced to the market.

2015

- Manila Water secured its first project in Mindanao via a non-revenue water (NRW) reduction project with Zamboanga City Water District.

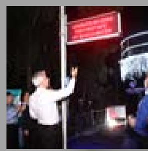
- Local expansion continued with the bulk water supply project in Tagum City, Davao.

2016

- Estate Water, created in 2015, to deliver water and wastewater services to leading property developers, entered into an agreement with Ayala Land for the exclusive provision of services to all its horizontal developments.

- Manila Water's pilot NRW project in Bandung, Indonesia took off.

2017



- Manila Water successfully launched its first waste-to-energy project.

- Healthy Family launched its additional product variant, HF Mini.

2018

- Manila Water acquired an 18.72% stake in East Water Thailand, and a 20% stake in PT Sarana Tirta Ungaran Indonesia.

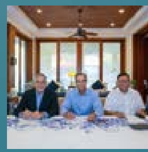
- The Company received The Asset Platinum Award for Excellence in ESG Practices.

2019

- The Ilugin Sewage Treatment Plant, the largest wastewater facility in the East Zone, commenced operations.

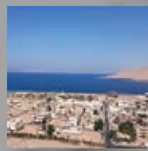
2020

- A subscription agreement was signed with Prime Metroline Holdings, Inc.



- Manila Water implemented Business Continuity measures in response to COVID-19 pandemic.
- Manila Water won the bid for a Management, Operations and Maintenance Contract with the Saudi Arabia's state-run water agency, the National Water Company.
- Manila Water successfully debuted in the international debt capital markets through the issuance of its maiden ASEAN sustainability bond. The 500 million US Dollar-denominated senior unsecured notes are pursuant to the Company's Sustainability Financing Framework (SFF).
- The Company was recognized for Best Sustainability Bond - Corporate, in The Asset's Annual Triple A Country Awards.

2021



- Manila water closed a bulk water project with the Province of Pangasinan
- A Revised Concession Agreement was signed with the Government.
- Manila water secured 2 Management, Operations and Maintenance contracts with the National Water Company in the Kingdom of Saudi Arabia

STRATEGY

East La Mesa Water Treatment Plant

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

Core Values

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

Key Drivers

Company Culture and Values
- Purpose
- Vision
- Mission
- Core Values

External Environment
- Risks
- Opportunities
- Emerging trends
- Global and local regulations

Internal Environment
- Strategies
- ESG[1] Targets

Stakeholder Perception
- Materiality matrix
- Issues and concerns
- Our responses

Inputs

Financial Capital
We make use of cost-effective financial capital such as equity, debt, reinvestment and other financial instruments. The combination of a strong balance sheet and sustainable investments is essential to our business model that will fund our growth including the communities we serve.

- Php22 billion Capital expenditures
- Php9 billion Cash
- Php73 billion Equity
- Sustainability bond investments to maximize positive environmental and social impact
- Robust balance sheet and superior superior track record

Human Capital
We are committed to the development of an inclusive, diverse, and safe work environment. Our focus is on employee well being, skills, knowledge and expertise. We recognize that cultivating our talent supports individual and business growth.

- 2,600+ employee strength
- 65,000+training hours
- Diversity, equity and inclusion programs
- Health and safety protocols
- Employee engagement
- Succession planning and talent management

Social and Relationship Capital
We strive to create value for our stakeholders by engaging with them and building strong relationships. We believe that through their support, our influence and positive impact will extend further than our existing environment.

- 708 vendors engaged
- 60+ MWF[2] and *Toka Toka* partners
- Php55 million community investments
- Stakeholder engagement
- Compliance with regulations
- Customer service
- Services from vendors and contractors
- Protection of freedom of association

Intellectual Capital
We understand that our core competencies coupled with an innovative culture are critical to our success. Our culture, know-how, procedures, and processes, are designed to deliver exceptional results to the communities we serve.

- 4 dedicated R&D[3] water and wastewater experts
- Expertise in non-revenue water reduction, water and wastewater treatment
- Digital solutions

Manufactured Capital
We invest in the purchase, development, and maintenance of property, plant and equipment to optimize our production capacities and increase productivity. This results in sustainable profits for our organization.

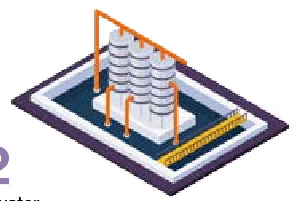
- 154+ km water and sewer pipes laid and maintained
- 1.29 million water service connections
- 373,000+ sewer connections
- Dams and impounding reservoirs, deep wells, water and wastewater treatment facilities, pumping stations and reservoirs, and water distribution and sewer networks
- Asset management system
- Sanitation services

Natural Capital
We are committed to minimizing our environmental footprint and its consequent impact on the natural environment. We apply appropriate technologies and processes to achieve efficient operations, thereby reducing our negative impact.

- 24,600+ tons chemicals consumed
- 920+ million cubic meters (mcm) water withdrawn
- 207,000+ trees planted
- 2,800+ hectares reforested area since 2006
- 1.2 million gigajoules (GJ) energy consumed
- Water security and GHG[4] reduction targets
- Watershed management program
- Net zero roadmap
- Waste management program

Activities

01 Water source development and management



02 Raw water transmission

03 Water treatment

04 Water distribution

05 Wastewater treatment

06 Customer Service

[1]*Environmental, Social, Governance*
[2]*Manila Water Foundation*
[3]*Research and development*
[4]*Greenhouse Gas Emission*

Outputs

- ↑ Php23 billion economic value generated
- ↑ Php17 billion economic value distributed
- ↑ Php6 billion economic value retained

- ↑ 28% senior leadership is female
- ↑ 25 average training hours/ employee
- = 100% succession coverage for senior management roles[5]
- = 0 incidents of discrimination
- = 100% compliance in training qualified employees in Health and Safety

- ↑ 99% customer concern resolution rate within regulatory standards
- ↑ 2.5 million individuals served through MWF programs
- ↑ 81% qualified employees covered by CBA[6]

- ↑ 11.5% non-revenue water, end-of-period
- ↑ 140,000+ Manila Water App subscribers
- ↑ 4 pilot projects launched in 2022[11]

- ↑ 1.3 mcm potable water delivered
- ↑ 11 million population served with water
- ↑ 76+ mcm wastewater treated
- ↑ 116,000+ desludged septic tanks

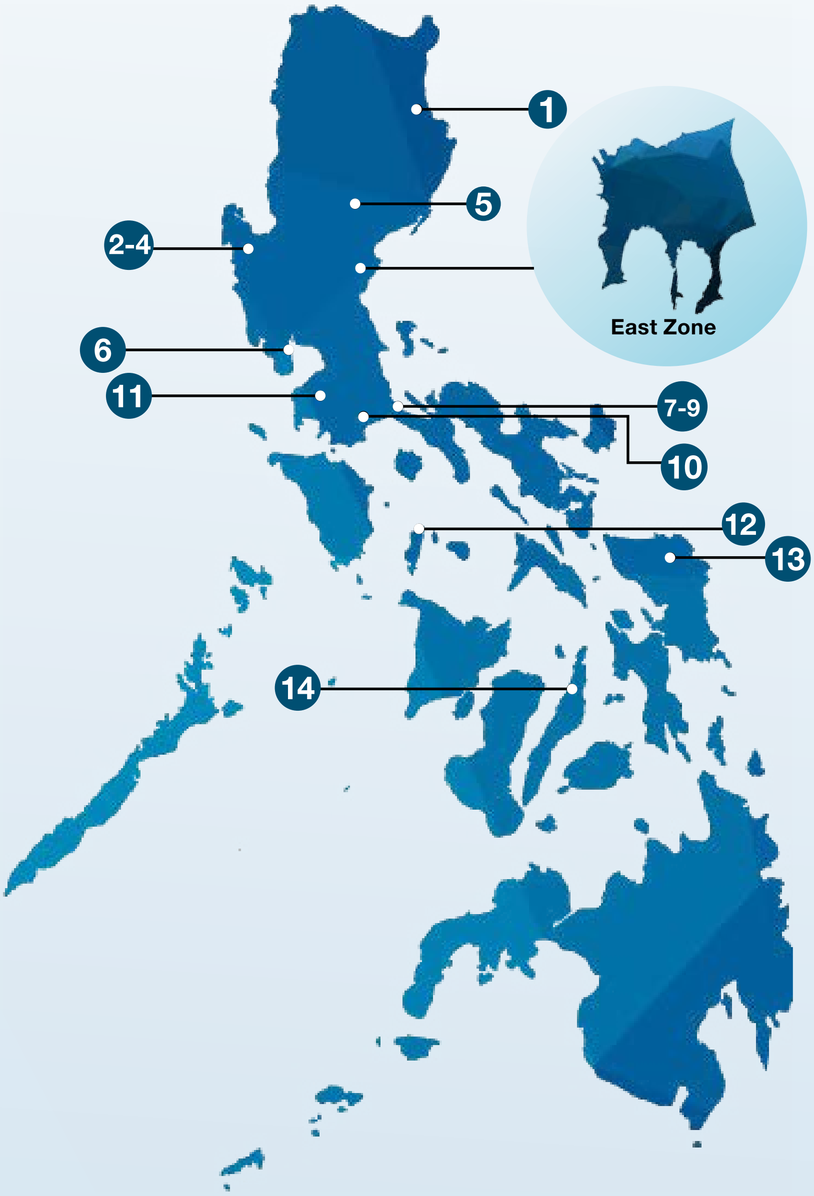
- ↑ 65,000+ tons greenhouse gas (GHG) emissions emission reduced and avoided vs BAU[7]
- ↑ 171,902 hectares of protected area
- ↑ 8.1% coverage of energy consumed from renewable sources
- ↑ 7,900+ tons organic pollution diverted from waterways
- ↑ 31,200+ tons of biosolids recycled

Outcome

Sustainability Agenda		Capitals	UN SDG[10] Contribution
 **Protect the environment.**	■ Avoided 55,000+ tons CO_2 due to wastewater treatment ■ Reduced pollution in water bodies ■ Achieved 36% reduction and avoidance compared to BAU for Scope 1 and 2 GHG emissions, thereby contributing to Philippine Nationally Determined Contributions ■ Used less resources for water and wastewater operations ■ Biodiversity preservation and carbon capture		3, 6, 7, 12, 13, 14, 15
 **Help communities thrive.**	■ Secured 28% water buffer enterprise-wide enterprise-wide, thus providing enough raw water to the business units ■ Ensured 100% compliance to national drinking water standards[8] ■ Provided water access to 326,000+ marginalized households since 1998 ■ Obtained 90% customer satisfaction score in East Zone Concession ■ Increased community awareness and engagement on environmental concerns ■ Built climate-resilient infrastructures		1, 3, 6, 8, 12, 13
 **Build a culture of care and trust.**	■ Increased investor confidence ▪ CDP[9] ratings advanced from Awareness to Management Level for climate change and water security ▪ Sustainalytics rating updated from High to Medium Risk Category ▪ Received first 4-Golden Arrow Award for its performance rating in the 2021 ASEAN Corporate Governance Assessment ■ Developed a skilled and engaged workforce ■ Established a safety culture in the workplace		5, 8, 10, 16, 17

[5]From department head to management committee roles
[6]Collective Bargaining Agreement
[7]Business as usual
[8]Excludes newly acquired business units with quality issues
[9]Carbon Disclosure Project
[10] United Nations Sustainable Development Goals
[11]Adoption of technology for the removal of contaminants from groundwater, PCR-based detection of bacterial taste and odor compounds in water sources, SARS-COV-2 wastewater-based epidemiology and Biological Nutrient Removal bioaugmentation

PHILIPPINES



PH OPERATIONS

Strong foothold with operating subsidiaries across PH

EAST ZONE

NORTH LUZON

1 Ilagan Water - *Isabela**
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*

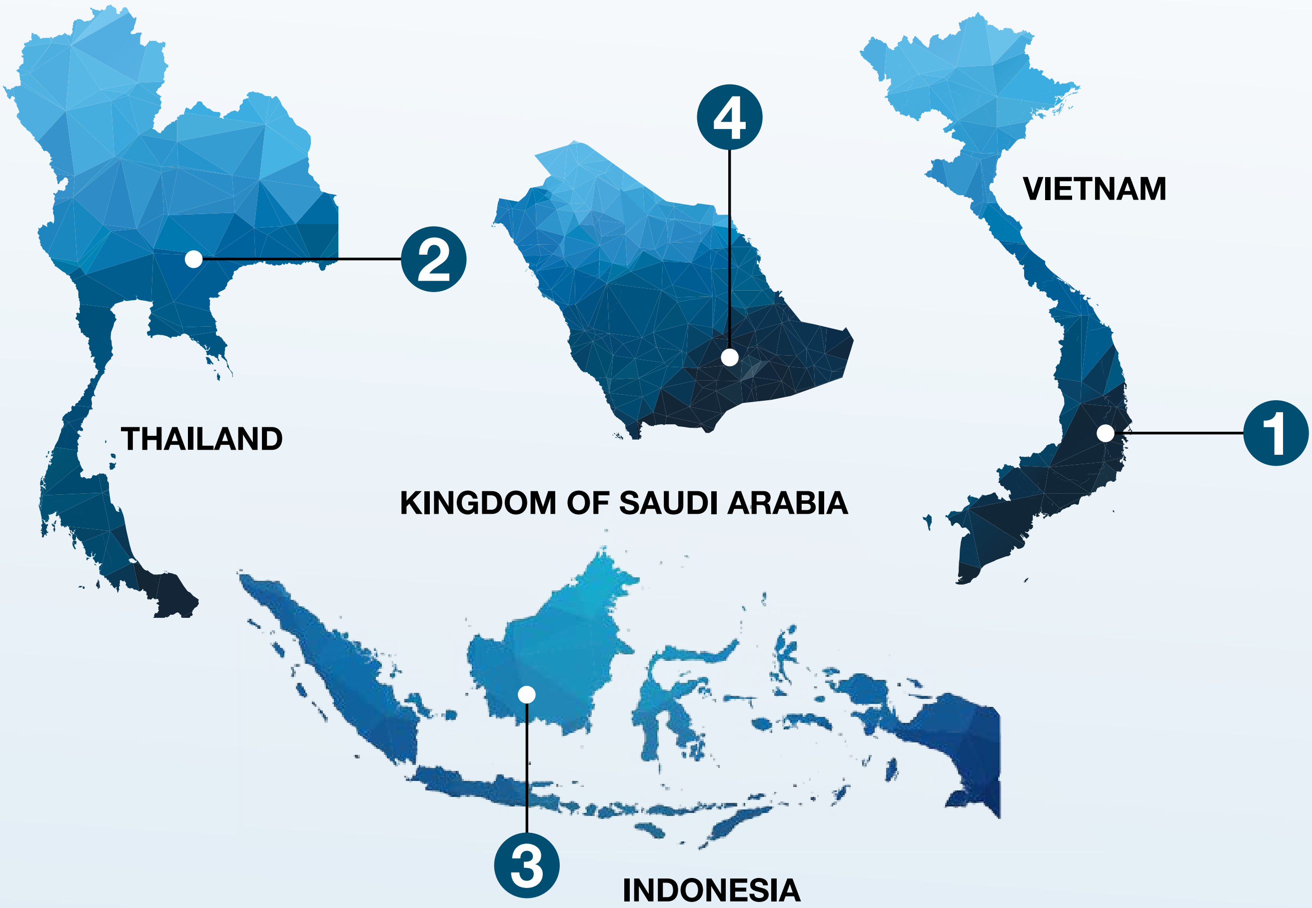
VISAYAS-MINDANAO

12 Boracay Water - *Aklan*
13 Calbayog Water - *Samar*
14 Cebu Water - *Cebu*
15 Tagum Water - *Davao Del Norte*

OTHERS (BUSINESS-TO-BUSINESS OR "B2B")

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

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



INTERNATIONAL OPERATIONS

Investments are in ASEAN and the Kingdom of Saudi Arabia (KSA)

1 VIETNAM

- **THU DUC WATER**
  49% stake in a 50 year Bulk Water Contract 300 MLD with Saigon Water Company (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 THAILAND

- **EAST WATER**
  18.72% stake in a raw water supply and water distribution business in Chachoengsao, Chonburi and Rayong of Thailand's Easter Economic Corridor

3 INDONESIA

- **PT STU**
  20% stake in a bulk water supply company in Semarang Regency, Central Java Province, Indonesia

4 KINGDOM OF SAUDI ARABIA (KSA)

- **A NORTHWEST CLUSTER KSA O&M**
  20% stake in a 1,000MLD MOM Contract in the NorthWest Cluster (Tabuk, Madinah) of KSA
- **EASTERN CLUSTER KSA O&M**
  20% stake in a 1,800 MLD MOM Contract in the Eastern Cluster (Dammam) of KSA

Building a Global Filipino Water Company

Purpose and Aspiration

In the past 25 years, we have excelled in providing quality water and environmental services tailored to the communities we serve. We have embraced our purpose of "better lives and resilient economies through the provision of critical infrastructure". Our purpose has enabled us to perform better in 2022, despite the still lingering COVID-19 crisis.

Balara Water Treatment Plant 1

Growth and Geography

As we go about our day-to-day operations, we will embrace our aspiration of becoming a global water company through our growth pillars: the East Zone business, our Philippine portfolio, and our International businesses. We expect our East Zone business to remain as our core platform as we grow in key areas in the country, Southeast Asia, the Middle East, and other emerging markets. For the East Zone, we will continue to protect our core and increase the value of the business through effective regulatory management and improved operational performance. We will tap unmet demand in areas where we already operate, while expanding our local footprint in the Philippine market outside the East Zone. Internationally, we see ourselves expanding to new geographies in a very strategic and deliberate manner. We will prioritize markets with robust growth prospects that will add value to the enterprise through the application of best practices and proven expertise.

These 3 growth pillars, coupled with our internal initiatives such as funding programs, cost efficiency projects, new organizational design, and the continued synergy within the Razon group of companies, will enable us to achieve our aspirations.

25 Years of Unwavering Service

Since our incorporation in 1997, we have consistently provided not only clean and potable water to our customers, but also uninterrupted water supply, and sewerage service. We have been able to deliver on our privatization objectives by focusing on our customers. Twenty five years later, years later, we continue to improve on our record. Moreover, we will strive to provide our customers across the globe with world-class water and wastewater services, while protecting the environment and promoting sustainability.

Enterprise Risk Management (ERM)

We operate in a regulated and dynamic business environment where uncertainties abound. We are accountable to our regulators, shareholders, employees, and customers, among others, even as profitability, sustainable development, and corporate social responsibility are expected to be continuously enhanced. To achieve our corporate objectives, we recognized the need for the active identification and management of risks inherent in our business.

We continue to implement the Enterprise Risk Management (ERM) Program based on a globally accepted approach, the ISO 31000:2018, which has been cascaded across the Company including subsidiaries in the Non-East Zone Philippines and International businesses to ensure the attainment of our objectives.

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. This should be supported by an effective management information system and risk management reporting system. In addition, our Board Risk Oversight Committee (BROC) provides oversight to management functions relating to strategic, financial, operational, compliance, legal, environmental, social, and other risks facing the Company. This involves the periodic disclosure of significant risk exposures and related risk management activities.

In its Report to the BOD for the year ended December 31, 2022, the BROC confirmed that it had discussed significant risk exposures, related risk-mitigation efforts and initiatives, and the status of the identified 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 meets quarterly to discuss matters related to risks, i.e., risk analysis and mitigation, discussion of top and emerging risks.

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

The ERMEC was established to oversee and ensure the efficient and effective management of our enterprise risks while the leadership team of each strategic business unit (SBUs) provides oversight and input to the President and to the Board on all relevant information regarding risks. This is to enable the formulation of better and more informed decisions.

The risk management system is reviewed annually by an Internal Audit function using a risk maturity assessment framework aligned with global best practices to determine the system's adequacy, suitability, and effectiveness. We are also subject to external assessment at regular intervals.

The success of the ERM program depends heavily on the framework which will provide the core principles and processes to meet the needs of the business.

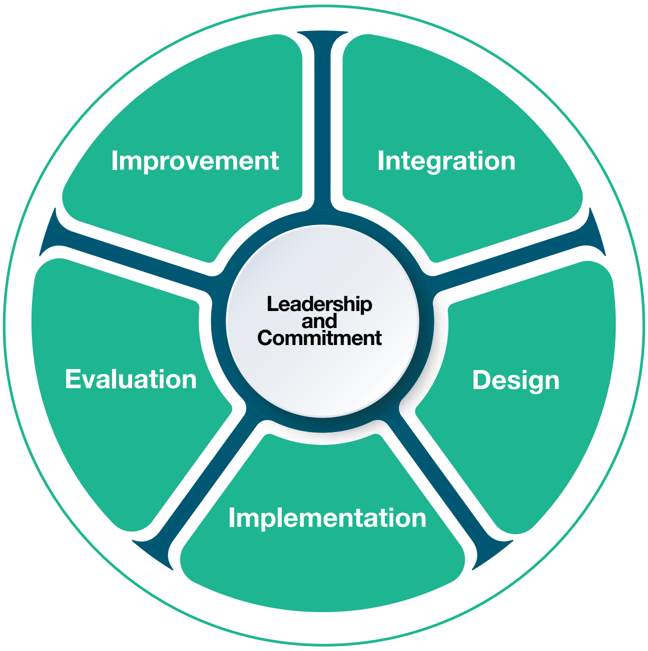
The Chief Risk Officer

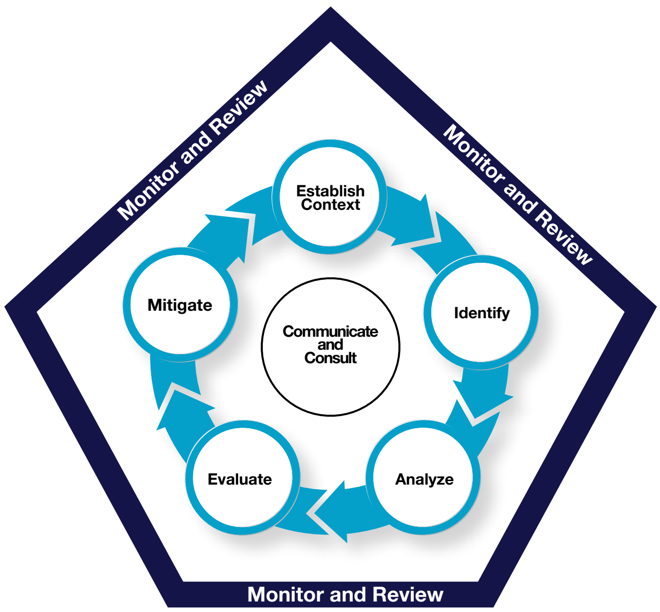
The Chief Risk Officer (CRO) oversees the entire risk management function and leads the development, implementation, maintenance, and continuous improvement of the ERM program, processes, and tools. The CRO is the Vice Chairman of the ERMEC. She also leads the Enterprise Risk Management (ERM) Department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

Enterprise Risk Management Department

The ERM Department is responsible for developing risk management tools, methodologies and processes, as well as sustained implementation of the ERM Program across the Company. It 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. With the ERM mindset continuously being assimilated into the Company's culture and practices, ERM has been embedded in key decision-making processes.

FRAMEWORK AND PROCESS





The ERM Framework is centered on a strong and sustained commitment by our leadership to risk management by defining risk management policies and objectives. This helps ensure legal and regulatory compliance, by providing the necessary allocation of resources to risk management, and communicating the benefits of risk management to all stakeholders. Correspondingly, the ERM process was designed to be an integral part of the Company's management, practices, and culture.

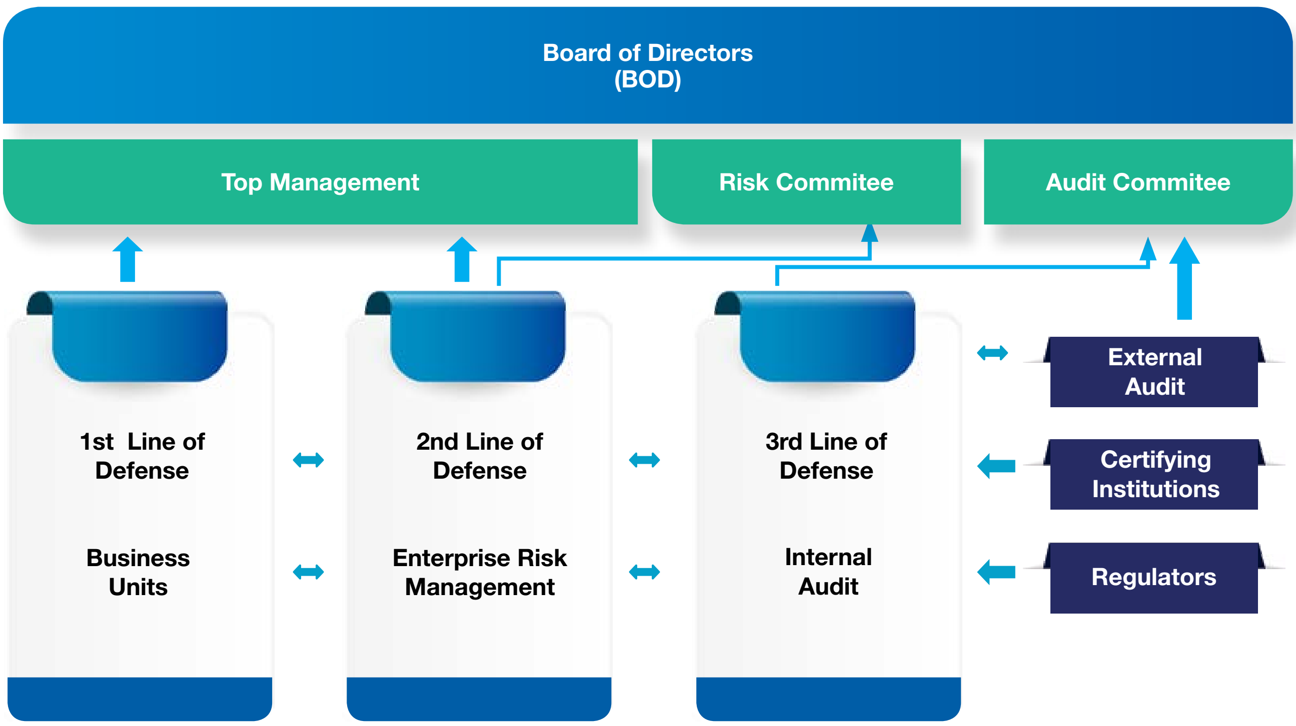
MANAGEMENT OF TOP ENTERPRISE RISKS

The ERMEC determines the most significant risks facing the Company. The Senior Leadership Team (SLT) convenes as the ERMEC. The SLT consists of: 1) President and CEO; 2) Chief Administrative Officer; 3) Chief Regulatory Officer; 4) Chief Operating Officer - East Zone; 5) Chief Operating Officers - Non-East Zone Businesses; 6) Chief Finance Officer; 7) Chief Legal Counsel and Chief Compliance Officer; and 8) Chief Risk Officer.

For both Manila Water East Zone and Non-East Zone businesses, risks are being managed by the strategic business units' (SBUs) respective Leadership Teams (LT) teams, headed by their COOs. They oversee the effective risk management in each respective business unit within the SBU. They are responsible for establishing, maintaining, and reviewing procedures at management and tactical levels to identify, assess and measure, and mitigate risks in accordance with the Company's enterprise risk management policy.

The management of top enterprise risks has been cascaded up to the department level and delegated to the respective 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 respective SBU LTs. Finally, the findings are reported to the BROC.

ERM STRUCTURE



Balara Water Treatment Plant 2

2022 ACTIVITIES AND HIGHLIGHTS

For 2022, the ERM department's main goal was to asses at the critical processes to identify areas that can strengthen the conduct of ERM within the organization. The following activities were undertaken to improve the company's risk management discipline.

ERM Policy Revision

As the core document that guides and informs employees on how ERM should be carried out, the ERM Department reviewed and improved the ERM policy by incorporating global best practices.

ERM Inclusion in the cadetship and onboarding program

In 2022, aside from the yearly cascade of the ERM process to risk champions, ERM discipline was reinforced by including an 'ERM 101: ERM in Manila Water' module in the cadetship and onboarding programs.

Risk Assessment

Risk Assessment is the primary activity wherein risks are identified and analyzed. The activity was conducted with a mix of top-down and bottoms-up approaches to produce this year's top enterprise risks. A year-end reassessment was also implemented to gauge the effectiveness of the Company's mitigation methods and strategies.

Task Force on Climate-related Financial Disclosure (TCFD) and Climate-Related Risks Reporting

We recognize the importance and criticality of disclosing climate change risks to our stakeholders. In 2022, we continued to strengthen our climate reporting readiness which included climate change discussions at the Board and senior management.

Top Risks Discussion (Risks and Mitigating Measures)

2022 TOP RISKS	UPDATES AND MITIGATION STRATEGIES
Government/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. This includes failure to plan adequately regarding the finalization and effectivity of the provisions of the incoming Concession Agreement which may lead to potential non-compliance or missed opportunities.	Manila Water's regulatory exposure lies heavily on compliance with the Revised CA to be in effect and the IRRs that the MWSS-RO may implement. The Company's mitigating action is the implementation of the approved RR23 Service Improvement Plan and ensure to meet the Service Obligation committed therein. The Company continued the rehabilitation of existing facilities, implemented operational adjustments and included the new general effluent standards in future sewage treatment facility designs. The Company is also engaged in discussions with the regulators in developing scientific-based studies in setting new policies and limits.
Water Supply Failure to ensure the adequacy, quality, and reliability of water supply across service areas. Covers raw water availability, water quality, and distribution. Failure to execute projects consistent with the approved Service Improvement Plan in a timely manner to increase water sources.	To ensure adequate raw water supply especially during the dry season, we continue to implement MWSS-approved short and medium-term water source development projects such as rehabilitated and new deep wells, completion of the Marikina Treatment Plant, Operationalization of Angat Low Level Outlet, and the completion of Wawa-Calawis (Tayabasan Weir) and Laguna Lake East Bay sources. We commit to provide quality water to the public by: 1) having a responsive and relevant Water Safety Plan; and 2) increasing the security at La Mesa Dam and improving watershed management.

Top Risks Discussion (Risks and Mitigating Measures)

2022 TOP RISKS	UPDATES AND MITIGATION STRATEGIES
Commercial Operations Inability to recover customer demand back to pre-pandemic levels. Inability to plan, cover, or manage increases in Operating Expenses (Fuel, Power, Chemicals, etc.)	We established Billed Volume recovery initiatives, which are evaluated weekly. A cross-functional team was created to focus on the conceptualization of billed volume recovery programs and their implementation. A corporate volunteerism program was launched to augment the need for field validation of said initiatives. Dedicated teams were assigned to focus on the assessment of opportunities in expansion areas. Moreover, the Operations Group crafted a Summer Preparation Plan to ensure supply availability in case demand increases. Increases in Operating Costs were continuously being monitored and mitigation plans include cost rationalization initiatives on major cost drivers. Moreover, we continue to pay attention to all customer arrears and implement activities-focused strategies to boost collection levels. Framework agreements are being negotiated with major industry providers to offer the most affordable rates for items such as chemicals, fuel, and power.
Financial Risk 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.	We continue to maintain current and establish new short-term credit facilities, ensure availability of and draw from short-term lines, and secure term loans to build up and maintain liquidity buffers. The board-approved Foreign Exchange Risk Management Policy and foreign exchange hedging structures intended to address foreign exchange risk were implemented and are in full effect.
Cybersecurity Failure to protect critical company data, information and systems from internal and external threats.	We are committed to continuously improving security and resiliency based on a zero trust principle to protect our Information Technology (IT) and Operational Technology (OT) environment from cyberattacks. We have been rated by a third party as having a reasonable cybersecurity program with mature characteristics comparable with companies in the same industry/size. Our cyber maturity has increased through enforcing stricter security policies and investing in leading security and disaster recovery solutions that strengthened our protection, detection, response, and recovery capabilities. Security awareness culture improved through mandatory trainings and regular campaigns.

Top Risks Discussion (Risks and Mitigating Measures)

2022 TOP RISKS	UPDATES AND MITIGATION STRATEGIES
Natural Calamities & Climate-related Risks (Physical and Transition Risks) Failure to effectively ensure business continuity and immediate recovery in response to disruptive natural calamities such as earthquakes, weather extremes, and the effects of climate change. Risks that are related to the transition to a lower-carbon economy and risks related to the physical impacts of climate change.	Business continuity plans, emergency response teams and incident management plans are in place to address the risks 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. Additional emergency equipment and vehicles have been procured and distributed throughout the various facilities within the concession area. Management of climate-related risk has always been in the forefront of our operations. Various actions have been put into place, from awareness to climate-related risks management to address physical and transition risks brought about by climate change. Please refer to pages 78 to 85 for an extensive discussion on climate-related mitigating actions.
Talent Management Failure to ensure availability of competent talents for critical roles and keep employees engaged and motivated to deliver results. Covers risks on Talent Capacity, Capability, and Connection.	The Group addresses talent risk by implementing programs geared towards building a solid talent pipeline that will deliver the business strategy and ensure business continuity. Programs are in place to assess, profile, develop, and retain talents. Such programs are available throughout the employee lifecycle and is continuously strengthened • Onboarding • Competency assessment • Individual development planning • Succession management programs • Leadership and technical or functional development
Legal Inability to manage and close major legal disputes that will impact reputation and incur significant financial penalties	Legal risks are handled through our Legal Services Department. This group monitors outstanding legal cases and keeps track of the status of each case. Furthermore, we make assessments in terms of the likelihood and impact of each case. Accordingly, we make provisions for financial exposures and these are duly reflected in our financial statements.

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

For the year ended December 31, 2022

The Board Risk Oversight Committee ("Risk Committee") was established by the Board of Directors at its August 11, 2015 meeting to help 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 4 meetings in 2022 with the following attendance rate:

Directors No. of Meetings	Attended/Held	Percent Present
Cesar A. Buenaventura	4/4	100%
Sherisa P. Nuesa	4/4	100%
Eric Ramon O. Recto	4/4	100%
Donato C. Almeda	3/4	75%

- 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 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, inclusion in new hires onboarding, risk related articles and infographics, focus group discussions, and change management sessions were conducted to continuously strengthen the risk culture of the organization.
- Key risk indicators (KRI) that will serve as the primary tool to monitor the risks within Manila Water were introduced.
- ERM policy's organizational structure was revised to have more meaningful discussions between the Board, Senior Leadership and individual SBUs.

CESAR A. BUENAVENTURA
Chairperson, Board Risk Oversight Committee

DONATO C. ALMEDA
Director

SHERISA P. NUESA
Independent Director

ERIC RAMON O. RECTO
Independent Director

Sustainability

Sustainability is at the very core of what we do. We believe that by operating and delivering world-class facilities and services attuned and responsive to the needs of the communities and stakeholders we serve, we are able to significantly contribute to a robust and sustainable development agenda. In doing so, we create shared and long-term value.

For 25 years, we have been a staunch supporter of sustainable development principles aligned with UN Sustainable Development Goal 6 – Clean Water and Sanitation. We continue to deliver on our commitments while being mindful of our social and environmental impact. This means providing local communities with access to clean and potable water, including the urban poor, as well as abating the further deterioration of our water bodies through responsible wastewater treatment.

We were also the first in the country to produce a Sustainability Report which has outline our goals and performance since 2005. During this time, Environmental, Social, and Governance (ESG) issues were not yet at the top of the corporate agenda.

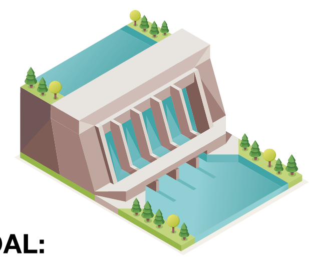
Since then, we have been weaving sustainability principles and practices into our strategies and management systems. We hope to boost long-term financial viability, address the risks, and seize the opportunities through a focused ESG lens. We know that we can only grow, fulfill our purpose, and aspire to be a global Filipino water company if we care for the communities we serve, the environment, and our partnerships.

ESG Targets to 2025

We do not stop with high-level commitments; we are taking it a step further and have set for ourselves mid term ESG goals and targets. From last year's disclosed commitments, we are now reflecting our progress.

ESG COMMITMENTS TO 2025

WATER ACCESS AND SECURITY



GOAL:

At Least
15% Raw Water Supply Buffer

PROGRESS:

28% Water Buffer enterprise-wide, providing enough raw water to the business units

CARBON EMISSION REDUCTION

GOAL:

60% reduction and avoidance through renewable energy and wastewater treatment

PROGRESS:

Achieved a 36% reduction and avoidance compared to BAU for Scope 1 and 2 GHG emissions

CAPEX

GOAL:

Building infrastructure sufficient to satisfy service commitments and improvements

PROGRESS:

Highest CAPEX for concession businesses at **Php21.7B**

Our commitment to sustainability continues. Furthermore, are disclosing additional ESG targets that we will track progress for the next three years.

NEW ESG COMMITMENTS

AGENDA	ESG PILLAR	INDICATOR	TARGETS TO 2025
PROTECT THE ENVIRONMENT	Environment	Non-revenue water Water sources restoration and nurturing	<15% NRW level* 1,000 hectares of watershed areas reforested between 2022-2025 580,000 trees planted and nurtured between 2022-2025
HELP COMMUNITIES THRIVE	Social	Drinking water quality	100% compliance to national drinking water standards
BUILD A CULTURE OF TRUST AND CARE	Social, Governance	Occupational Health and Safety	Zero Lost Time Injury Rate

**target applies to East Zone Concession*

UNDERSTANDING WHAT MATTERS MOST

Materiality Assessment Process, GRI 102-47

Every 2 years, we conduct a materiality assessment to understand what matters most to our stakeholders and, as much as we can, address their shifting expectations. We also take stock of where we are as an organization, our risks, and opportunities.

Our materiality process considers the changes in the social, economic and business landscape that are important for our stakeholders.

This year, we did things differently. We took a step back and redefined our process in the following ways:

- **Adapting our transitional changes** - We linked our material topics with the redefined Purpose, Mission, Vision, and Core Values, coupled with the Company strategy to grow the organization into a global Filipino water company.
- **Redrafting our material topics** - We now consider feedback from internal reports, external peer reviews, sector-specific regulations and standards, and the latest research on social and environmental trends and challenges.
- **Enhancing our data gathering methodology** - We reached out to more than 1,000 stakeholders through our now online survey forms and virtual interactions.
- **Revising our prioritization criteria** - Underpinning the assessment is a set of quantitative criteria so we can adequately identify what needs our most attention.

We retained the alignment of our materiality assessment process with various frameworks such as the Global Reporting Initiative (GRI) and the integration of our top company risks, as identified through the ERM system.

Materiality Assessment Process

Our Respondents

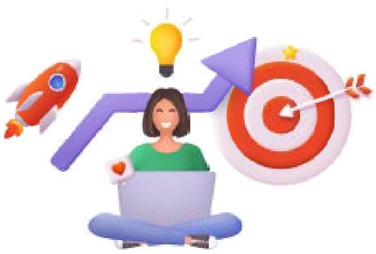
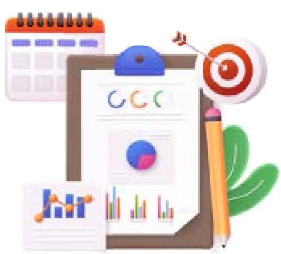
In 2022, our materiality survey was released to key stakeholder groups.

We heard from more than 1,000 respondents. Two hundred twenty-four survey respondents came from our various stakeholders such as customers, regulators, government, vendors and suppliers, and investors, while 794 employees from all our business units responded to our survey.

The results of the survey have been very informative and will help us shape our plans and priorities moving forward. On the other hand, we also find that we already have ongoing programs and practices in place to respond to the material topics raised.

Here is a summary of the key findings and our immediate response:

STAKEHOLDER	ISSUES AND CONCERNS	OUR RESPONSE
COMMUNITY/CUSTOMERS 	• Service continuity and reliability • Adequate and timely information dissemination (e.g. disconnection, service interruption schedules, etc.) • Quality of customer service • Environmental issues such as conservation of natural resources and climate change	• Ongoing projects to improve water and wastewater service • Communication of information is made via media and local authorities, i.e. planned service interruption for maintenance and repairs, desludging schedules, etc. • Various customer service channels are available to customers to lodge their concerns – Manila Water Hotline, social media, Manila Water App, walk-in • Strict implementation of turnaround time for addressing customer complaints as agreed with regulators • Customer feedback mechanisms are in place • Ongoing programs on non-revenue water and watershed management

STAKEHOLDER	ISSUES AND CONCERNS	OUR RESPONSE
EMPLOYEES 	• Work-life balance • Compensation and Benefits • Growth and stability • Talent development • Health and Safety, including mental health	• #MahalagaKa program was launched • Board committee level attention on employee rewards and remuneration • Passport Program introduced to give opportunity for growth and provide international experience • Manila Water University • Various channels for learning, i.e. in person, online, hybrid, on demand • Mental Wellness Program
REGULATORS 	• Service obligations, which includes service continuity and reliability, and wastewater compliance • Tariff adjustments • Water and water infrastructure project implementation • Climate change and biodiversity	• Regular dialogues on service obligation concerns and other critical issues • Full engagement to the Rate Rebasing exercise, e.g. public consultation • Regular updates on various projects and operational concerns • Compliance to reporting obligations
INVESTORS AND THE FINANCIAL COMMUNITY 	• Emissions and climate change • Economic contribution, which covers the implementation of the capital expenditure (CAPEX) program, and the Service Improvement Plan • Strategy, risks, and governance • Financial and operating performance	• Ongoing project to address climate concerns, water security and other material ESG topics • Updates on projects and programs • Dialogues and timely response to investor queries • Disclosures to regulatory agencies and investing community
NATIONAL GOVERNMENT AGENCIES 	• Compliance with laws, regulations, and other requirements • Participation in advocacies and initiatives • Implementation of infrastructure projects • Health and Safety	• Compliance and regular coordination on all critical areas – legal and regulatory requirements, project planning and implementation • Partnership in various advocacy programs, e.g. Toka-toka • Submission of position papers and various documents
LOCAL GOVERNMENT UNITS 	• Compliance with laws, regulations, and other requirements • Service continuity and reliability, and quality of customer service for constituents • Adequate and timely information dissemination, e.g. disconnection, service interruption schedules, etc. • Alignment of work programs for infrastructure projects • Participation in advocacies and initiatives	• Regular and close coordination on project planning and implementation • Delivery of requested support and event participation • Regular posting of planned/unplanned activities on social media • Posting on social media of a list of barangays scheduled for desludging

STAKEHOLDER	ISSUES AND CONCERNS	OUR RESPONSE
VENDORS, SUPPLIERS AND CONTRACTORS 	• Project opportunities • Performance feedback mechanism and process • Health and Safety	• Communication of project pipeline during Vendors' Forums • Feedback and counseling sessions • Health and Safety program
MEDIA 	• Updated information on the programs of the Company, e.g. service disruption, project status, company performance, events and advocacies	• Press briefing and media engagements as needed • Relevant information posted on digital and social media platforms • Media visits of major projects to facilities

Our Material Topic

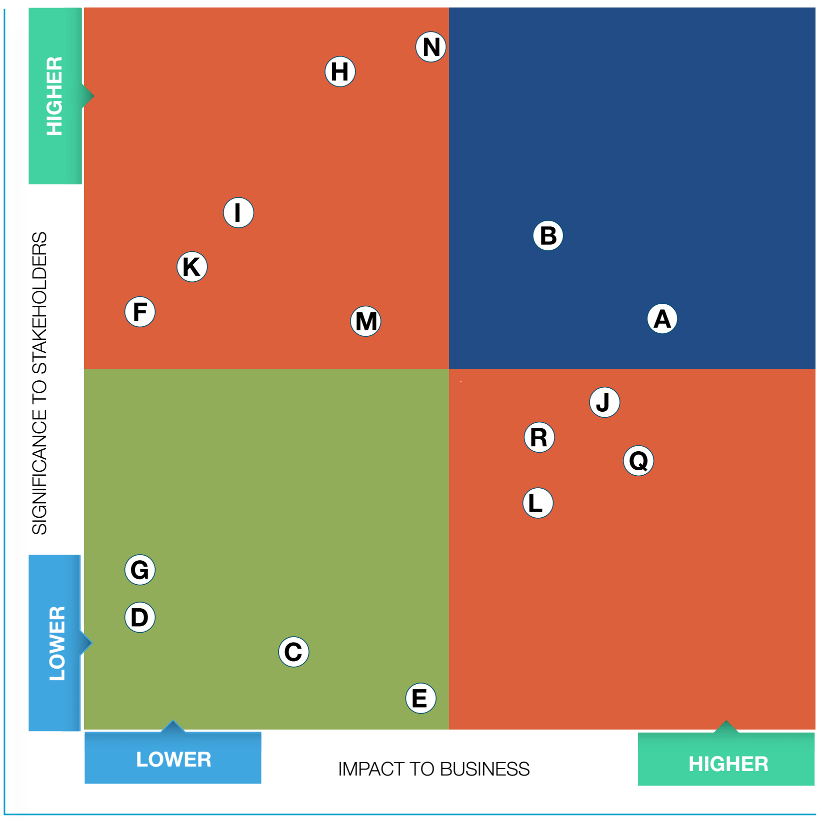
The materiality assessment yielded 8 material topics from a list of 18 based on our new prioritization criteria.

While some topics were not rated highly by our stakeholders or were considered low impact as management controls were in place, we still considered them important and report on them here and in various sections of the report.

A major change that we did last year was to redefine our material topics. From an exhaustive list of 39 topics, we decided to cluster and simplify these to make the findings more actionable

Please refer to the **Sustainability Content Index** for the discussion on how we address the material topics in this report.

Materiality Matrix



ENVIRONMENT
A Climate Change
B Water and Effluents
C Energy
D Emissions
E Biodiversity
F Waste
G Materials

SOCIAL
H Community Relations
I Occupational Health and Safety
J Economic Contribution
K Customer Service
L Human Capital
M Business Continuity

GOVERNANCE
N Corporate Governance
O Strategy and Risk
P Labour Practices
Q Supply Chain
R Cybersecurity

Milestones to a Sustainable Future

1997

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

1998

Focusing on water access
Manila Water launched the Tubig Para sa Baranggay (TPSB) Program, its flagship program designed to provide access to safe and reliable water supply to urban poor communities.

2004

Embedding sustainability
The Company published its first Sustainability Report.

2005

Being socially responsive
The Company established the Manila Water Foundation as its social development arm.

2007

Raising Awareness on Climate Change
Manila Water ratified its Climate Change Policy.

2010

Ensuring transparency
Manila Water adopted GRI G3 Level C reporting standards, and aligned its Climate Change Policy.

2017

Creating shared value
The Company defined its contribution to value creation through its first Integrated Report.

2018

Contributing to UN SDGs
Manila Water further strengthened its commitment to the environment by championing SDG 6 on clean water and sanitation.

2020

Maximizing opportunities and minimizing risks
The Company The Company published a five-year climate change report and secured USD500 million sustainability bond proceeds.

2022

Committing to a sustainable future
Manila Water reinforced sustainability through its ESG commitments to 2025.

GETTING TO KNOW THE PEOPLE WE VALUE

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

The Manila Water team is fully engaged with our customers and stakeholders. We are not just a water company, but also a partner. As we work with stakeholders and the communities, we always keep in mind that the best way to respond to their needs and concerns is by engaging them and seeing things from their perspective.

Our stakeholders continue to move and inspire us to always do our best. We value their voices and actively engage them through different channels. Their thoughts and opinions are captured and considered in our materiality assessment process.

1 Employees
- Meetings and dialogues
- Employee onboarding
- Employee feedback surveys
- Employee townhalls
- BOW (Balita on Wednesdays or News on Wednesdays)
- J@MS (CEO Jocot @ My Side)
- E-Agos Newsletter

2 Community/Customers
- Community dialogues called “Kasangga Day”
- Customer service sotline
- Public consultations
- Traditional and social media releases
- Flyers, bulletins, texts, surveys
- Manila Water App
- Events and information and education campaigns (IECS)

3 Regulators
- Regular meetings
- Reports submission
- Public consultation
- Events, seminars, and conferences
- Surveys

4 Investors and the financial community
- Annual Integrated Report
- Annual Stockholders’ Meeting
- Quarterly Analysts’ Briefings
- Company website
- Traditional and social media releases
- Investor roadshows
- Investor dialogues

5 National Government Agencies
- Regular meetings
- Reports submission
- Briefings and public consultations,
- Events, seminars, and conferences
- Advocacy programs

6 Local Government Units (LGUs)
- Regular meetings
- Reports submission
- Briefings and public consultations,
- Events, seminars, and conferences
- Advocacy programs

7 Vendors, Suppliers and Contractors
- Vendors’ Forum
- Vendor 360 Degree Feedback
- Vendor counselling
- Company presentations
- Events, seminars, and conferences

8 Media
- Press conferences and interviews
- Traditional and social media releases
- Company website

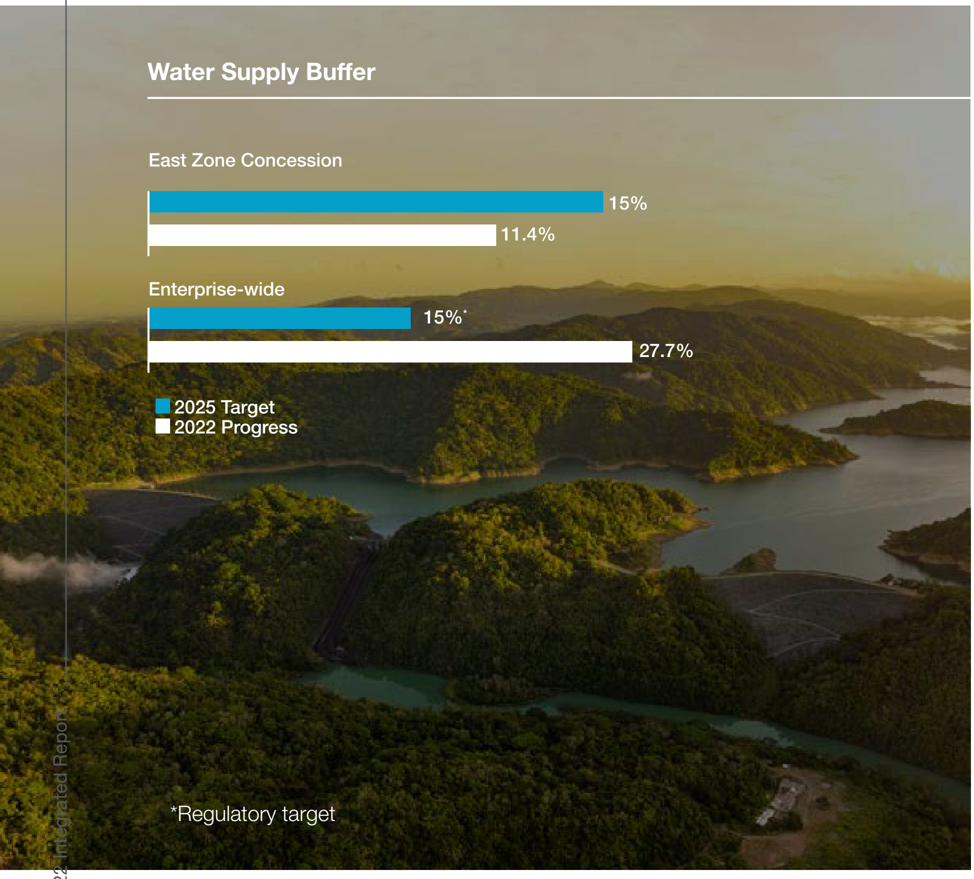
Helping Communities Thrive

East Zone receives a 90% Customer Satisfaction (CSAT) rating for the year 2021 as it prioritizes the satisfaction and needs of the community.

Management Approach

In Manila Water, we understand that for communities to thrive, access to basic services must be established and sustained. We recognize that this goal is at the heart of our service obligations as we strive to ensure access to drinking water, sanitation, and improved hygiene for the communities we serve, most especially for the underserved and most vulnerable groups.

Our actions to help communities thrive is aligned with achieving United Nations Sustainable Development Goal (UN SDG) 6 on ensuring availability and the sustainable management of water and sanitation for all. As we fulfill our responsibility to meet the growing demand for water and sanitation, we are is also in a position to contribute to other UN SDGs that are relevant to this sector.



The achievement of the water security target is anchored on 3 main strategies: 1) the development of new water sources; 2) NRW reduction program; and 3) improvement of the water distribution networks.

Water Source Development

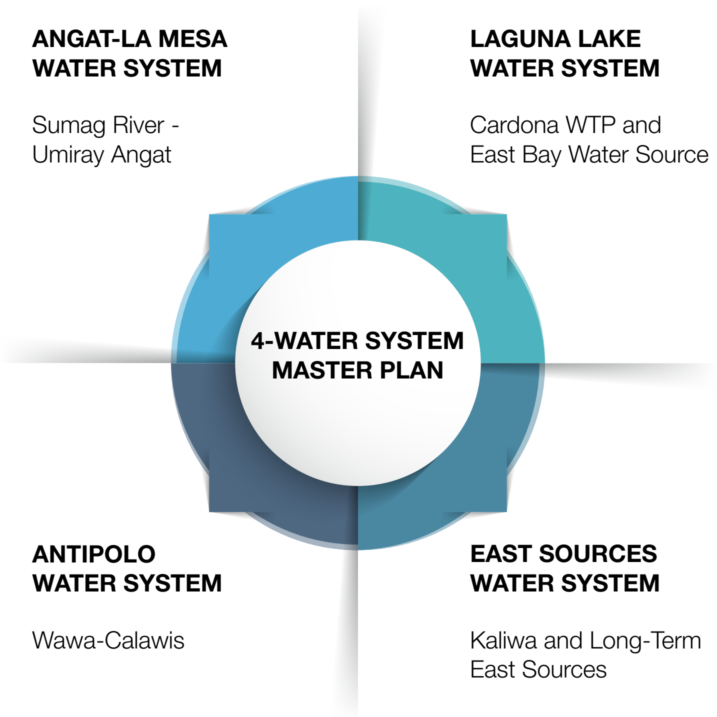
The increasing demand for water because of Metro Manila's increasing population highlights the criticality of our water service improvement plan for the period 2023-2027. We have begun tapping alternative sources across the country in partnership with the government, regulators, and other stakeholders.

To manage the limited sources in the interim, particularly in the East Zone, we invested in Artificial Intelligence (AI) to improve our forecasting capability. This technology mitigates the risk of water shortages in our water value chain – from the dams to water production and demand.

ENSURING WATER SECURITY

How we ensure long-term water supply

In February 2022 we released the first of our medium-term sustainability goals that outline our progress and plans on embedding ESG into our business strategies. 1 of the 3 ESG targets that we aim to achieve by 2025 is to ensure water access and security by allocating at least a 15% supply buffer from expansion and additional raw water sources. With an annual water demand increasing at a rate of 3% and the need for an additional supply of 15% during peak summer months, it is important that new water sources be developed to ensure the continuity of 24/7 service. As of 2022, we achieved an 11.4% water buffer for the East Zone Concession, and 28% for the enterprise, enabling us to provide enough raw water to our business units. We were able to do this by tapping alternative sources and further lowering non-revenue water (NRW).



Non-Revenue Water Reduction

SASB IF-WU-140a.2

Aside from investing in the building and rehabilitation of infrastructure to secure additional water supply, it is equally important to ensure that potable water is not lost during treatment and distribution. To reduce the volume of water loss before reaching our customers, we have an NRW reduction program reduction program that involves leak detection and repair, pipe replacement, and meter inspection and and calibration. We also aim to quickly resolve incidents by coordinating closely with stakeholders such as third-party contractors, national government agencies, local government units, and other entitites. As of December 2022, we have maintained our NRW to about 11.6%, one of the lowest globally, relative to the World Bank recommended level of 25%.

> **Maintaining our current level of NRW helps successfully bridge the supply gap and allows us to meet the needs of our customers for clean, potable water 24/7.**
>
> President and CEO Jocot De Dios

Water Network Improvement

SASB IF-WU-000.E

Rehabilitating, replacing, and extending our waterlines is another means to provide 24/7 water supply to more customers. As of December 2022, we have laid and maintained approximately 6,991 kilometers of water pipelines supplying clean and potable water across our business operations in the Philippines. This is a 180% increase from the 2,497 kilometers of water network that we inherited in 1997 in the East Zone. The water network improvement program guarantees 7.4 million customers 24/7 water supply. For the coming years, we will continue to implement service accessibility and continuity programs focused on laying more lines to reach the still unserved areas.

We are committed to maintaining our NRW to below the standard level of 25%. Our NRW experts use various technology to detect leaks in the pipelines.

Through additional water lines, we will be able to provide greater access and ensure the delivery of potable water to more customers.

The motivation to increase water supply through various initiatives is rooted not only in ensuring the continuity of the business, but also in assisting our customers that deserve basic water and wastewater services for their daily living. Marissa Sabusap, owner of Issa's Eatery along Marcos Highway in Antipolo City and and one of the East Zone's many customers, used to rely heavily on informal water rationing suppliers for her daily water use. She recalls having to deal with grime forming in the water containers—a sign of poor water quality. This made the routinary tasks of washing dishes, cleaning and sanitizing the establishment, and providing drinking water for their customers seem unsafe, tedious, and costly. But things started to look up in September 2009 when Manila Water laid pipes in her area. With clean water now accessible through the tap, Marissa now has a thriving carinderia (eatery). "Bukod sa masarap, kailangan malinis. (The food should not just be tasty, but clean as well.)", said Marissa recalling the improvements they have experience since 2009.

This is the Olandes STP which won an award from the International Water Association for its innovative design. It underwent a renovation and upgrade in 2022 after the 4-meter flooding incident during typhoons Ondoy and Ulysses.

"We ensure that the design is flood resilient, such as raising the diesel tank to prevent and replacing the basement ingress with a submarine door, allowing no flood water to enter," Construction Manager Diane Dionisio said.

MAINTAINING RESILIENT COMMUNITIES

How we maintain resilience amidst natural calamities and disasters

We fully recognize that the Philippines, experiences various natural disasters. In addition, climate change has significantly altered every aspect of the water space. This is a reality that the Philippines and the rest of the world need to address, along with the challenges of an increasing population in highly urbanized areas. Given that water is a basic need, it is imperative that our services are reliable and resilient even in the midst of a natural calamity or disaster.

Resilient Assets and Operational Controls

GRI 2016: 203-1, 203-2

We take measures to align our operations with the new realities we now face. We are implementing long-term resiliency plans with the community, government, and other key stakeholders to cope with the impact of large-scale disasters. In 2022, we further improved the flood resilience of facilities built near rivers to ensure that flooding would not disrupt or endanger the operations of the facilities, particularly the Olandes Sewage Treatment Plant (STP) and Marikina North STP in the East Zone.

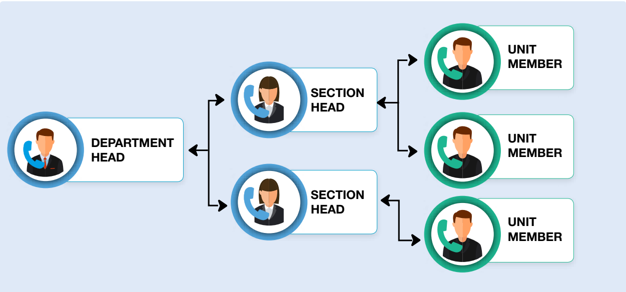
We also implement several measures and operational controls to ensure service continuity and quicker uptime in the event of a disaster. These include redundant and by-pass systems, regular asset integrity audits and inspections, automation and monitoring through SCADA, preventive maintenance planning, and the construction of underground emergency reservoirs.

Business Continuity, Emergency Preparedness and Response

In addition to building and maintaining resilient infrastructure, we put in place a Business Continuity framework and structure to systematically determine our response to various levels of a potential disruption. In this manner, we are able to anticipate different scenarios and activate an appropriate response for each. As a result, our customers encounter minimal to no service interruptions during calamities.

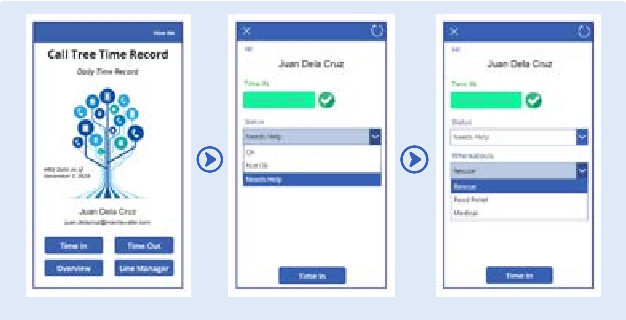
CALL TREE TRIGGERS

Department Heads, Section Heads & Direct Reports:

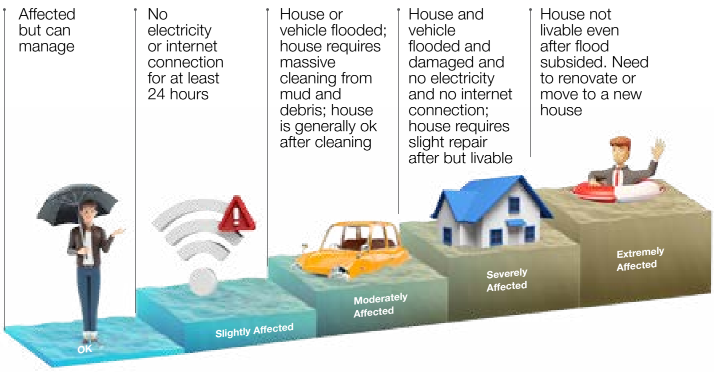


CALL TREE REPORTING

Via POWER APPS - CALL TREE TIME RECORD



EMPLOYEE SAFETY MONITORING DURING TYPHOONS



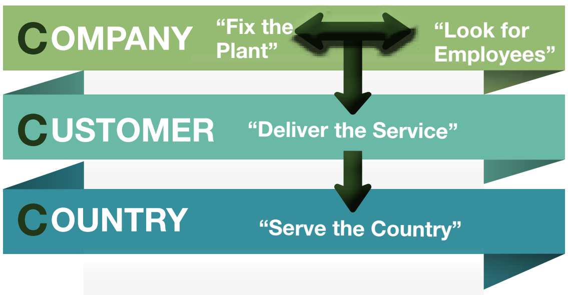
Within the Business Continuity framework is an incident management protocol guided by the 3C's in Disaster Response.

- **Company** - As our first line of defense during calamities, employees report their situation through the call tree application. Upon activation of the call tree, the information is centralized and assessed to determine who among our employees need to be rescued or provided with additional support. Rescue units, in coordination with local government and partners, are immediately deployed to support those who are in emergency or critical situations. Once this is established, company property and assets are assessed for damage. Moreover, the safety of the working space is verified. Repairs are done as necessary to minimize further risks and prevent service downtime.

- **Customer** - We anticipate incidents of service interruption which means that responding to our customers' needs becomes a matter of urgency. Backup systems such as generator sets and standby pumps and motors are activated to restore services. For areas with water interruption, water tankering services are deployed.

- **Country** - During major disasters, we also render assistance through our emergency response programs, and the deployment of our Flood Incident Response Safety Team and Sagip-Buhay. Furthermore, we contribute to relief operations by deploying our mobile water treatment plants in areas that need potable drinking water. These efforts reflect our corporate social responsibility initiatives that highlight our readiness and capability to extend help, not only to our customers in the East Zone, but also to our countrymen beyond our concession area.

3Cs in Disaster Response



In 2022, 5 trainings were conducted on business continuity and emergency response. This was attended by approximately 110 Business Continuity Kasanggas and safety officers across the enterprise.

Critical to reinforcing preparedness at all times is the conduct of training programs and drills in partnership with national and local government units, fire departments, and other concerned organizations. We conduct and participate in nationwide drills on disaster response annually. This includes scenarios on large-scale disruptions.

In 2022, 1,625 employees participated in joint drills in case the Big One, a high-magnitude earthquake, occurs in Metro Manila. Aside from the corporate level drill, Manila Water also conducts drills within its facilities. This incorporates emergency scenarios such as earthquake, fires or explosions, typhoons, and flooding, as well as chlorine or other chemical spills or leaks.

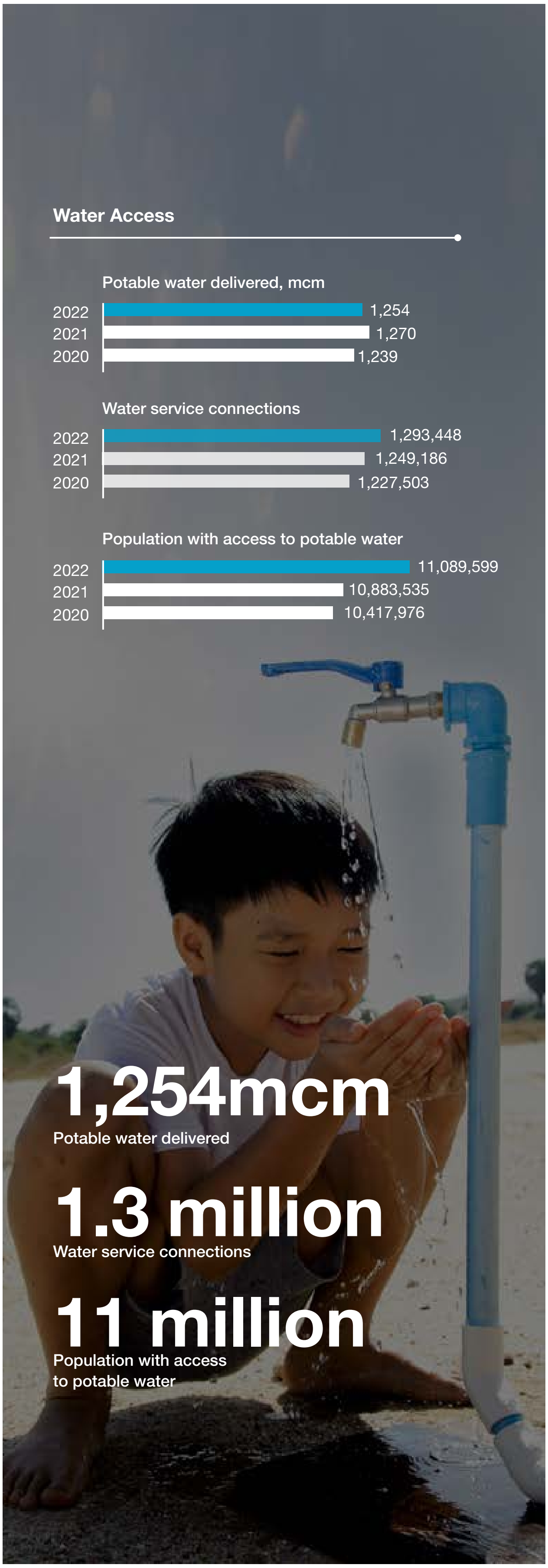
EMPOWERING COMMUNITIES THROUGH ACCESS

How we empower communities by providing access to clean and reliable water and sanitation services

SASB IF-WU-000.A, IF-WU-000.C; UN SDG 6.1

As a global Filipino water company, we have aligned ourselves with the UN's vision of a global community enjoying clean and reliable access to drinking water, sanitation, and improved hygiene. As of December 2022, we had installed a total of 1,293,448 water service connections. These translate approximately to a population of 11 million customers served within and beyond the country. One of the factors for this increase is our intensified service expansion program in East Zone, Boracay, Calasiao, and Calbayog.

The reopening of the economy was also a major factor in the increase of water service connections, as in the case of Boracay. In 2022, Boracay Water was able to meet the demand for continuous water access as the island's resident and transient population increased by 17% compared to 2021. Moreover, having the capacity to treat wastewater, Boracay Water is able to comply with the local government's regulation for mandatory sewer connections. Because of this, the commercial establishments in the island sought our services both for water and wastewater services. This has grown our market share for commercial accounts from 68% to 72%.



"Our flagship program addresses the needs of low income communities, enabling them to have adequate and secure access to water and an improvement in the quality of their life," said the East Zone's Community Stakeholder Manager.

Laguna Water's laboratory, which is certified by the Department of Environment and Natural Resources (DENR), is capable of analyzing environmental samples for private companies, individuals, NGOs, and other government agencies.

We are committed to provide sewerage and sanitation services to our customers through a total of 53 wastewater treatment facilities. The additional facilities will increase our treatment capacity from 410 million liters per day MLD to 1,170 MLD

Water for Low-income Households

GRI 2016: 203-1, 203-2; SASB IF-WU-000.A, IF-WU-000.C; UN SDG 1.4

Through the years, we have developed innovative solutions such as TPSB to afford less privileged customers access to clean and affordable water. TPSB is our flagship program that provides marginalized communities with affordable water service connection.

The program allows low-income households up to 36 months to pay a subsidized fee for the pipes and individual meters. This way, the families are able to afford piped-in water services. Since the TPSB's inception in 1998, we have been able to provide clean and potable water to 1.8 million Filipinos.

Today, Laguna Water is also implementing its version of TPSB, while Boracay Water created a spinoff program called Tubig Para sa Katutubo.

Clean and Potable Water

GRI 2016: 416-1, 416-2; SASB IF-WU-250a.1, IF-WU-250a.2; UN SDG 3.9, 6.1

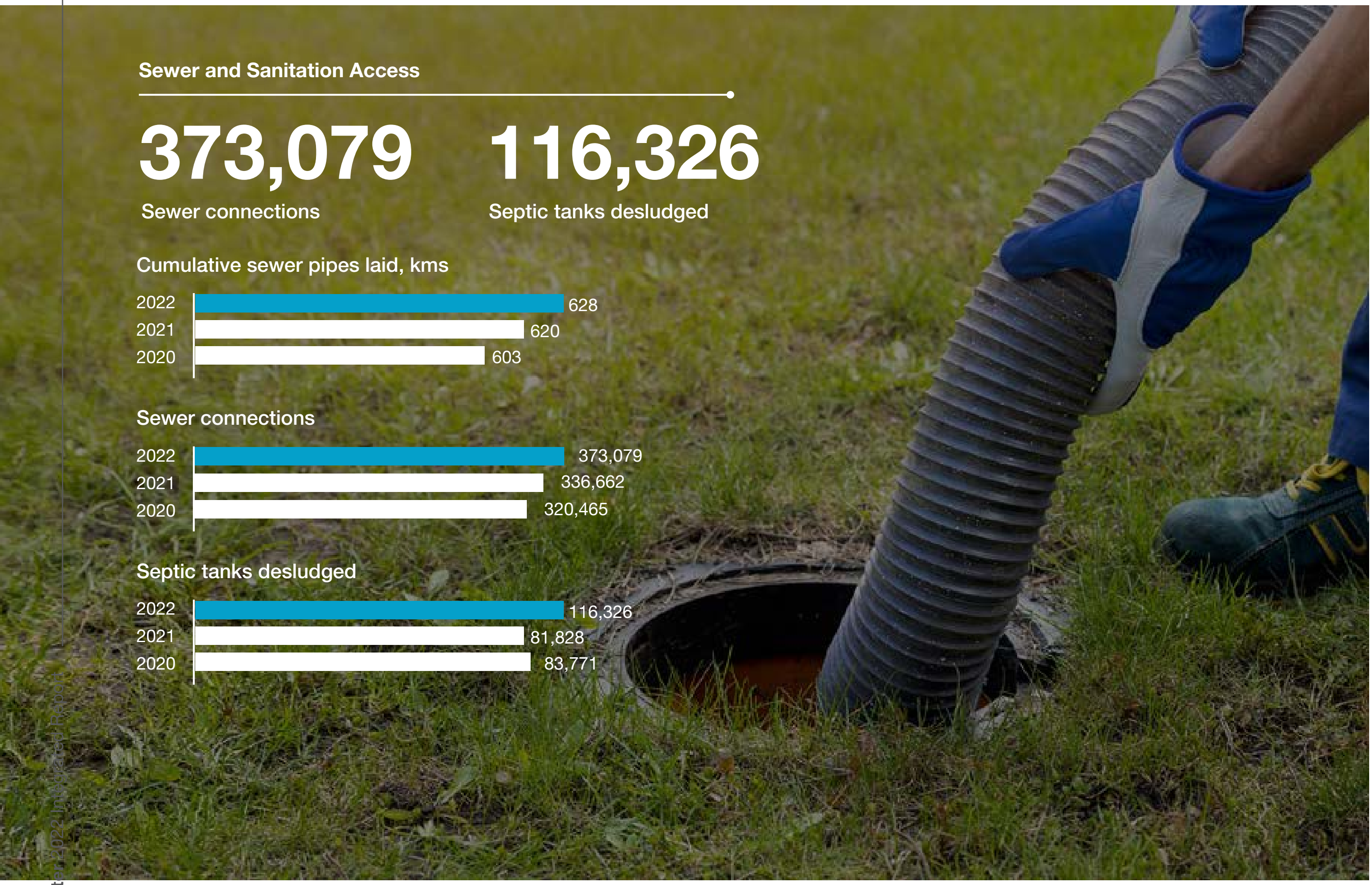
Thanks to meticulous regular sampling, more customers are assured that their tap water is clean and safe to drink. The water treatment process involves microbiological, physical, and chemical examinations of water samples collected from strategically designated regulatory sample points in our source and distribution systems. Our laboratories adhere to the water quality management standards and comply regularly with the required water sampling tests.

Access to Wastewater Treatment Services

GRI 2016: 203-1, 203-2; SASB IF-WU-000.C; UN SDG 6.2

The other half of our service obligation is to collect and treat the water used by our customers and return it to the environment in a sustainable manner. The used water is conveyed to to a sewage treatment plant, through direct connection to a sewer line, combined sewer drainage, for desludging services.

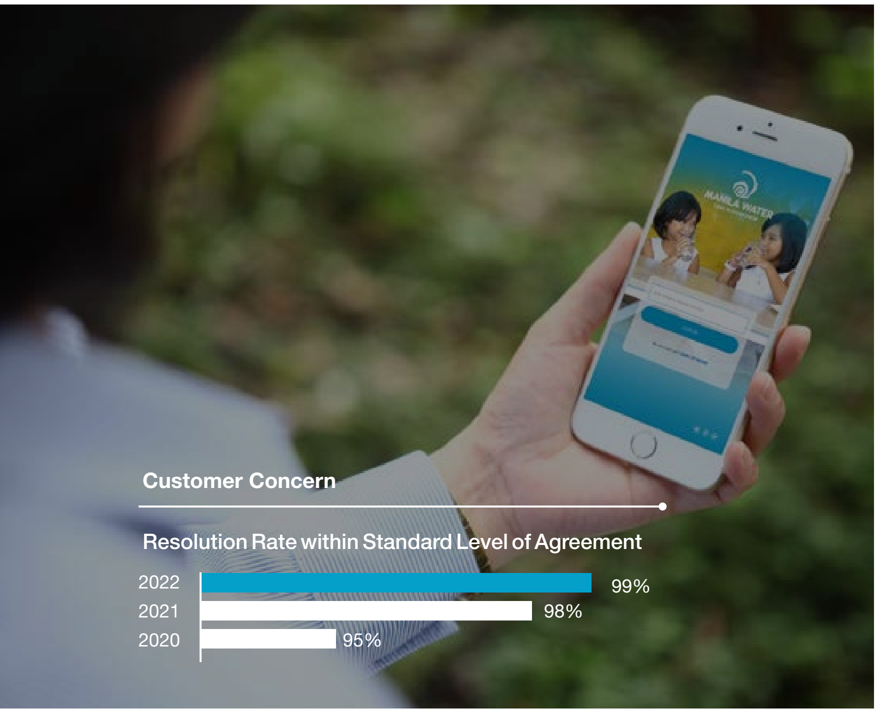
In the East Zone concession, we were able to expand sewer coverage to 34.7% by the end of 2022. This means that around 2.6 million customers now have sewerage access coming from a very low 3% sewer coverage that only served 45,000 customers at the start of the concession.
For us to serve more customers in the future, we plan to invest Php27.5 billion for the development of 5 new wastewater treatment facilities.



For communities that are not connected to any sewer line, sanitation services every 5 to 7 years are available. Through regular septic tank desludging. We have partnered with local governments and barangays to ensure that our customers are aware of specific schedules for desludging services with no additional cost.

Because of our collaboration with the communities and with the relaxation of restrictions that were in place during the pandemic, we were able to desludge 116,326 septic tanks in 2022, 42% higher than the previous year.

Laguna Water expanded their desludging services to the towns of Alaminos, Binan, Cabuyao, Calamba, Sta. Rosa, Pagsanjan and Victoria in Laguna.



> **The creation of the Manila Water App is part of our efforts to upgrade and improve our services to keep pace with the current times. With its convenience and ease of access and use, having this app on your iOS and Android phone is like having your personal Manila Water partner at your fingertips**
>
> Corporate Communication Affairs Group Head
> Jeric Sevilla Jr.

CONNECTING AND COOPERATING FOR CHANGE

How we connect and cooperate with the community to improve water and sanitation access

GRI 2021: 2-26

Customer Convenience

We use different channels to reach out and communicate to our customers. By going through the business area or via the hotline, our customers can communicate and lodge their concerns. We have also partnered with various financial institutions and mobile banking applications to enable customers to settle their accounts.

As more and more people secure internet access through their mobile devices, social media has been an effective means of transmitting information in a quicker manner. Our social media accounts include timely updates on water interruptions, desludging schedules, ongoing projects, and advocacies.

In 2022, we enabled our customers to download the Manila Water App via both iOS and Android smartphones. This allows them to access their bills and pay online anytime, anywhere. Concerns received from the Manila Water App are logged and automatically sent to the appropriate customer service specialists. Currently, the app has 140,000 susbscribers.

Customer Service Standard

We are committed to resolving customer concerns within the standard resolution time as agreed with our regulators. There are three steps in our concern resolution process:

1. Submit concerns – To get in touch with us, our customers can use our hotline, Manila Water App, social media platforms or visit the business area.
2. Review and resolve – Our customer service specialist handles complaints and aims to resolve the issue within a standard response time.
3. Need more help – If the customer requires further assistance, our Business Operations Head, General Manager, or regulator can determine the appropriate action to resolve the issue.

Walk the Line is our trademark service. As pandemic restrictions ease up, we regularly visit businesses, markets, and communities to secure feedback from our customers directly and address their concerns efficiently. We also hold a quarterly gathering for local neighborhood leaders, also called *kasanggas,* where we provide updates and solicit feedback from the stakeholders. Our *kasanggas* function as our extension in terms of spreading news and clarifying the latest issues to the various communities. They also act as intermediaries on behalf of customers with specific concerns or complaints.

In a recent public consultation, Obando Water discussed proper septic tank maintenance with its customers.

Our commitment to providing the best experience for our customers is reflected in our customer resolution rate. It has remained at 99% in 2022.

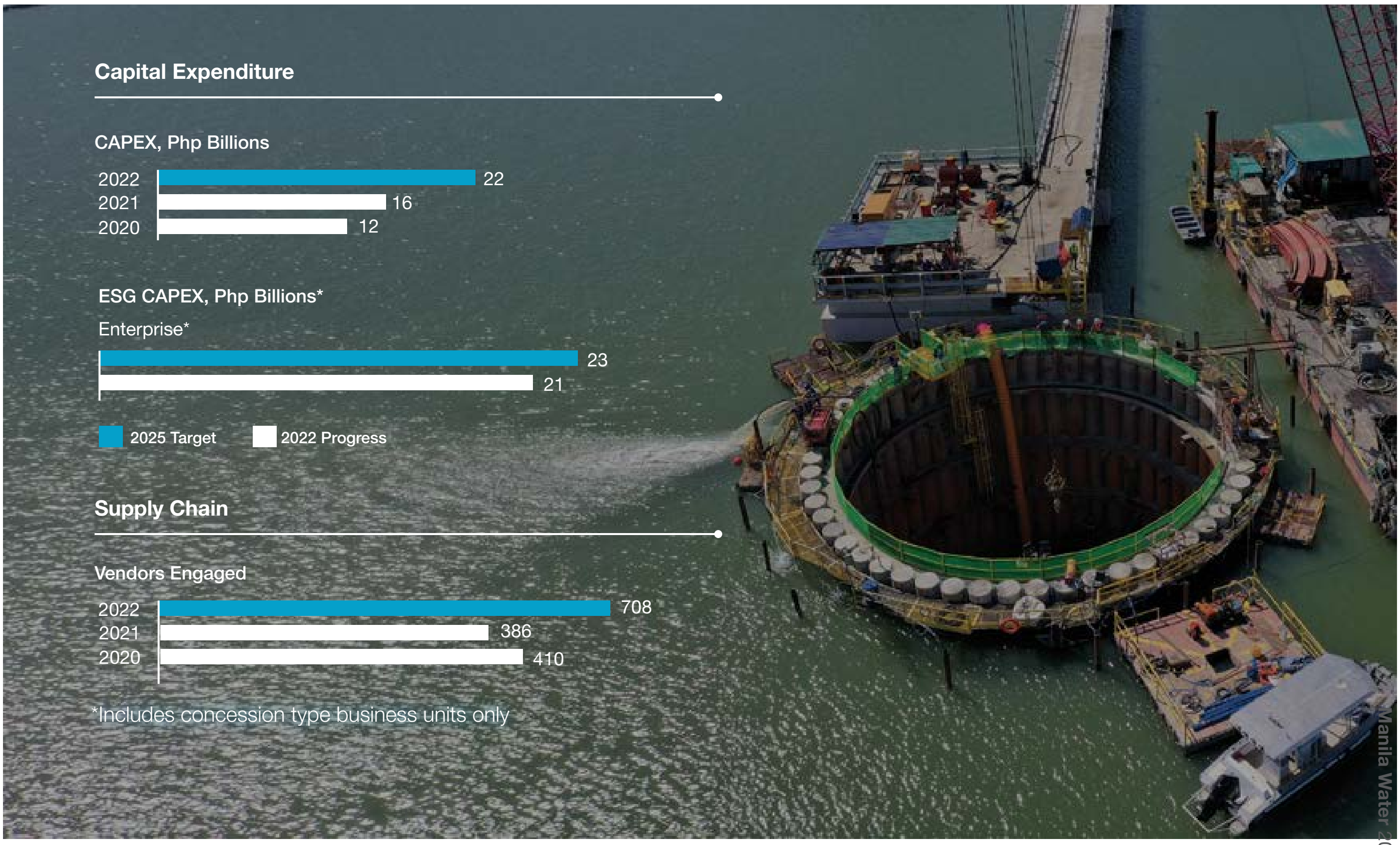
Community Engagement

The public consultations led by the MWSS-Regulatory Office aims to push for transparency, accountability, and public participation. Our staunch neighborhood leader partners ("Kasangga") made sure their voices were heard during the public consultations by sharing how we were able to have a positive impact in their lives through the provision of excellent service. They also shared how they look forward to enjoying the same level of service they have been used to, as well as to experiencing the benefits of the expanding wastewater services.

We are committed to being a responsible member of the communities where we operate and are always looking for ways to improve our service. For concession-type business units, we participate in the Rate Rebasing exercise lead by our regulators. The exercise gives us an opportunity to present our business plans to our stakeholders prior to the approval of the regulator.

In 2022, in the East Zone participated in the MWSS-Regulatory Office 5th Rate Rebasing Public Consultation Drives (PCDr). Through the PCDr, our customers were informed of our service improvement plans on water security, service accessibility, service continuity, and environmental sustainability.

The Obando Water Company also held a public consultation to present the company's ten-year business masterplan to its customers in Bulacan. Topics covered in the public consultation included improving water quality, addressing low water pressure, and the increasing level of non-revenue water. Obando Water likewise presented its project pipeline for 2022-2030. This includes replacing existing lines, completing primary mains projects, and rehabilitating the water treatment and distribution facility.



ENABLING ECONOMIC DEVELOPMENT

How our water and wastewater services enable local and national economies to develop

Infrastructure Development

GRI 2016: 203-1, 203-2

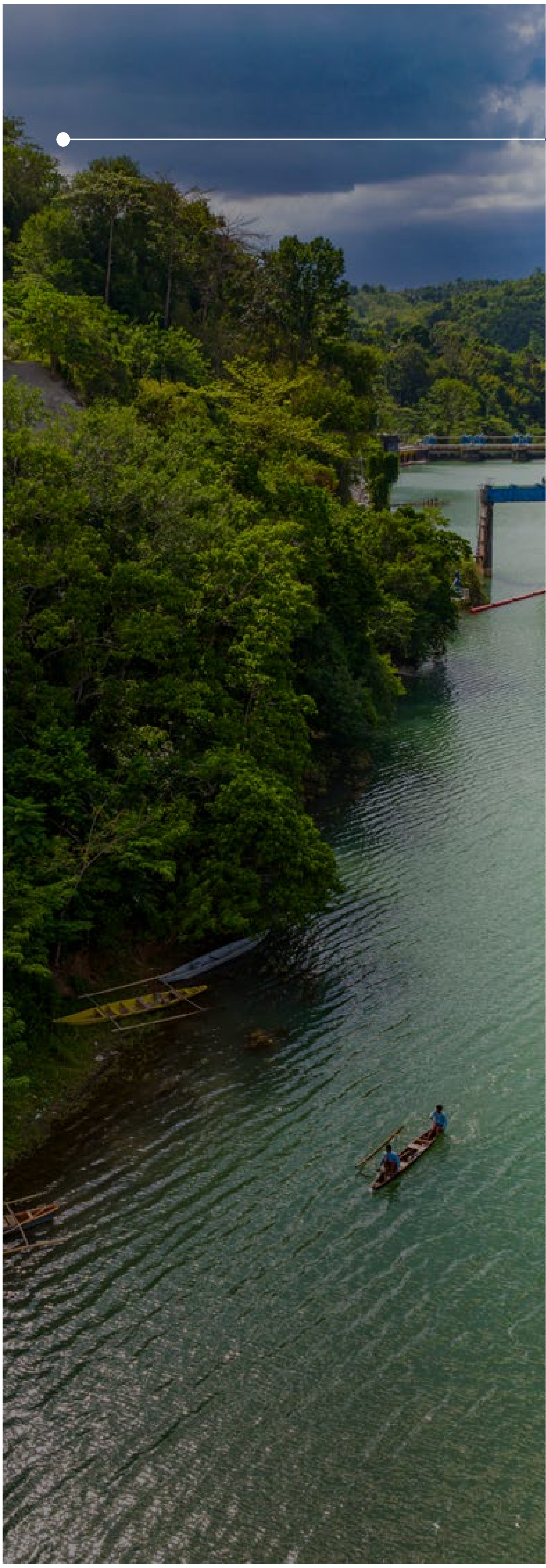
Our services not only impact our customers, but also businesses and the economy. This is evident in the infusion of capital into the economy through investments in water and wastewater infrastructure. In 2022, we invested Php22.4 billion for the development of various water and wastewater projects.

In the East Zone area, we are set to spend Php181 billion in the next 5 years beginning 2023. A significant level of the expenditures will be to implement CAPEX programs amounting to Php105 billion for projects on water supply security, service accessibility and continuity, and wastewater coverage expansion. In addition, part of our infrastructure investment is the utilization of the sustainability bond proceeds. Since its issuance in July 2020, USD446 million or 90% of the net proceeds, has been allocated to projects under the Sustainable Water and Wastewater Management category of the SFF.

Supply Chain Engagement

In 2022, we had 708 vendor partners that helped us fulfill our commitment to economic development. We adhere to the principle of transparency in accrediting and selecting our vendor pool. Being an extension of the Company, we hold them to the same standard of excellence that we follow. We conduct regular performance evaluation for our vendor partners according to the performance appraisal process.

We are a vital partner of the government in improving universal access to water and sanitation services. We are committed to sustainability and we believe that our work in the industry contributes to the general well-being of the communities we serve.



Protecting The Environment

Management Approach
We are committed to the preservation of water resources and the protection of the environment by improving our operational efficiency and reducing environmental impact throughout our value chain. Our core environmental contribution is the reduction of water pollution through the collection and treatment of wastewater from the communities we serve. Moreover, we ensure that we are responsible stewards. We contribute by rehabilitating our watersheds, delivering on initiatives on resource efficiency, and ensuring that we comply with all environmental laws and regulations.

SAFEGUARDING OUR WATER BODIES

How we protect our water bodies

We contributes to the water quality improvement of our rivers and lakes by treating the wastewater of our customers before discharging clean effluent to receiving bodies of water. We are committed to efficiently operating our wastewater facilities while fully complying with effluent regulations. We will expand our coverage and build additional infrastructure to treat more wastewater.

Wastewater Treatment

GRI:2018 303-2, GRI:2018 303-4, SASB IF-WU-140b.1., UN SDG 6 and 14

Starting with only 1 sewage treatment plant in 1997, we now operate 88 wastewater treatment plants in the Philippines with a total capacity of 538,763 m^3/day. This has enabled us to treat a total of 76.38 mcm of wastewater in 2022. This resulted to 7,995 tons Biochemical Oxygen Demand (BOD) of organic pollution removed, improving the quality of rivers and lakes to make them more livable to aquatic flora and fauna.

East Zone

41
Wastewater Treatment Plants

410,097
Capacity, m^3/day

Boracay Water

2
Wastewater Treatment Plants

11,500
Capacity, m^3/day

Clark Water

1
Water Treatment Plant

30,000
Capacity, m^3/day

Estate Water

42
Wastewater Treatment Plants

76,096
Capacity, m^3/day

Laguna Water

2
Wastewater Treatment Plants

11,070
Capacity, m^3/day

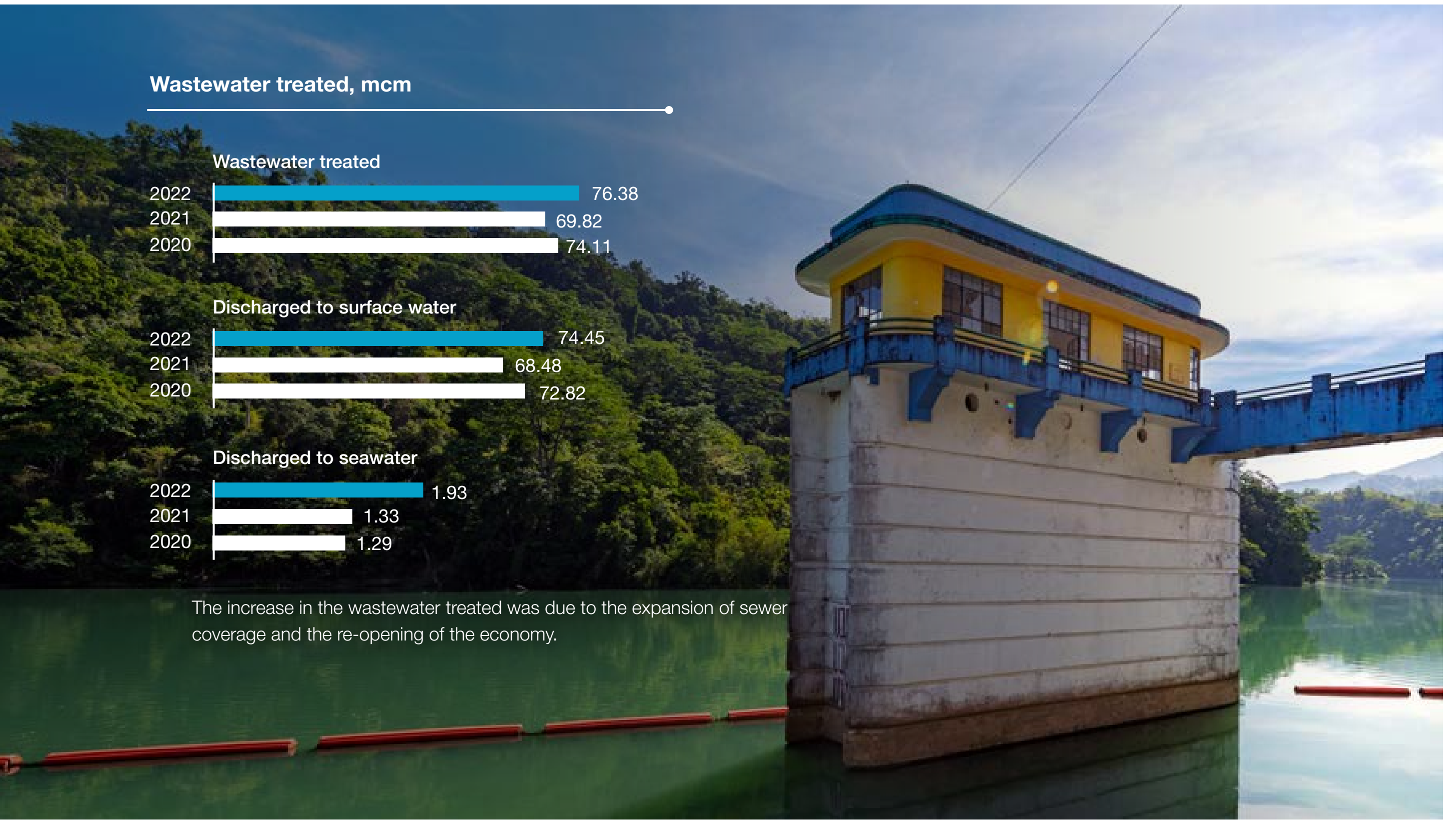
TOTAL

88
Wastewater Treatment Plants

538,763
Capacity, m^3/day

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)[1]. Wastewater treatment facilities within these zones are built or retrofitted such that operations will not be affected, or affected with minimal impact during flooding. It is assumed that normal operations can resume promptly after a short downtime.

[1] This is based on a 100-year flooding data.



The increase in the wastewater treated was due to the expansion of sewer coverage and the re-opening of the economy.

The Mandaluyong West Sewerage System Project includes a 53 kilometer network and the Aglipay Sewage Treatment Plant with a 60 million liter per day (MLD) capacity. It is expandable up to 120 MLD and will serve 2,115 hectares of catchment area spanning Mandaluyong, San Juan and Quezon City. This is equivalent to serving 652,000 customers.

The Hinulugang Taktak Sewerage System Project includes a 16 MLD Hinulugang Taktak STP and a 4-kilometer combined sewer network to serve the residents of Antipolo City. This project will also help rehabilitate the Hinulugang Taktak Falls, a protected area that has been declared a national park in 1990.

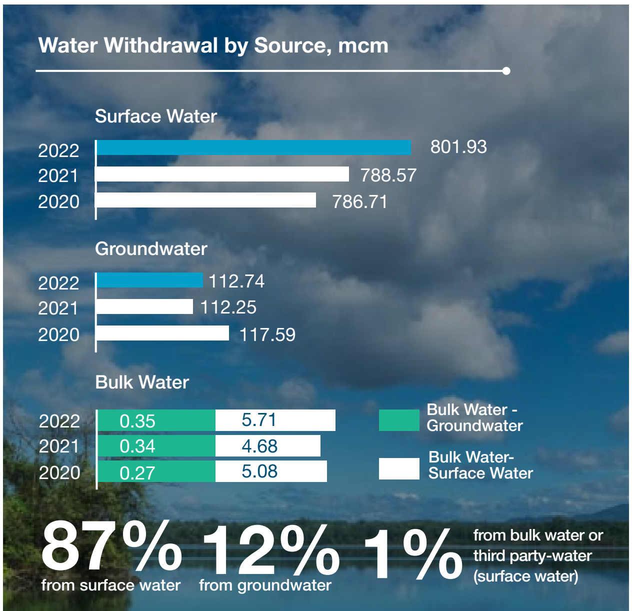
We are also investing in additional infrastructure to expand our coverage and treat more wastewater. This is in line with the service improvement plans approved by our regulators. Through these efforts, we are working to improve the health of our waterways and protect the environment for future generations.

Biological Nutrient Removal

SASB IF-WU-450a.1.

In 2016, the DENR issued regulations for new effluent standards that require the removal of nutrients such as nitrogen, potassium, and ammonia. To comply, we implemented operational adjustments and upgraded our facilities, investing Php890 million in 2022.

The upgrading and retrofitting of wastewater facilities are in various stages of development following the DENR-approved Compliance Action Plan. Various technologies such as Membrane Biological Reactor (MBR), Integrated Fixed Film Activated Sludge (IFAS), Moving Bed Bioreactor (MBBR), and Food Chain Reactor (FCR) were used in upgrading our facilities.



The higher water withdrawal was attributed to the expansion of service areas and the re-opening of the economy requiring more water supply for industrial and commercial establishments.

OPTIMIZING THE USE OF THE EARTH'S RESOURCES

How we efficiently use natural resources in our value chain

We recognize that natural resources are finite and must be managed responsibly if we are to continue to provide safe and reliable drinking water services to our customers. This commitment has led us to invest in initiatives that will improve operational efficiency across our value chain. We will focus our efforts on NRW reduction in addition to pursuing energy efficiency projects.

Water Withdrawal

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

We secure our raw water from groundwater and surface water sources such as dams, rivers, and lakes. In 2022, we withdrew a total of 919.20 mcm freshwater from non-water stress regions[2].

The East Zone, Boracay Water, Calbayog Water, Cebu Water, Clark Water, Kenh Dong Water, Obando Water, Tagum Water, and Thu Duc Water secure raw water mainly from surface water.

We operate 513 deep wells in our various business units. Laguna Water and Clark Water have groundwater as their main source. In the East Zone, groundwater is used as an interim water source to augment existing surface raw water sources. Upon completion of the new surface water sources projects, most of the deep wells will be converted to stand-by wells to be maintained for cases of unintended water interruption.

We regularly conduct groundwater studies to ensure that we withdraw groundwater sustainably.

[2] No raw water was abstracted from high to extremely high baseline water stress region using the World Resources Institute Aqueduct tool.

To further reduce water withdrawal, the East La Mesa and Balara Treatment Plants recovered and reused 3.813 mcm of backwash water to add to the production of potable water. East La Mesa Treatment Plant recovers and reuses 100% backwash water.

Our non-revenue water activities involve leak detection and repair, pipe replacement, meter inspection and calibration. It also includes the quick resolution of incidents and responsive coordination with stakeholders.

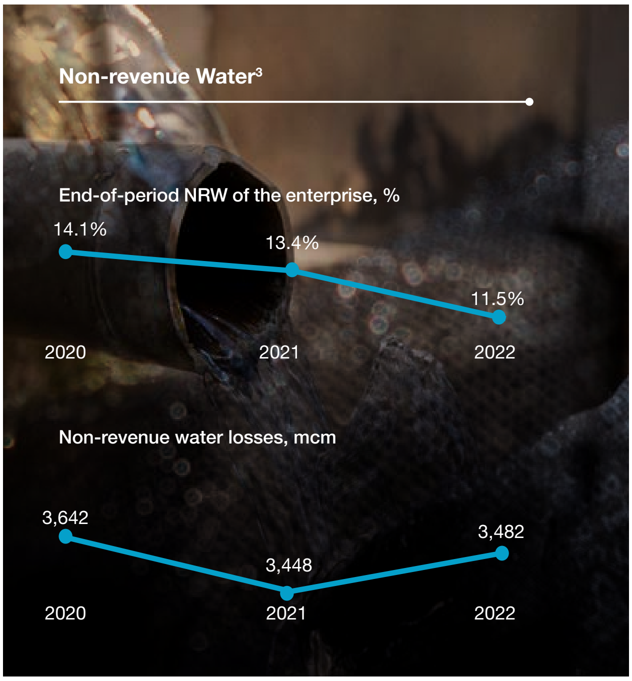
Non-revenue Water

SASB IF-WU-140a.2.

Our non-revenue water Reduction program will continue to be key to operational efficiency, cost optimization, and resource efficiency.

With water volume saved, we consume less power thereby generating fewer emissions that contribute to climate change. Our end-of-period NRW stood at 11.5%, which is better than the World Bank's recommended NRW of less than 25%.

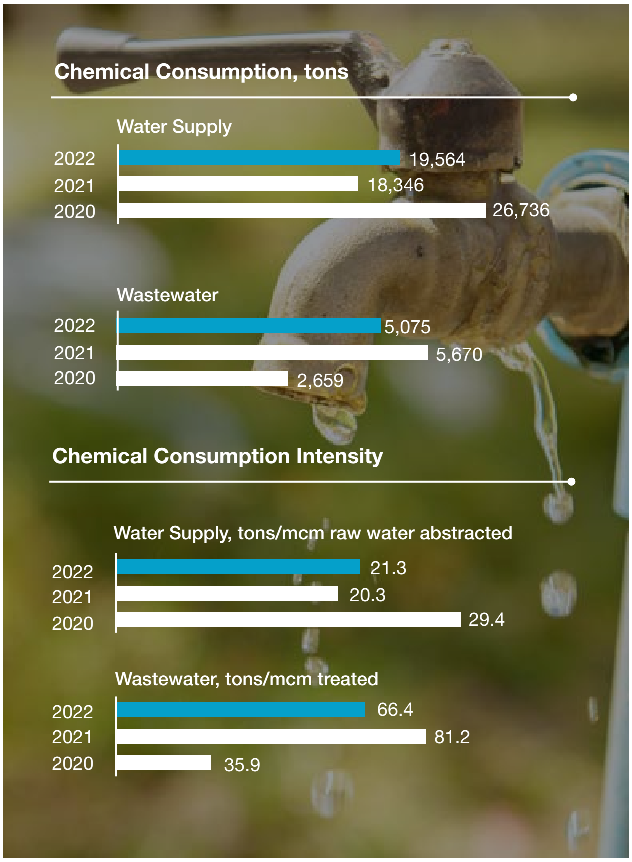
Low NRW levels are the result of active leakage control, improved turn-around time for leak repair, pressure management using pressure regulating valves with automated controller, pump automation, and the replacement of aging and deteriorated meters. For newly acquired businesses, the management strategy is to immediately form Demand Monitoring Areas, which will enable the early detection and repair of leaks and application of water pressure management.



Chemical Efficiency

GRI:2016 303-1 , UN SDG 8, 12

Chemicals are one of the main requirements in our operations. We are focused on chemical efficiency initiatives to reduce costs and minimize the negative environmental impact.



[3] NRW for 2020 and 2021 are restated to account for the change in calculation methodology.

We installed Activated Filter Media composed of recycled green and amber glass in Balara Treatment Plant 2. This has resulted to less backwash water, efficient removal of iron and manganese that stains and restricts water flow and reduces water pressure, and reduced chlorine consumption.

At the Laguna Water Wellfield, we employ MIOX technology that uses salt as a raw material for the onsite production of liquid sodium hypochlorite. The shift to this technology improved our chemical efficiency and the reliability of chlorine supply.

The reduction in chemical consumption and the improvement in chemical use is driven by the initiatives that are in place, including the use of alternative chemicals, optimization of dosing, and the use of appropriate technologies. These initiatives were introduced without compromising the standards on treated water and wastewater effluent.

It also helped that we experienced better raw water quality overall. This is our indicator that our watershed management is effective in improving water quality at the source.

Energy Efficiency

GRI:2016 302-1, 302-3, 302-4; SASB IF-WU-130a.1.

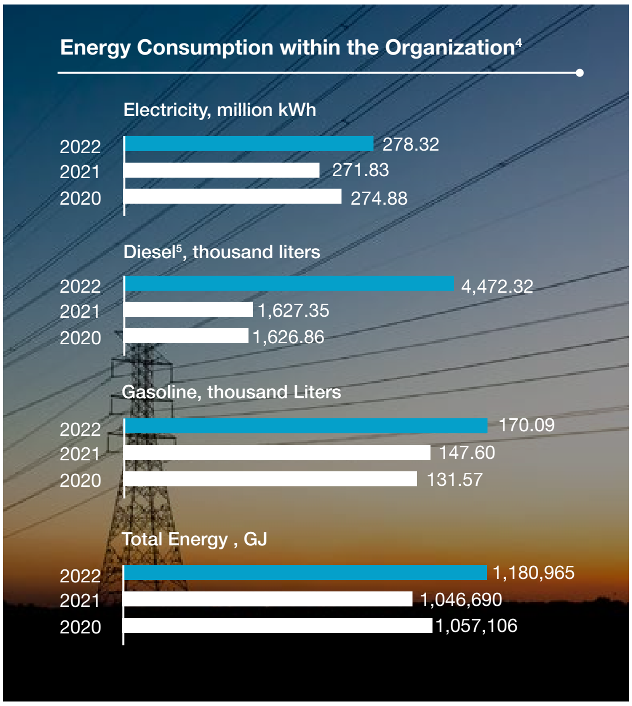
Water supply and wastewater operations are intensive, making energy one of our highest operating expenses. We take energy efficiency very seriously and continuously innovate to further improve our operations.

Overall energy consumption increased as anticipated due to several factors; 1) the additional BNR process for wastewater treatment; 2) production adjustments to cater to increasing water demand to pre-pandemic levels; and 3) increased vehicle use as the economy re-opened post-pandemic.

As part of our commitment to continuous improvement, we are constantly exploring ways to enhance our processes and reduce energy consumption. Through the use of appropriate pump and blower sizes, variable frequency drives, and gravity flow refilling, we have been able to optimize our energy usage and reduce waste.

In addition, we have invested in more efficient technologies, such as pumps, motors, and blowers, as well as deep well rehabilitation, to further improve our energy efficiency. Our NRW reduction program has also been instrumental in reducing our energy consumption.

Furthermore, we have also enrolled qualified facilities to Meralco's Peak/Off-peak program; disconnected inactive facilities to Meralco; and implemented capacitor banks for power factor improvement. These additional measures have contributed to our overall cost reduction efforts.

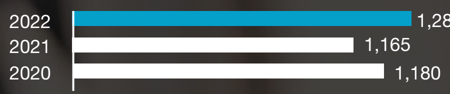


In 2022, these initiatives resulted in significant savings of approximately 11 million kWh, equivalent to a cost avoidance of Php118 million. This makes a positive impact on both the environment and our bottom line.

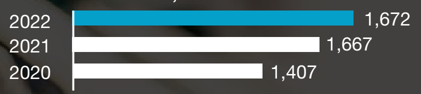
[4]Restatement of the 2020 and 2021 electricity, diesel, and gasoline consumption due to the energy audit in the Non-East Zone business units
[5]excluding desludging fuel consumption of service providers

Energy Intensity

Water Supply, GJ/mcm billed volume



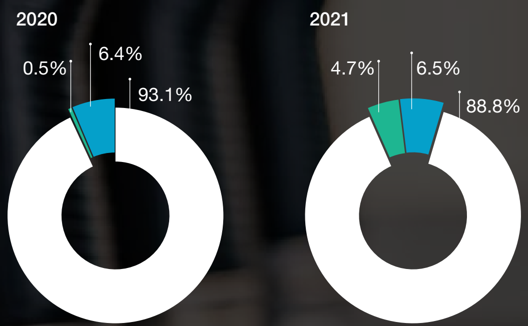
Wastewater, GJ/mcm wastewater treated

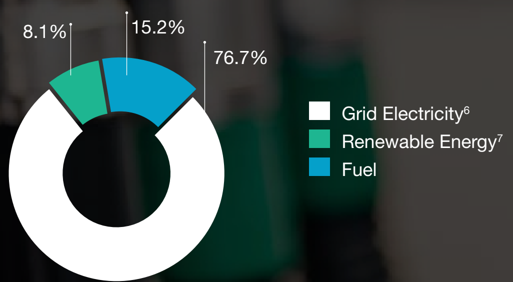


The increase in the energy intensity of water supply was due to the use of generator sets in new facilities while processing their connection to the grid.

The increase in the energy intensity of wastewater was due to the additional BNR process in wastewater that requires additional energy.

Sources of Energy





Renewable energy increased in 2022 due to the purchased of additional renewable energy from open access and use of on-site solar panels in our facilities.

We recognized innovations and sustainability initiatives of our employees. This was done through the GAWAD awards in the East Zone and the Kaanib sa Agos Awards in the non-East Zone Business Units.

Laguna Water shifted to more efficient eco pumps to distribute potable water using lower electricity. This has reduced greehouse gas emissions and costs at the same time. This is one of the initiatives of the Green Minded Program which was recognized at the Kaanbic sa Agos Awards in the non-East Zone.

The Ipo Watershed is part of the Umiray-Angat-Ipo-La Mesa water source system that provides raw water to the East Zone. We have continuing to help protect and reforest key watersheds where we source our raw water.

ENHANCING BIODIVERSITY

How we help in mitigating biodiversity loss

GRI:2016 304-1, 304-3, 304-4, SASB IF-WU-440a.3, UN SDG 6, 15

To manage our key watersheds, we work with partners using an integrated approach and nature-based solutions. We were able to mitigate the risks of deforestation and deterioration of raw water quality. This strategy also improves biodiversity and contributes to carbon sequestration, which are all meant to mitigate climate change.

We contributed to the protection of 171,902 hectares of watershed in General Nakar, Ipo, La Mesa, Nabaoy, Pan-as Hayiban, and Villa Maria. We prevented the cutting of trees, kaingin, i.e. slash and burn farming, and other destructive activities in the watershed. This year, we planted 207,333 trees, contributing to a total of 1,462,945 trees nurtured since 2006. To increase biodiversity, we planted diverse species of endemic and native trees.

We have been supporting the Annual Million Trees Challenge (AMTC) of the MWSS since the start of this program in 2017. In 2022, our contribution to the AMTC stood at 88,000 trees planted in the La Mesa Watershed for a total of 562,000 trees planted and nurtured in La Mesa and Upper Marikina Watersheds since 2017.

[6] Percent grid electricity – source from the grid, including open access non-renewable energy
[7] 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

171,902
Hectares protected

207,333
diverse species of native trees planted in

429 hectares in 2022

EAST ZONE

Ipo Watershed
Total area of the watershed: 6,600 hectares

Management Action:

- Continued funding support for the Bantay Gubat forest rangers, composed of Dumagats - the indigenous people living in the watershed - in charge of watershed protection
- Provided water supply infrastruture to Dumagat communities through the MWF WASH (water access, sanitation and hygiene) program
- Prepared the development of the Integrated Watershed Management Plan in collaboration with regulators and stakeholders

La Mesa Watershed
Total area of the watershed: 2,659 hectares

Management Action:
- Continued funding support for the protection of the entire watershed by ABS-CBN Foundation's Bantay Kalikasan
- Planted 88,000 native trees in 220 hectares in 2022
- Conducted maintenance and protection of newly planted trees
- Conducted Forest Carbon Accounting in partnership with CCI
- Prepared documents for the implementation of Project Saklaw (La Mesa Watershed Characterization and Vulnerability Assessment)

Protected Threatened Species based on the International Union for Conservation of Nature (IUCN)[8]:
- Critically Endangered: Beri/Bari (*Aquilaria malacensis*), Palosapis (*Anisoptera thurifera*)
- Endangered: Teak (*Tectona grandis*), Narra (*Pterocarpus indicus*)
- Vulnerable: Magabuyo (*Celtis luzonica*), Is-is (*Ficus ulmifolia*), Big-leaf Mahogany (*Swietenia macrophylia*)

Additional Protected Threatened Species based on DENR DAO 2017-11[9]:
- Vulnerable: Makaasim (*Syzygium nitidum*)

General Nakar
Total area of the watershed: 186,297 hectares
Composed of Kaliwa, Kanan, Umiray and 13 minor watersheds

Management Action:
- Funded the protection of the entire watershed through the patrolling of Bantay Gubat forest rangers
- Planted 22,534 native trees in 2022 as a member of the General Nakar Sustainable Integrated Area Development (GNSIAD) Project
- Registered 9 Indigenous Peoples (IPs) and non-IPs enterprise organizations with Department of Labor and Employment
- Collaborated with GNSIAD and stakeholders for the approval of the Climate Responsive Integrated Watershed Management Plans
- Conducted 5 IP community outreach activities, 6 IECs, and a Watershed Summit in 2022

Protected Threatened Species based on IUCN[10]:
- Endangered: Apitong (*Dipterocarpus grandiflorus*), Narra (*Pterocarpus indicus*)
- Vulnerable: Dalindingan (*Hopea malibato*), Almaciga (*Agathis philippinensis*)

Additional Protected Threatened Species based on DENR DAO 2017-11[11]:
- Critically Endangered: Alupag (*Dimocarpus longan*), Kamagong (*Diospyros bicolor*), Malabayabas (*Tristaniopsis decorticata*), Red Lauan (*Shorea negrosensis*), Tanguile (*Shorea polysperma*), White Lauan (*Shorea contorta*)

- Endangered: Batikuling (*Litsea leytensis*)

Upper Marikina
Total area of the watershed: 29,505.8 hectares

Management Action:
- Adopted 150 hectares through a MOA with the DENR and Tulungan sa Kabuhayan sa Calawis, Inc. (TKSC), a People's Organization in Upper Marikina, in charge of reforestation and maintenance
- Planted 93,750 native trees in 150 hectares in 2022

MANILA WATER PHILIPPINE VENTURES

Nabaoy Watershed (Boracay Water)
Total area of the watershed: 2,375 hectares

Management Action:
- Adopted 40 hectares in Nabaoy Watershed for protection and reforestation in partnership with the DENR , the LGU, and the Nabaoy Forest Farmers Development Association (NAFFDA)
- Planted 804 native trees with seedlings bought from the NAFFDA in 2022.

Luyang Watershed (Cebu Water)
Total area of the watershed: 5,539 hectares

Management Action:
- Assisted in watershed characterization and in the development of the Watershed Management Plan
- Planted 1,000 trees in 2022 together with stakeholders

Pan As Hayiban Watershed (Calbayog Water)
Total area of the watershed: 7,832 hectares

Management Action:
- Partnered with the DENR, the Protected Area Management Office, Calbayog City Water District, and the Calbayog LGU for watershed rehabilitation through rainforestation farming and other watershed actvities
- Adopted 1.25 hectares per year for tree planting and nurturing
- Planted 625 Cacao and Toog trees in 2022

Laguna Lake (Laguna Water)
Total area of the watershed: 127,826.63 hectares

Management Action:
- Partnered with the Santa Rosa City LGU to plant bamboo for the continuous protection of Laguna Lake
- Adopted a portion of the 13-hectare coastal land in Barangay Aplaya, Santa Rosa City, Laguna that the local government dedicated as a bamboo planting site.
- Planted 120 bamboo buds in 2022

[8-9] Reference: Forest Carbon Accounting in La Mesa Watershed for Manila Water, Center for Conservation Innovations PH, 2023.
[10-11] Reference: General Nakar Sustainable Integrated Area Development Project Office (GNSIADPO) 2022 Accomplishment Report,GNSIADPO

ENSURING ENVIRONMENTAL COMPLIANCE

How we meet environmental requirements and regulations

GRI 2020 306-1, 306-2, 306-3, 306-4, 306-5, UN SDG 3, 6, 8, 11, 12, 14

We take a proactive approach in ensuring environmental compliance across our value chain. This is to reduce our environmental impact and mitigate regulatory risks in our business operations. We comply with the standards and environmental requirements of our regulatory bodies. We have Environmental Units dedicated to the full compliance of all regulatory requirements. In 2022, we did not receive a single Notice of Violation across all units.

Engr. Felicia Nadine Galino, the Facility Manager and Pollution Control Officer of Balara Treatment Plant, ensures the efficient and effective operation of the facility and the compliance with all Environmental, Health, and Safety requirements.

We comply fully with PD 1586 Environmental Impact Statement System, and its Implementing Rules and Regulations DENR DAO 2003-30. This is to ensure that environmental and social impacts are addressed in a new environmentally critical project or a project in an environmentally critical area. We perform an Environmental Impact Assessment and acquires an Environmental Compliance Certificate for our activities.

In compliance with DENR DAO 2014-02 (Revised Guidelines on Pollution Control Officer Accreditation) we have appointed Pollution Control Officers for all facilities. They ensure our compliance with all environmental and regulatory requirements. Waste minimization and pollution prevention are being implemented through operational control measures needed to address significant environmental aspects and impacts.

We ensure that required permits are secured and up to date while reportorial requirements are submitted on time. To ensure compliance with all regulatory requirements of recently taken-over business units with inherent compliance matters. We immediately implemented corrective measures and applied for the necessary permits.

Non-Hazardous Waste Management

The largest contributor to non-hazardous waste is wastewater treatment. This converts organic pollution to microbial biomass in sludge or biosolids. Biosolids from our East Zone and Boracay Water facilities are hauled, composted, and used as a soil conditioner. Laguna Water's biosolids are transported to a third-party facility that uses the biosolids as raw material in its Waste-to-Energy facility. Clark Water dries and stores biosolids in a drying pond in its property.

Grits and screenings from raw wastewater are collected from bar screens. Then, these are properly disposed off in sanitary landfills through our third-party service providers.

The sludge from water treatment plants, produced during coagulation and flocculation, are properly hauled and managed as well by our third-party service providers.

Other non-hazardous solid waste generated in offices and facilities are segregated and disposed off 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 the DENR on hazardous waste management. We shifted to LED lighting, reducing the amount of damaged fluorescent lamps generated year-on-year. We reduce our hazardous waste through process improvements and innovations. Hazardous waste are safely stored in hazardous waste storage. These are then transported, treated and safely disposed of through DENR-accredited service providers.

Together with our employees, customers, business partners, government, and other stakeholders, we are able to deliver our sustainability commitments in an excellent manner.

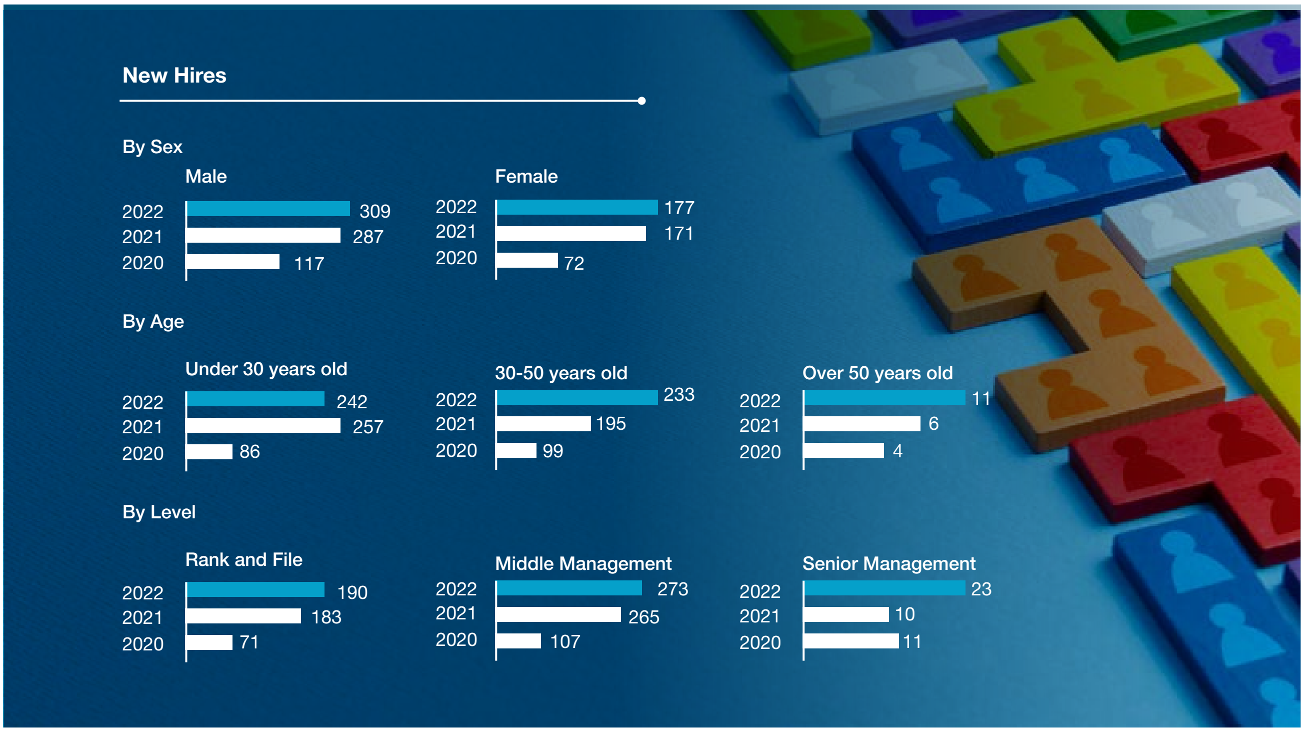
Building a Culture of Care and Trust

Management Approach

In Manila Water, we actively promote the principles of collaboration and inclusive growth as a strategy for growing our business and contributing to national development. Each partner and stakeholder helps us attain our vision of becoming, "A global leader in providing quality water and environmental services supportive of sustainable". To achieve this vision, we conduct and preserve our relationships with each stakeholder through a set of values and standards. These place high regard on the integrity and primacy of the person, dignity of work, pride in excellence, concern for others, and the commitment to responsible business practices across our value chain.

EMPOWERING PEOPLE FOR THE FUTURE
How we boost our stakeholders' skills and knowledge

The value that we create extends not only in providing universal access to water and sanitation services. It also covers learning and development opportunities for our people and our community. We are dedicated to empowering our stakeholders to make a positive difference in their respective ecosystems. This can be accomplished through offering employment opportunities, developing employability skills, and providing information education campaigns on environmental stewardship over local communities.



Attracting and Developing Talent

At Manila Water, we are constantly looking for people whose values and principles are aligned with our core values. Similarly, our hiring managers are guided by the Company's Code of Conduct to ensure that no incident of discrimination against any applicant, be it in terms of race, gender, age, cultural or religious affiliation, or any other form of bias, will occur in the hiring process.

In addition to the 486 new hires in 2022, we partnered with 11 colleges and universities to extend learning opportunities to 40 students through our internship program. We also partnered with Bantay Gubat to provide employment to several indigenous groups as caretakers of the watershed. Mindful of the principles of social justice and human rights and in compliance with the Indigenous People Rights Act, there were no reports of violations of the rights of our indigenous partners. Likewise, no minors were hired because our hiring policy does does not tolerate this practice.

As we continue to bring in new blood into the Company, we invest heavily in the development of our employees. We offer year-round opportunities for training and development in terms of professional and personal growth. In 2022, a total of 65,892 hours were spent for carrying out training and development programs or an average of 25 training hours per employee.

Cadetship Training Program is a management trainee program that begins with intensive exposure across various facets of the Company's operation. It aims to prepare young leaders for future management roles by familiarizing them with the ins and outs of the organization. In 2022, 19 cadets of Batch 29 of the program successfully completed the course and graduated from their training.

Leadership Academy Yielding Accelerated Growth Program (LAYAG) helps employees successfully steer their career forward. It has 3 layers, namely: 1) Katubig Development Program for core value training; 2) Leadership Journey Program to aid our People Managers; and 3) the Executive Leadership Program to strengthen Katubig leaders' ability to think strategically, shape the Company's culture, and effectively coach and mentor other emerging leaders.

Manila Water Institute of Technology (MIT) provides development opportunities for employees to ensure that their technical competencies are strengthened. In MIT, employees are not only participants in trainings; they also take a proactive role in designing and developing the curriculum. Some of the core technical courses offered in MIT are Water Supply, Wastewater Operation, Water Quality, Maintenance, Construction and Project and Contract Management.

Aside from the traditional mode of learning, we also ensure that training and development becomes more accessible. Manila Water University's S.T.R.E.A.M or Succeeding Through Reinforced Enablement Anywhere Made Easy, is an online platform that offers a menu of learning and development resources. These are aligned to build core leadership and technical/functional competencies depending on the requirements of each employee. Utilizing a self-paced learning method, the employees are able to control the amount of material they consume at their own time.

Together with our partner agencies, we kicked off a two-day environmental event for Earth Day celebration with the theme, "Saving the Earth: Securing Water for the Future".

Career growth and learning opportunities are available to our employees through a potential assignment to business operations outside the Philippines. Initially introduced in 2021, the Passport Program offers opportunities for training and assignment in asset management, customer service, health, safety, security and environment management, network modeling/ sewage planning, non-revenue water/ leakage reduction planning, support services, water operations and maintenance, water quality management, and GIS modeling, among others.

With a tagline, *"Stronger Katubig San Mang Panig ng Mundo"*, 27 employees were shortlisted in 2022. To date, 12 registrants were successfully placed in our operations in the Kingdom of Saudi Arabia, while 2 were deployed for another international project.

Raising Environmental Stewards

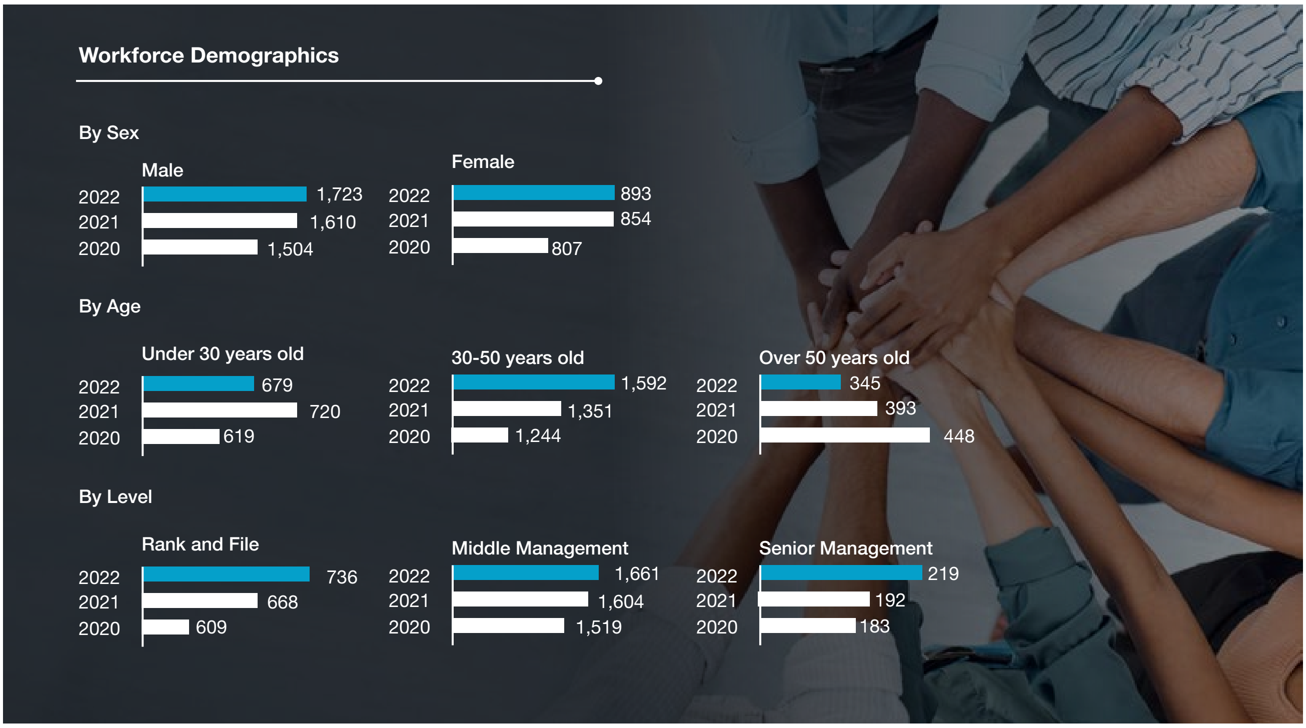
We believe that an effective education and engagement campaign raises awareness and fosters involvement among stakeholders in the rehabilitation, protection, and conservation of our natural resources. The advocacy goes beyond sharing information about water sources and how wastewater returns to the natural waterways; it includes an aspect that allows employees to take active part in the Company's initiatives. Environmental education among employees, Lakbayan, Toka Toka, and the partnerships established during global events produce the necessary champions to help move our sustainability agenda forward.

Lakbayan is our educational program where stakeholders go on field trips to water and wastewater facilities. In these trips, they see for themselves the treatment process and appreciate the need to use water wisely. They also learn about the importance of proper waste management. In 2022, nearly 4,500 participants from national and local government offices, community partners, non-government organizations, schools, private companies, and other special interest groups participated in Lakbayan.

Toka Toka, which began in 2012, is the first and only environmental movement focused on wastewater management. It aims to educate, engage, and influence the public to do its share or 'Toka' to clean our waterways by connecting to existing sewer lines, availing of desludging services, practicing proper solid waste management, and participating in various sewerage and sanitation programs. Our stakeholders are invited to do their part in reviving rivers and waterways to protect the environment.

Environmental Celebrations such as World Water Day, Earth Day, and Arbor Day are given importance. These events raise awareness on our collective responsibility to protect the environment. In 2022, we invited our partners to a bike and hike adventure, and a lecture on vermicomposting at the La Mesa Nature Reserve. We also had our simultaneous tree planting initiatives across our business units. This contributed an additional 207,333 trees nurtured and planted, which translates to more than 430 hectares reforested.

Integrated WASH is another avenue to raise awareness on water access, proper sanitation and hygiene education. Through the MWF, we are able to bring Integrated WASH to marginalized communities in the Philippines. Through Integrated WASH we were able to reach 1,062 individuals; constructed 60 WASH facilities; and distributed 930 hygiene kits.

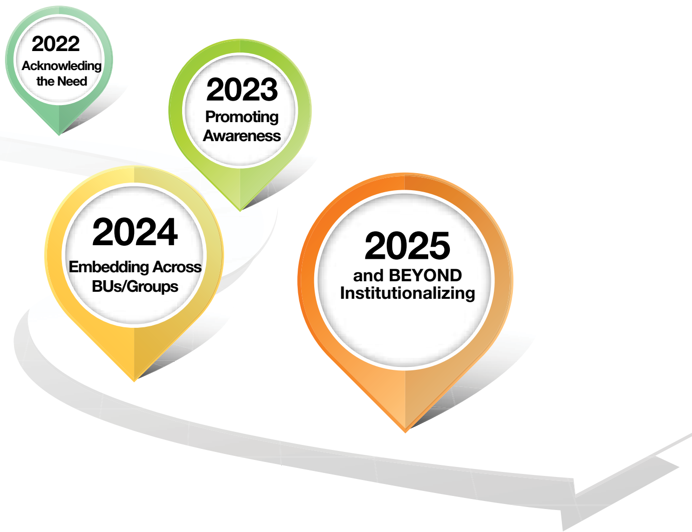


CARING FOR PEOPLE'S SAFETY AND WELL-BEING

How we create a supportive and safe environment for all

We continue to challenge ourselves to create, develop, and implement a well-defined workplace where each of our 2,616 employees can thrive and excel. Alongside the development of employees is the drive to uphold national and international labor practices to acknowledge and protect their interests. As the employees spend the most productive years of their lives with the Company, we ensure that working in Manila Water contributes to raising their own standard of living and overall well-being as well. Moreover, we extend this commitment to our business partners who adhere to the same set of laws on human rights and labor practices.

In 2022, we started a deliberate journey in making the Company more diverse and inclusive. We see ourselves catering to more communities outside the Philippines, thus attracting more talents with diverse backgrounds. Under the Katubig Development Program, employees were encouraged to attend the external training on gender sensitivity that was held in partnership with the University of the Philippines College of Law. Similarly, a select group of talents primarily involved in policy-making, support or managing big groups attended a 3-day online workshop on harnessing diversity, equity, and inclusion. These training programs sought to acknowledge the value of diversity towards achieving our aspiration to become a true global Filipino water company.



We started our diversity, equity, and inclusion (DEI) campaign in 2022 by developing and mapping out our yearly DEI focus. This is our intentional and more focused approach to show our contribution to the UN SDG 5, on advocating gender equality.

Another milestone in our commitment towards inclusivity, gender equality, and employee benefit accessibility, is the inclusion of common-law and LGBTQI+ partners of our employees as dependents in the company's group life insurance policy effective 1 January 2023. The policy covers regular, probationary, and project-based employees.

> **"We are very glad to announce that Manila Water is offering this expanded insurance policy to our employees, especially to the members of the LGBTQI+ community. This is part of our strategy to be a more inclusive workplace. We want to embrace our differences and make Manila Water a place that champions diversity and sustainable development goals."**
>
> Corporate Human Resources Group Director Janine Carreon

Cultivating Workplace Freedom and Harmony

We value the right and freedom of our employees to share their insights, be informed of organizational updates, and participate in activities at the workplace. One way that we are able to accomplish this is by having an open line of communication with employees at all levels of the organization. This way, issues and concerns are heard and addressed.

SATISFACTION SCORES

Work Area and Work Arrangement

- 91% Satisfaction for a hybrid set-up
- 94% Satisfaction for virtual working tools

Leadership and Communications

- 94% Satisfaction for communicating the necessary information
- 96% Satisfaction for a collaborative and supportive team

Started in 2020, we continue to conduct pulse surveys, called the Mahalaga Ka! survey. This mode of communication aims to emphasize the value of everyone's voice when it comes to ensuring that their wellbeing within the Company is a priority. We use the Mahalaga Ka! survey as a telescope to focus and further understand the conditions of our employees, placing them at the center of the leadership team and human resource team's radar.

To sustain the awareness of employees, we issue an internal sustainability communication regularly. This publication revolves around corporate sustainability milestones, sustainability champions featuring employees who are sustainability advocates in and outside of their role in the Company, sustainability tips and ideas, and other environment, social, and governance topics.

Balita on Wednesdays (BOW) is another avenue to keep employees updated on key initiatives, achievements of business units, and programs. In addition, e-Agos is an online internal publication that shares information on organizational news and events.

Weekly BOW episodes and sustainability bulletins keep employees informed of our latest news and developments across the different business units.

We value our employees' rights to participate in the formulation and review of policies concerning the rights and welfare of the workforce. Accordingly, we support our employees' freedom of association and complies with the existing laws in this regard. In 2022, 81% of qualified employees are covered by the provisions of the CBA.

Finally, we believe that the best way to communicate with employees is to meet periodically on a corporate or individual basis. Town hall and one-on-one meetings have resumed in earnest in 2022. Regular meetings are also held between representatives of the Company and the Manila Water Employees Union (MWEU) where corporate and operational matters are discussed.

In the event of a grievance that must be raised and addressed, we have a mechanism that seeks to settle the same, peacefully and equitably, through a Grievance Committee composed of Manila Water and MWEU representatives. The coverage of the grievances includes: 1) working conditions; 2) dispute(s) involving interpretations, applications, or violations of the provisions of the collective bargaining agreement (CBA); and 3) dispute(s) affecting labor-management relations. Stipulated in the mechanism are detailed procedures for managing grievances, including additional recourse for when a settlement or agreement is not satisfactorily met, such as a Board of Arbitration that has one representative from both sides and a third party.

Promoting Professional Growth and Excellence

In 2022, we implemented a new job-levelling system. We wanted to offer more flexible career opportunities and allow our employees to stay in the same role whether as an Individual Contributor or as a People Manager. They have the opportunity to progress in their careers by continuously improving their skills and competencies. The promotion levels are linked to the defined competency model of the role, and progression to a higher level will now depend on how fast an employee is able to develop his or her competencies. The system also provides clear career paths, opportunities for skill development and growth, and the necessary resources and support to achieve professional aspirations.

Employee recognition is another way that we show our appreciation for the contributions of our employees. We hold 4 annual recognition programs: 1) Huwarang Manggagawa for rank-and-file employees; 2) President's Pride due to Performance (P3) Award for middle-level managers; 3) Chairman's Circle (C2) Award for senior managers; and 4) Gawad Kapit-Bisig for innovation projects.

Chairman's Circle Award, also known as C2, aims to recognize the excellent and outstanding performance of employees at the senior management level.
C2 recognizes employees who have demonstrated consistent high collaboration, leadership, people engagement, and stakeholder engagement. Seventy members of our Senior Management team were C2 awardees in 2022.

President's Pride due to Performance or P3, aims to recognize the excellent and outstanding performance of employees at the middle management level. P3 recognizes employees who demonstrated consistent high performance, collaborated with other departments, and understood his or her team's impact to other groups, showed dedication to deliver quality and value-adding work to keep customers satisfied, and pro-actively addressed issues and bottlenecks. A total of 223 employees, 132 from the East Zone and 91 from the Non-East Zone were given the P3 this year.

Huwarang Manggagawa, the longest running recognition program of the Company which started in 1998, recognizes the most outstanding rank-and-file employees whose consistent excellent performance and admirable work ethic and values serve as a model for all. The finalists are given the opportunity to be interviewed by a panel of judges and are judged based on individual performance, magnitude of contribution to corporate goals, and adherence to work ethic and company values.

GAWAD KAPIT-BISIG BAYANIHAN

GAWAD KAPIT-BISIG SINAG

GAWAD KAPIT-BISIG LIKHA

Gawad Kapit-Bisig continues to promote the culture of collaboration and innovation by recognizing teams that have made a significant contribution in the past year. The theme for 2022 is HIRAYA: Making things happen together. Nine teams were recognized to have helped the Company meet its corporate goals and objectives as well as innovate and improve processes. The awards showcase the talent of our employees.

Developing a Safety Culture

Training programs held last year were on safety topics such as Basic Occupational Safety and Health, Behavioral Based Safety Training, Emergency Preparedness Response, First Aid and Basic Life Support, Working on Confined Spaces, Contractor's Safety Officer Accreditation, and Safe Systems of Work. We also observe and comply with the Labor Code's Working Conditions and Rest Periods, Hours of Work and Weekly Rest Periods.

Health and safety are important aspects of our operations and we continue to ensure the highest standards not only for our employees, but also for our customers, contractors, business partners, and other stakeholders. While we do not have an ISO certification on a health and safety management system, we continue to implement occupational health and safety (OHS) initiatives. This includes facility and equipment safety audits, and safety education. Despite our efforts to provide a safe and secure environment, we unfortunately recorded 1 fatality.

We have conducted an internal investigation to ensure that learnings are captured and embedded in our organization. For this reason, we are making concerted efforts at safety education and implementing preventive measures needed to minimize the risk.

In terms of our efforts related to occupational health and safety, each facility and project site promotes policies and activity guidelines. This includes the appointment of safety officers both from our safety team and our contractors. There are several health and safety committees within the Company that tackle issues like HMO screening, safe working conditions, and the use of personal protective equipment. The joint committees of our employees and contractors also focused on establishing a safety culture.

Other safety initiatives undertaken in 2022 include the following: 1) policy standard development on occupational Operations Health and Safety Management Systems audit; 2) evaluation of OHS legal requirements and corrective preventive action report for fast resolution of issues and concerns; 3) digitalization of Safe Systems of Work Handbook; and 4) Safety Systems Promotion. Specific to Safety Systems Promotion, this seeks to enhance safety communications in the facilities. It also seeks for employees to become more aware and strengthen their understanding of hazards in the workplace.

Promoting a safety culture in the supply chain remains our priority. Safety inspections are conducted regularly at the construction sites and in operating facilities and administrative buildings. To enhance the capacity of our vendors and contractors, and encourage pro-active involvement in our supply chain, we have extended our corporate safety program to our vendors through regular meetings and their inclusion in our safety committees. These safety meetings include a discussion of safety findings on each project site to enable our contractors to resolve safety issues on-site before these escalate into accidents. These also serve as a vehicle for sharing knowledge among vendors. Moreover, the meetings are a venue to help find solutions to prevent the recurrence of similar issues. The suggestions and best practices come from our pools of safety professionals.

The SQUARE Awards or Safety and Quality Recognition for Excellence for contractors was launched in 2022 to recognize our contractors who actively participate in the Company's safety program and have implemented good safety practices across project sites. This recognition program aims to encourage and motivate Manila Water contractors to continuously support and implement safety across project sites.

DOING BUSINESS RESPONSIBLY

How we implement responsible business practices

When communicating to the public, we constantly uphold the truth in all our information and advocacy programs and materials. All our information education campaigns are regarded as opportunities to inform and educate our stakeholders and the greater public of our environmental and social sustainability objectives.

Promoting environmental and social advocacies help strengthen and enhance our relations with our stakeholders.

The Company has a strict policy and practice of checking all data and figures that will be released to the public. We adhere to the basic tenets of truth in advertising as set forth in the standards for transparent and accurate media reporting.

Protecting valuable information

Technology is becoming more complex and sophisticated, and so do the cyber risks that the businesses and organizations face. as such, we consider cyber threats as one of our top risks in Manila Water. We use a variety of technologies and follow policies and processes to ensure that information about our business, operations, customers, and stakeholders are kept safe.

Our Technology Strategy Committee (TSC) meets quarterly to provide the strategic oversight and guidance of all IT, OT, and Information Security (IS) initiatives to drive the Company's digital, information and technology strategy.

We observe strict compliance to data privacy, both on the Company's data and that of our customers.

We take our responsibility to respect the privacy of the data and information of our customers very seriously. Customer data is managed and documented according to precisely defined data privacy principles. Because of this, we did not receive any complaints regarding breaches of customer privacy and loss of customer data.

We also accelerated our focus on safeguarding our data against cybersecurity threats to prevent data theft, financial loss, and operational disruption. As such, we have carried out various mitigating measures such as the employee awareness training called ISEP or Information Security Education Program. This program aims to educate all employees and third parties who access Company information and resources so that they are able to safeguard data. In 2022, we were able to achieve 100% compliance for all mandatory trainings, and a phishing rate of 7% from last year's 21%.

Raising the bar of responsible business

Manila Water was among the 230 companies from ASEAN member countries to be included in the ASEAN Corporate Governance Asset Class for the year 2021. The said recognition is awarded to publicly listed companies for their outstanding corporate governance practices, following the criteria specified in the ASEAN Corporate Governance Scorecard.

Transparency and accountability are important principles of doing business responsibly. We are dedicated to observing the highest standards of corporate governance in order to serve the best interests of the investing public. Our Board, management and employees are one in the conviction that sound and effective governance is fundamental to our continued success and stability. It will enable us to create and sustain increased value for our shareholders. Maintaining this strong foundation of good governance becomes more essential as we grow. This is equally important as we fulfill our aspiration to become a global Filipino water company.

In 2022, we became active in the continuous reorientation of our employees and business partners on the Company's governance policies. This applies to matters contained in the Manual and the Code of Business Conduct and Ethics. It includes transparency, honesty and fair dealing, and prompt and adequate disclosure of material information, among other policies. Among the other milestones in 2022 were the inclusion of the ESG principles and provisions of the Safe Spaces Act in the Employee Code of Discipline.

Manila Water Foundation: Upscaling WASH

Manila Water Foundation, the social development arm of the Company, charges on to fulfill its mission of bringing water access, sanitation and hygiene (WASH) for all communities delivered through its set of initiatives, or what we call WASH program houses.

Realizing the wider and critical role of WASH in community development and progress, MWF established a new program house that harmonizes WASH and supports the protection of nature. In 2022, MWF established the Environment Program. This is to respond and cater to the needs of community-stewards of our natural resources and to further reflect how the Company commits to care for forests, watersheds, lakes, riverways, and coast lines.

In 2022, the program activities of MWF were propelled by the continuing need to support communities and sectors reeling from the effects of the ongoing COVID-19 pandemic. Through various partnerships which support the wider goals of the national government programs on health and education, MWF constructed and inaugurated nearly 500 sets of multi-faucet hand hygiene and sanitation facilities across the country. Generous partners have entrusted more than Php90 million to MWF to hand over built-to-last and sustainable facilities. For a truly integrated approach and to complement the provided infrastructure, over Php20 million worth of products was handed over to partners and communities to enable personal habits of proper handwashing, proper toothbrushing, and the sanitation of homes and public spaces.

In parallel, and in crucial times last year, MWF led WASH in emergencies which provided relief to families affected by disasters by supplying much-needed potable drinking water. Hygiene products were also donated to support the health and well-being of displaced families. Beyond providing relief, MWF was tapped to participate in disaster recovery and the rehabilitation of water and sanitation systems affected by calamities.

In 2022, MWF served 2.4 million Filipinos through the force of collaboration and synergies. Hand in hand with donors, partners and volunteers, MWF spent the year upscaling WASH.

The MWF program houses sustained its commitment to contribute to key UN Sustainable Development Goals or SDGs. Aligned with the Company, MWF supports Goal 6: Clean Water and Sanitation. From this, MWF endeavors to contribute 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, Goal 15: Life on Land, and Goal 17: Partnership for the Goals.

Through its program houses: Integrated WASH, WASH Interventions and Environment, MWF delivers its mission of bringing environmental programs and WASH for All Communities.

MANILA WATER FOUNDATION: BY THE NUMBERS

2,499,023
Individuals Served

442
Count of WASH Facilities

Php90.9 million
Value of WASH projects

Php21.7 million
Value of WASH supplies distributed

PROGRAM YEAR HIGHLIGHTS AND ACCOMPLISHMENTS

INTEGRATED WASH

The Integrated WASH program of delivers the entirety of water access and wastewater services in waterless and toilet-less households and brings WASH programs to the community level and public spaces. The program house continued the implementation of the Php4 million WASH in Pandemic project in partnership with P&G Safeguard Philippines. MWF led the construction and handover of 20 sets of multi-faucet hand hygiene facilities in public spaces beyond Metro Manila. The WASH in Pandemic sites include Tanauan City in Batangas, Boracay Island, the Municipality of Carmen in Cebu Provice, Cabuyao City in Laguna, and includes 3 locations in the Philippine General Hospital in the City of Manila.

Committed to support national government health campaigns, MWF was the project implementer of the WASH O'CLOCK National Handwashing Campaign led by the Department of Health (DOH) and UNICEF. In the identified pilot cities of Quezon City and Pasig City in Metro Manila and the Municipality of Biliran in Eastern Samar, MWF installed 38 handwashing kiosks in public spaces such as public markets and health centers. In September 2022, MWF led the distribution and handover of info-educational posters and 5,000 bottles of sanitizing alcohol to the LGUs of Quezon City, Pasig City and the City of Manila to promote hand hygiene amid the COVID-19 pandemic. To reach more families and communities, the WASH O'CLOCK campaign handed over 5,000 units of a portable handwashing station called the SATO Tap by Tokyo-based water and housing products manufacturer, Lixil.

In October 2022, the Integrated WASH program selected the next Integrated WASH community partner. Located within a reserved land that supplies about 90% of water for Metro Manila, Sitio Sapang Munti is home to the indigenous community of the Dumagats. MWF will support the community in WASH issues and protect the critical watershed. The Integrate WASH program is multi-year and is in collaboration with key agencies such as the MWSS, DENR, National Commission on Indigenous Peoples (NCIP), One Meralco Foundation (OMF) and World Wide Fund for Nature Philippines (WWF). In 2022, MWF inaugurated a 3-kilometer waterline with 18 watering points for more than 100 Dumagat families within the Ipo Watershed. The indigenous peoples' families are now assured of clean, potable water to prevent incidents of water-borne diseases. Heads of families will no longer walk several each day to fetch water from a river and can devote more time for child care, farming and livelihood.

MWF is also involved in multi-year synergy project led by Pilipinas Shell Foundation (PSFI) and in partnership with the World Vision Development Foundation (WVDF), called Roots to Shoots. Implemented in the under-resourced municipalities of Bombon and Pasacao in Camarines Sur, MWF leads the WASH component while PSFI leads farming and sustainable livelihoods, and WVDF leads the mother and child care component.

3,000
units of packaged water in 5-gallon containers along with hygiene supplies

60
family toilets to community residents

In Year 3, MWF presented a Water Supply Operations and Maintenance Manual to the Bombon Water District (BOWADI) as part of its technical support commitment to the local water utility. In the same year, MWF led the construction and handover of 60 family toilets to community residents to support the community's sanitation goals. To institutionalize WASH and enhance the community livelihoods and tourism potential, MWF will lead the Pasacao Sustainable Sanitation Strategy for Zero Open Defecation in the coastal community.

Throughout 2022, MWF was able to support various communities affected by disasters and calamities. With partners from the public and private sectors, MWF deployed more than 3,000 units of packaged water in 5-gallon containers along with hygiene supplies at the arsenic water contamination incident in Balete, Batangas and the magnitude 7 earthquake in Abra, as well as in fire incidents which displaced families in Metro Manila.

Closing 2022, MWF received a Php1.5 million grant from BPI Foundation to implement Agapay Isla, a post Typhoon Odette water systems rehabilitation project in the Dinagat Islands in Northeastern Mindanao. This will enable the island to build resilient networks and structures that supply safe water for all.

WASH INTERVENTIONS

The WASH Interventions program focuses on water access and sanitation infrastructure development. Specifically, Ahon projects respond to WASH needs in communities and public spaces. On the other hand, Lingap projects cover drinking, handwashing, and toothbrushing facilities in public institutions such as schools and health centers.

Ahon and Lingap projects were inaugurated in 2022 through partnerships with private sector institutions such as Ateneo de Davao University Grade School Batch 82' and High School Batch 96', Manuchar Philippines, and Airbus Philippines.

In 2022, the MWF-led LCFWinS Lingap Eskwela sa Pandemya was named the Outstanding CSR Collaboration Project by the League of Corporate Foundations (LCF) CSR Guild Awards. MWF shares the honor with Aboitiz Foundation, Citizen of the World Foundation, Holcim Philippines, Insular Foundation, Metrobank Foundation, and Vivant Foundation. LCFWinS Lingap Eskwela sa Pandemya served 48 public schools across the country and over 148,000 students, teachers, and parents.

In a milestone project to prepare school campuses in the "next normal" amid the COVID-19 pandemic, MWF completed the #SafeWASH in Schools project with valued partner P&G Safeguard Philippines. Sets of 10-faucet hand hygiene facilities, hygiene products, and info-educational materials were handed over to 274 public schools in the National Capital Region and 11 public schools in Jala-jala, Rizal Province. Since March 2022, #SafeWASH in Schools has reached more than half a million students, teachers, and parents. The 285 #SafeWASH in Schools facilities were completed a month before the Department of Education ordered the full implementation of in-person classes among public schools starting November 2022.

10
faucet hand hygiene facilities

274
public schools in the National Capital Region

11
public schools in Jala-jala, Province of Rizal

ENVIRONMENT

MWF's new program house lends focus to the protection, conservation of natural resources, and care for its surrounding communities. In June 2022, with Boracay Island Water Company, MWF celebrated World Ocean's Day with a coastal clean-up activity and a WASH education session among students of the Yapak Elementary School. Hygiene kits, info-educational materials, and the MWF WASH Storybook, May Tubig na sina Tinay! were handed over to the school.

Strengthening its commitment to reforestation, the Company, through MWF donated Php1 million Trees Foundation to support the continuing initiative of the Annual Million Trees Challenge.

Project Katig was launched to support the WASH and community needs of fisherfolk around Laguna Lake. MWF forged a sustainable fishing and livelihood partnership with the LGU of Cardona, Rizal Province. MWF donated 30 sets of fishing gear and 8 motorized fishing boats to fisher-families. Through a grant from BPI Sinag Evolution 2022 of BPI Foundation, MWF began a series of capacity-building sessions which included financial literacy, to 90 fisherfolk in Cardona, Rizal Province.

The MWF's Environment program house hosts Health in our Hands, a set of health and hygiene education campaigns. Throughout the year, MWF leads local celebrations of global campaigns to reach more Filipinos and raise awareness in health and hygiene. This goal is realized through info-educational activities such as printed and electronic billboards and social media activations, onsite and online broadcasts, and the handover of hygiene products to key stakeholders across the country. MWF led health and hygiene awareness-raising campaigns on World Oral Health Day in March 20, Global Handwashing Day in October 15, and World Toilet Day in November 19. In these celebrations, MWF set the platform of collaboration between the public and private sectors, taps support from LGUs, product partners, Philippine health associations, and global organizations. In 2022, the combined reach of Health in our Hands campaigns total to about 9.9 million Filipinos.

Investing in young people for WASH, launched in 2022, WASH Aralan: the WASH in Schools Caravan. This youth leadership development program in partnership with the Department of Education and the National Water Resources Board (NWRB) carries a comprehensive WASH education module for student leaders. Topics in the workshops cover water conservation, sanitation, and hygiene. WASH Aralan: the WASH in School Caravan aims to develop young people to champion WASH in their campuses, communities, and families.

Closing the year 2022, MWF raised its hand to play an active role in a newly established private sector-led consortium, Hand Hygiene Alliance Philippines (HAP!). The consortium will invite more business, industry, and society leaders to promote and champion universal access to hand hygiene education, facilities, and supplies. This will help promote the habit of proper handwashing as a key to healthy living.

MANILA WATER FOUNDATION TIMELINE OF INSTITUTIONAL ACHIEVEMENTS

Institutional Compliance | MWF received its 5-year Certificate of Accreditation from the Philippine Council for NGO Certification (PCNC) as a donee institution. MWF meets the standards of good governance, financial stewardship, operational transparency, and accountability.

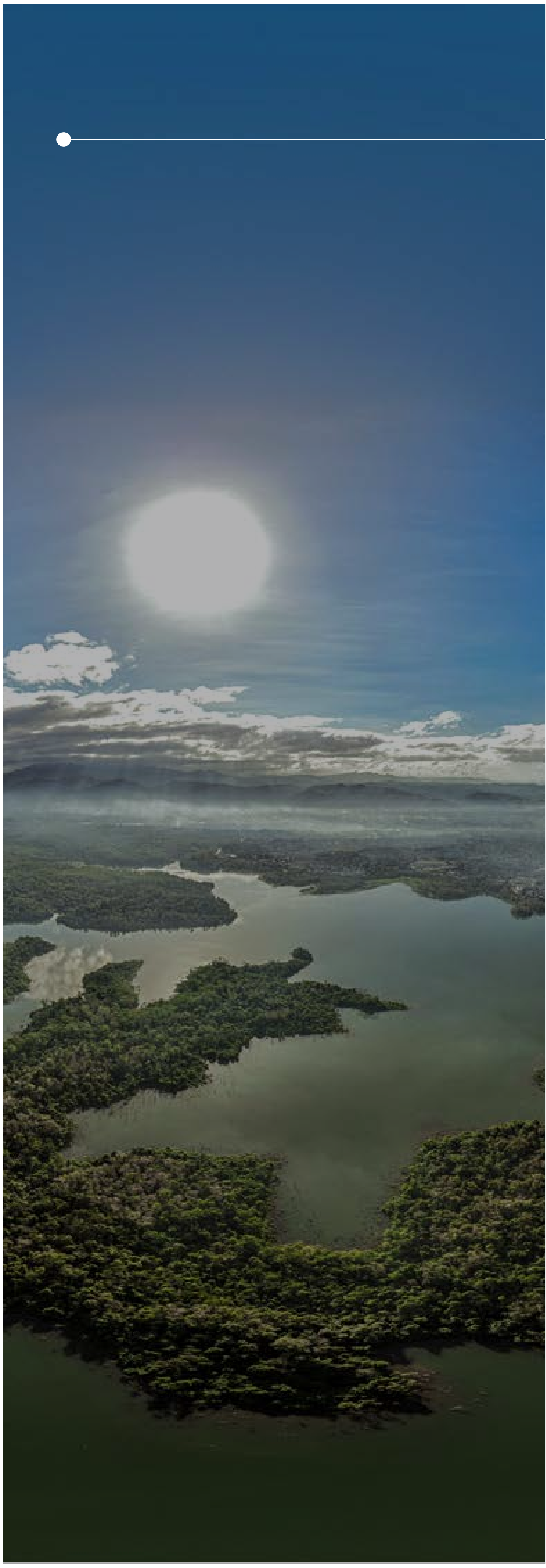
MARCH

Institutional Communications | MWF received a Quill Award under the Publication Category for the first fully digital, multi-media 2020 Annual Report entitled Forging Ahead: Leading WASH for Development

MAY

Institutional Compliance | MWF received its First Level Standards certification in the implementation of Community-Based Programs and Services for Community Welfare from the Department of Social Welfare and Development (DSWD). This certification is valid for 3 years from 23 June 2022 to 24 June 2025

JUNE



Climate Change Strategy

We take the threat of climate change with great priority. While climate change poses risks to business operations, it also creates opportunities for the Company. We are stepping up to the challenge of mitigating the impacts of climate change and seizing the opportunities to create shared value for our stakeholders.

Governance

Board Oversight on Climate Risk Governance
Our Board has overall responsibility for the company's response to climate change and general oversight on the approach to identifying, assessing, and managing both the risks and opportunities associated with climate change. Our 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.

Aside from the BROC, our newly formed the ESG committee gives more focus on the board level discussion of action plans related to addressing climate related risks.

Management Oversight on Climate Governance

As part of our commitment to identifying, assessing, and managing the risks and opportunities associated with climate change, Manila Water Climate Change Policy was created. A Climate Change Council was formed in 2014.

Strategy

To enable the Company to formulate a more relevant and responsive strategy to combat climate change, we completed completed a study with Aon Risk Consultants, Inc. ("Aon") in 2022, to quantify and evaluate the present-day and future risks brought about by climate change that may affect our assets and our strategic business units. The study included a simulation of various scenarios using The Climate Service (TCS) Climanomics analytics platform, where a climate change property vulnerability for all covered properties across the enterprise was generated.

The simulation considered the high-level physical risks analysis, in a span of decades, covering 2 climate scenarios:

- RCP 8.5 - the Earth gets warmer by about 4.3°C and GHG emissions rise steadily to 2100
- RCP 4.5 - the Earth gets warmer by about 2.4°C and GHG emissions slowly decline to 2100

The simulation yielded multiple climate scenarios from the present day to the year 2100. We intend to use this to further refine our strategies and align the business in managing climate risks and opportunities.

Currently, the teams assigned to this project are raising awareness on the results of the study across the organization. This will validate the results and initiate actions to mitigate and minimize risks; moreover, this is to leverage on the opportunities in the short, medium and long term horizons.

Climate-related Risks and Opportunities

On a higher level, the study identifies 3 risks and opportunities:

RISK

Physical Risks 	**Acute** • Increased severity of extreme weather events such as cyclones and floods **Chronic** • Changing weather patterns and rising mean temperatures and sea levels
Transition Risks 	**Policy and Legal** • Increased pricing of GHG emissions • Enhanced emissions-reporting, obligations • Mandates on and regulation of existing products and services • Exposure to litigation **Technology** • Substitution of existing products and services with lower emissions options • Unsuccessful investments in new technologies • Costs to transition to lower emissions technologies **Market** • Changing customer behavior • Uncertainty in market signals • Increased cost of raw materials **Reputation** • Shifts in consumer preferences • Stigmatization of affected sector/s • Increased stakeholder concerns or negative stakeholder feedback

OPPORTUNITIES

Resource Efficiency	• Use of more efficient modes of transport and production, and distribution processes • Use of recycling • Move to more efficient buildings • Reduced water usage and consumption
Energy Source	• Use of lower-emission sources of energy • Use of supportive policy incentives • Use of new technologies • Participation in carbon markets
Products & Services	• Development and/or expansion of low emission goods and services • Development of climate adaption and insurance risk solutions • Development of new products or services through R&D and innovation
Markets	• Access to new markets • Use of public-sector incentives • Access to new assets and locations needing insurance coverage
Resilience	• Participation in renewable energy programs and adoption of energy-efficiency measures • Resource substitutes/diversification

Impact on Business and Strategy

Recognizing the severity of climate-related risks and the vulnerability of the water sector to such risks, the SLT considered Natural Disasters and Climate Change as one of the top risks of the Company.

Given that such risks are quite evident, we have existing programs in place:

MANILA WATER PROGRAM	CLIMATE-RELATED RISK ADDRESSED
Business Continuity Emergency Preparedness and Response	Increased severity of extreme weather events such as typhoons and floods
Water Security • Alternative water sources • NRW Reduction	Increased severity of extreme weather events such as typhoons and floods Droughts and rising mean temperatures
Business Continuity Emergency Preparedness and Response	Increased severity of extreme weather events such as typhoons and floods
Asset Resilience	Increased severity of extreme weather events such as typhoons and floods
Operational Controls and Adjustment Summer Contingency Program	Droughts and rising mean temperatures

In terms of opportunities, we are exploring the following:

MANILA WATER PROGRAM	DRIVERS
Energy Management System	Compliance Resource conservation and efficiency Climate change mitigation
Transition to Renewable Energy	Reliability Resource efficiency Climate change mitigation
Net Zero Project	Climate change mitigation Adaption to capital provider requirements

Organizational Strategy

While we may be one of the first to adopt a Climate Change Policy in 2007, priorities and programs surrounding it have evolved over the years. Changes are in line with our priorities, emerging trends as influenced by the latest scientific research, and shifts in governmental and regulatory policies.

But at its core, the Climate Change Policy advocates 3 things in terms of strategy:
- Adaptation
- Mitigation
- Leadership

Our climate adaptation agenda includes intensifying efforts on water security. To build on water security, we embarked on the development of alternative water sources, addressed the risk relating to raw water quality through nature-based solutions, and sustained our NRW management and leakage reduction programs.

Adaptation efforts also meant building climate-resilient facilities based on Resiliency and Business Interruption (RBI) Studies that considered pre-defined risk events such as 220 kph sustained winds; flooding due to a 180-year rainfall event, and El Niño event (with at least a 2.5 ONI – worst-case scenario).

However resilient the infrastructure is, we will still face the impact of disasters whether natural or man-made and likely enhanced by climate change. Hence we put in place. Hence, the company put in place a Business Continuity framework and structure to plan our response to various levels of potential disruption. The goal is the prompt recovery of critical services with minimal interruptions thus ensuring continued service for our customers and stakeholders.

On the other hand, programs on climate change mitigation are gaining traction. With a certain level of stability achieved, we now focus on managing emissions levels through energy efficiency and renewable energy initiatives, resource recovery measures, and a net zero initiative.

As for leadership, the strategy on climate action will not come to fruition without governance and the full support of top management. For instance, the net zero project is led by a Steering Committee composed of C-level executives, Group Directors, and major decision-makers in the organization.

Progress on the strategy and its implementation plan will be discussed in the Metrics and Targets section of this report.

Risk Management

Risk Management portion: Climate risk is included in the ERM process as a risk driver. In 2022, we identified both physical and transition climate-related risks as our priority area. Out of all these, coastal floodings caused by waves, tides, storm surge, or heavy rainfall is the most critical. The ERM process is detailed on pages 24 to 30.

Metrics & Targets

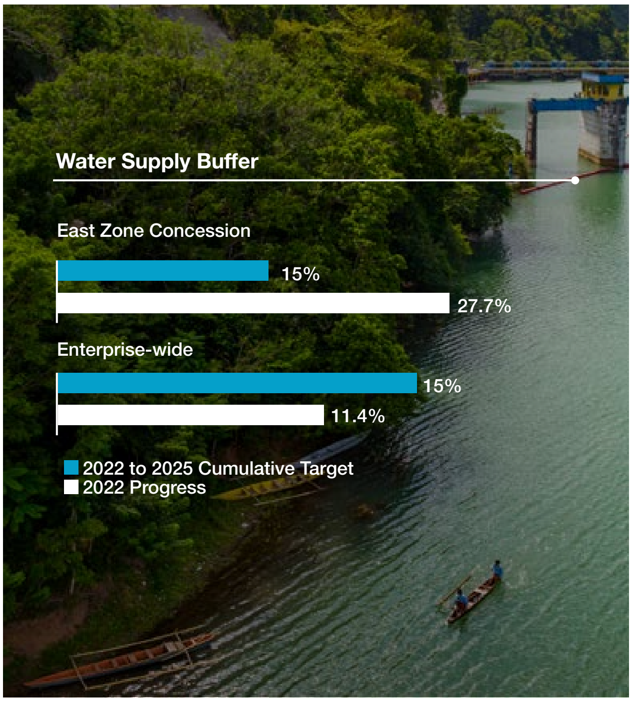
Our strategy to mitigate the impact of climate change focuses on climate change adaptation while reducing and avoiding greenhouse gas emissions. In the last couple of years, we have undertaken measures to support our strategies and commitments aligned with our Climate Change Policy.

This section will specify, in quantifiable terms, the progress toward achieving the strategies and programs in relation to climate-related risks and opportunities.

Climate Adaptation Metrics and Targets

We aim to provide continuous water service amidst climate change. This means that having appropriate amounts of supply reserve in times of a disaster is critical for the continued provision of service. Early in 2022, we made a commitment to have at least a 15% raw water buffer by 2025. In the East Zone, water supply buffer in 2022 stood at 11.4%. This is higher than the level in 2021 due to lower NRW. Our MWPV and MWAP business units, on the other hand, have enough water supply, making the total enterprise's water buffer at 27.7%

Each business unit has a water supply masterplan. This serves as our basis for the development of new water sources, thereby ensuring sufficient water supply for customers. For additional details, please refer to pages 40-41.

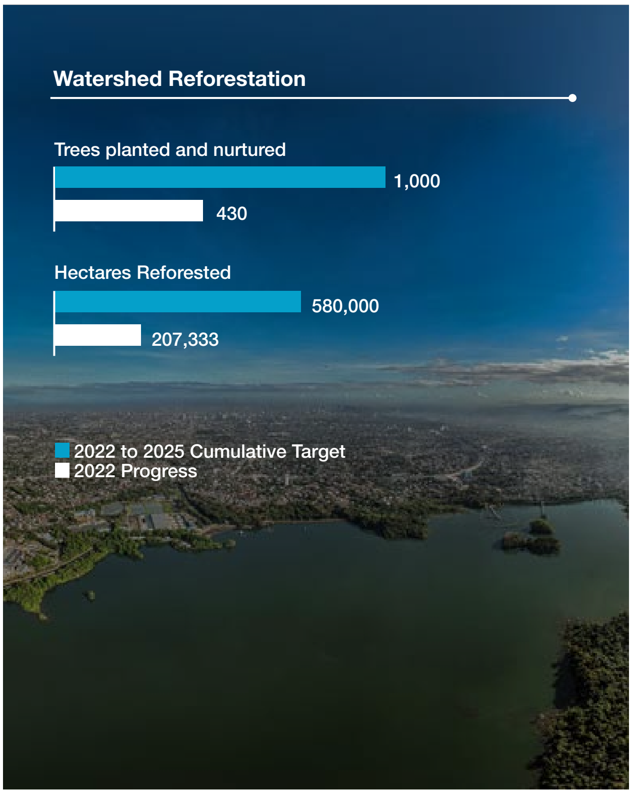


Protecting and Rehabilitating our Water Sources

With changing weather patterns and extreme climate events that cause soil erosion and water turbidity from heavy rains, the possibility of deteriorating raw water quality and quantity is high. As a way to adapt to and mitigate these risks, we implement nature-based solutions by planting and nurturing trees and participate in reforestation and protection efforts.

Since 2006, we planted and nurtured more than 1.4 million native trees in 2,889 hectares. We target to plant an additional 580,000 trees in 1,000 hectares from 2022-2025.

For additional details, please refer to page pages 55 to 57.



Building our Climate Resiliency

We build climate-smart facilities and retrofit our assets that are vulnerable to typhoons and flooding. We constructed 8 emergency reservoirs in the East Zone which will be used during emergencies and calamities.

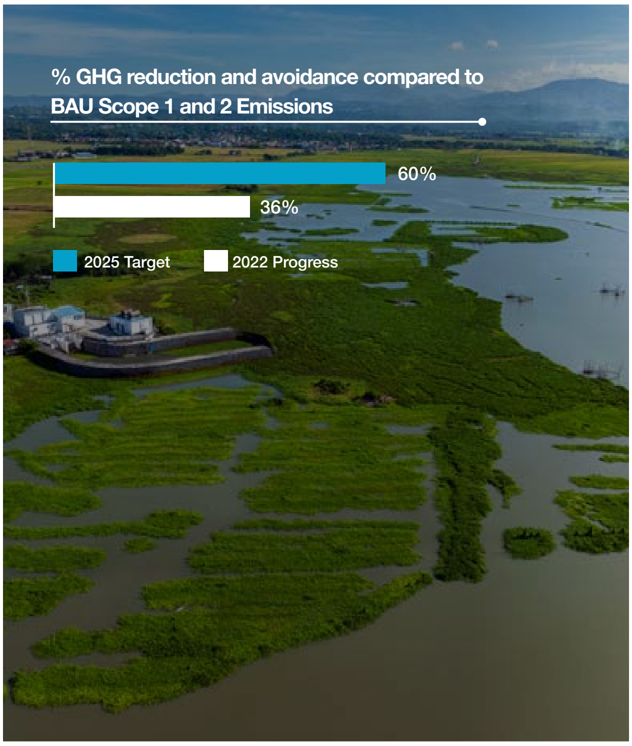
We created an Emergency Preparedness and Response (EPR) Group enhanced our EPR procedures; and conducted regular drills. Furthermore, we invested in business continuity equipment necessary for contingencies and EPR. This includes generator sets, mobile treatment plants, water tankers, and static tanks.

Climate Change Mitigation Metrics and Targets

Reducing and Avoiding our Greenhouse Gas (GHG) Emissions

Early in 2022, we disclosed our targets on GHG reduction which were driven by energy efficiency and our renewable energy transition projects.

This is a continuing program to efficiently use resources including water, chemicals, and reduce any negative impact. Furthermore, we continued to harness renewable energy using our onsite solar panels and the purchase of renewable energy to contribute to climate change mitigation. In 2022, we reduced our GHG emissions by 16,960 tons CO_2e by purchasing at least 20% renewable energy out of our total power purchases.

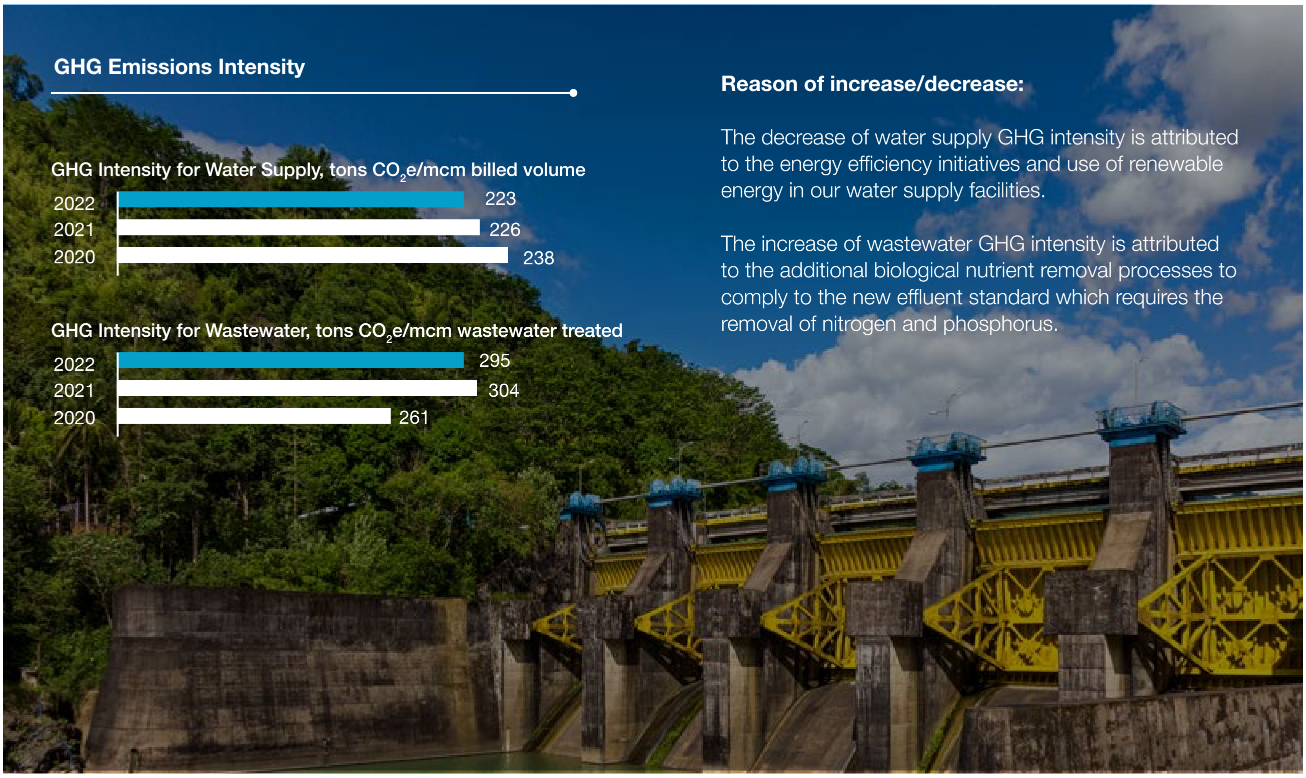


	2020	2021	2022	DRIVERS FOR CHANGE
Scope 1 [1]	4,698	5,910	13,689	Diesel consumption for generator sets Fuel use on vehicles with normalization of mobility
Fuel	4,698	4,737	12,468	
Refrigerants	Not monitored	1,173	1,221	
Scope 2 [2]	204,778	194,265	191,353	Energy efficiency initiative and use of RE caused the decline in scope 2
Scope 3 [3]	1,047	1,533	1,676	Increased desludging activities with the opening up of communities post lock downs
Total	**210,523**	**201,708**	**206,717**	

[1] Scope 1 emissions are direct GHG emissions from the use of fuel for vehicles, generator sets, and other equipment. We also started accounting for the fugitive emissions from refrigerants in 2021. Emission factors of fuel and refrigerants were based from the 2022 EF of UK BEIs: gasoline- 2.3397 kg CO_2e/L, diesel – 2.6988 kg CO_2e/L.

[2] Scope 2 emissions are indirect GHG emissions from the use of electricity of the company. Scope 2 emission factor for Luzon and Visayas Grid (0.7122 kg CO_2e/kWh, Mindanao grid (0.7797 kg CO_2e/kWh) and Vietnam Grid (0.9242 kg CO_2e/kWh) were based on the latest available National Grid Emission Factors. We also used the specific emission factor of our Open Access renewable energy provider (RE emission factor of 0.0868 kg CO_2e/kWh)

[3] Scope 3 emissions are GHG emissions from the desludging operations by our contractors' use of diesel.



Reason of increase/decrease:

The decrease of water supply GHG intensity is attributed to the energy efficiency initiatives and use of renewable energy in our water supply facilities.

The increase of wastewater GHG intensity is attributed to the additional biological nutrient removal processes to comply to the new effluent standard which requires the removal of nitrogen and phosphorus.

GHG Avoidance through Wastewater Treatment

Wastewater management is one of the focus areas of the Philippines' Nationally Determined Contributions (NDCs) to the Paris Agreement that aims for a 75% reduction and avoidance of greenhouse gas emissions by the country, based on business as usual scenario by 2030. The domestic wastewater sector's contribution is the expansion of sewer and sanitation coverage to avoid methane emissions in septic tanks. Methane has 25x global warming potential compared to carbon dioxide. In 2022, our wastewater treatment avoided 55,907 tons CO_2e carbon emission.

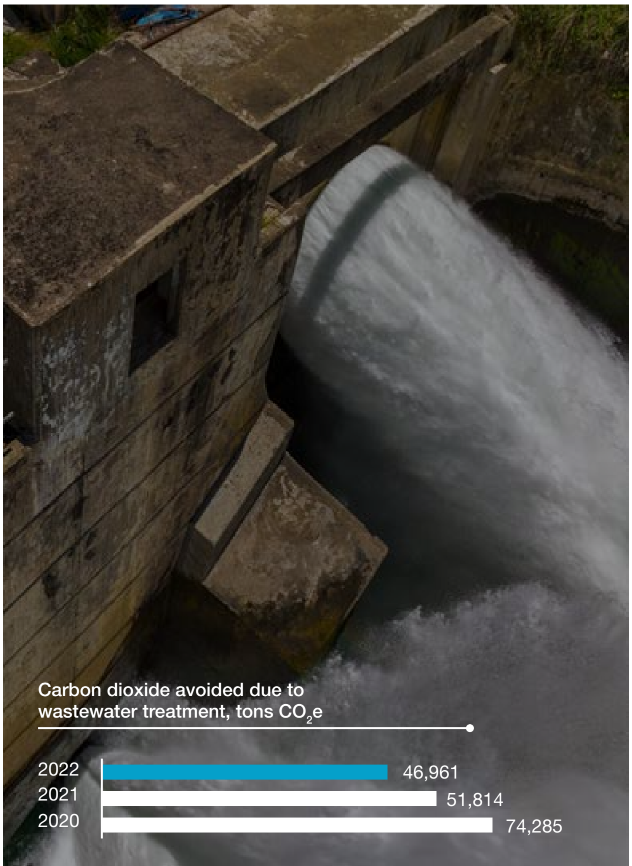
Capturing Carbon through Watershed Protection and Reforestation

Our watershed protection and reforestation efforts help capture carbon and reduce greenhouse gases in the atmosphere. We are currently establishing our Forest Carbon Accounting (FCA) to determine the impact of our protection and reforestation program in the Ipo, La Mesa, and the Upper Marikina watersheds. The FCA is in partnership with the Center for Conservation Innovations.

Embarking on our Net Zero Transition

In 2022, we started Project Net Zero with the objective of developing our GHG reduction targets and decarbonization roadmap aligned to a limit of 1.5°C increase of global mean temperature. The project, which will run in phases, is in partnership with South Pole, an international climate solutions provider.

Partnerships and Disclosures on Climate Action



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

The carbon dioxide avoided data in 2020 and 2021 was reinstated due to use of IPCC Assessment Report 4 Global Warming Potential of methane which is 25.

Process for the Development of GHG Reduction Targets and Net zero Strategy Roadmap

PHASE 1

Validation and Accounting

Scope 1 and 2 review and validation

Scope 3 full accounting

PHASE 2

Intervention Assessment

Intervention screening and evaluation workshop

PHASE 3

Target Setting

Develop achievable Scope 1, 2 and 3 targets.

PHASE 4

Net Zero Strategy Roadmap

Develop net zero strategy and implementation roadmap.

We continuously engage and partner with our stakeholders to promote climate actions on adaptation and mitigation. For additional information, please refer to pages 63 to 64.

We published 5 videos in different social media platforms to share our climate change commitments; initiatives on climate change adaptation; and mitigation, and partnerships on climate actions.

Manila Water publicly signified support to TCFD in February 2021.

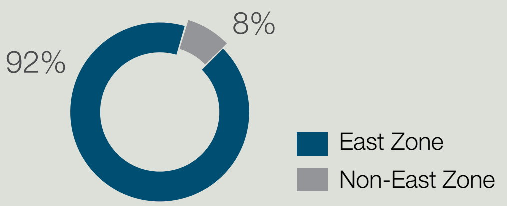
Manila Water received a Management B rating for our 2022 CDP Climate Change and Water Security Disclosures, improving our Climate Change rating from Awareness level (C) to Management level (B) while maintaining the management level rating in Water Security.

Through our Climate Actions, the International Water Association (IWA) recognized our company as a Climate Smart Utility in the 1st year of IWA's Climate Smart Utilities Recognition Program. The program aims to inspire utilities and all their stakeholders to embrace climate resilience under the three key pillars for action – climate adaptation, mitigation, and leadership.

2022: The Year of Recovery

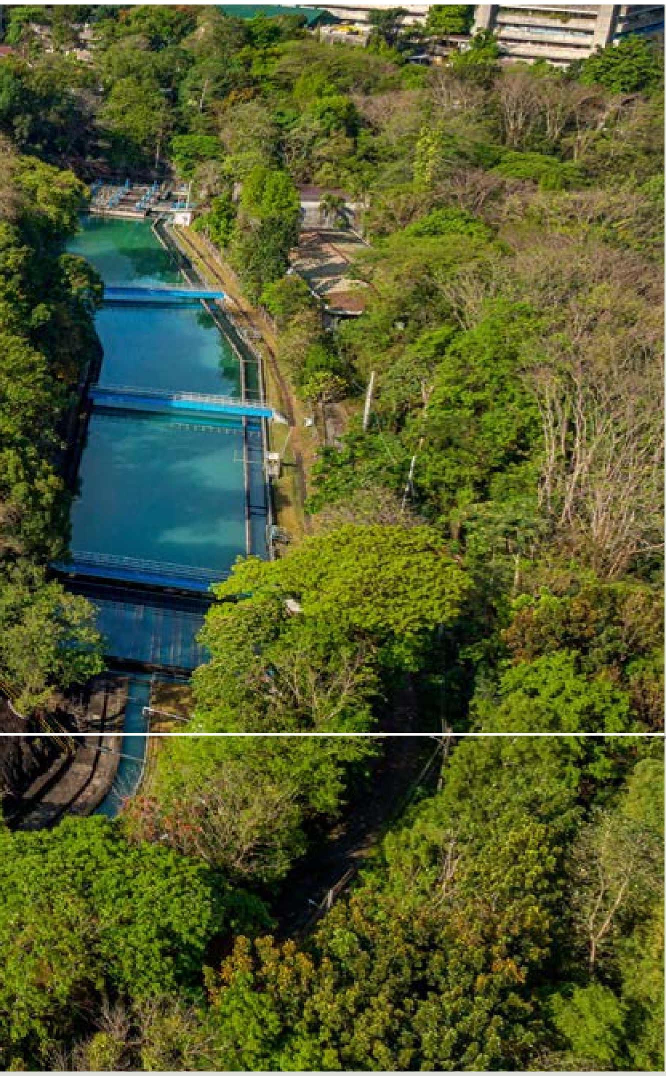
Php22.4 billion
Capital Expenditures

Capital Expenditure Contribution:



Revenues (in billion Php)

Net Income (in billion Php)

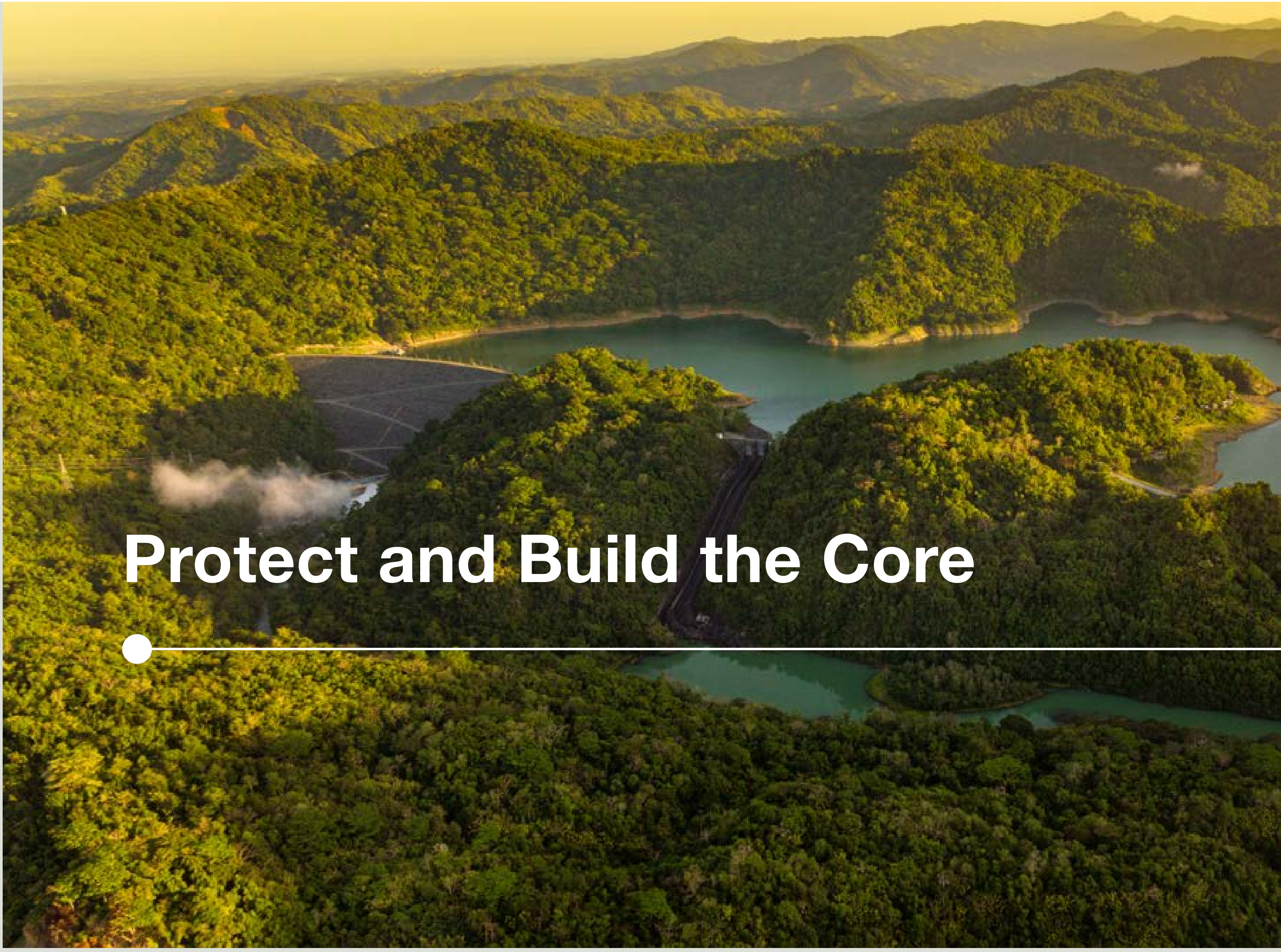


Consolidated Performance

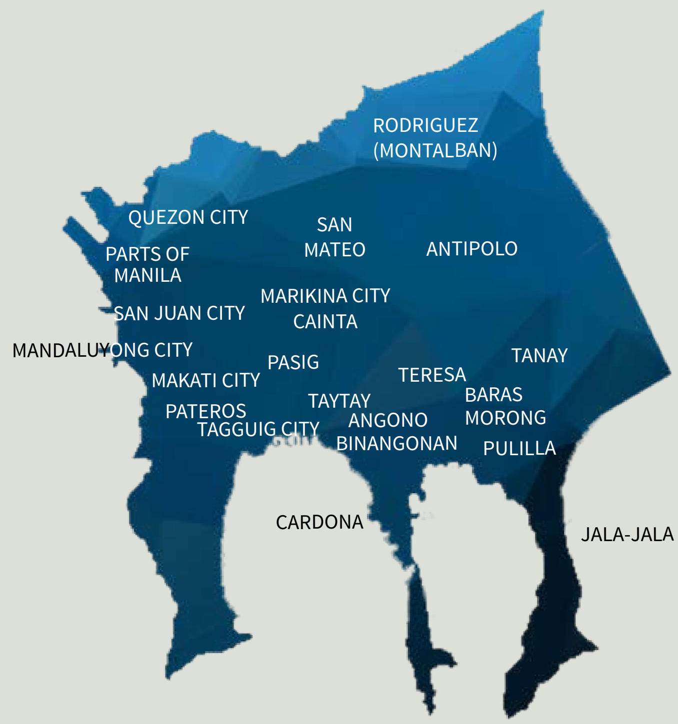
The Company posted consolidated earnings of Php5.9 billion for full year 2022. Customer demand showed notable recovery due to the improved mobility and resumption of economic activities in our service areas; there was a resurgence of non-residential segments in the East Zone. Several of the domestic Non-East Zone businesses also performed well. The recognition of several key items such as the writeback of deferred forex losses and the reduction of accounting provisions in the East Zone Concession, further contributed to a positive net income for the year.

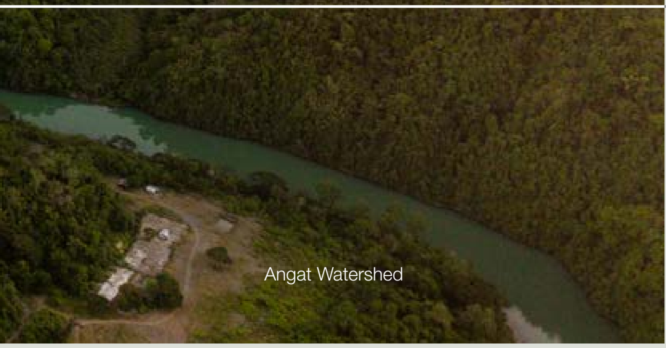
On the other hand, the increase in costs and expenses outpaced revenues with the onset of new, recurring costs. Despite these challenges, we pushed forward with our CAPEX program to comply with our regulatory and service commitments. Group CAPEX increased by 36% to Php22.4 billion for the year.

On a consolidated level, revenues increased 11% to Php22.8 billion. This came from the recovery of the East Zone's commercial and industrial accounts, as well as by the 30% increase in revenues from our Non-East Zone - Philippines businesses. Conversely, consolidated cost of services and expenses increased by 17% to Php10.8 billion, with higher costs in nearly all categories. Fixed costs increased by 8%, primarily due to repairs and maintenance costs. Postponed activities from previous periods of quarantine restrictions had to be urgently completed in 2022. Despite this, the significant topline recovery enabled consolidated EBITDA to increase by 9% to Php12.8 billion for the year, while EBITDA margin stood at 56%.



Protect and Build the Core





Angat Watershed

East Zone Concession (Parent Company)

In our East Zone Concession, we hold the exclusive right to provide water and wastewater services to the eastern side of Metro Manila as well as the province of Rizal. The concession area covers 1,400 square kilometers encompassing 24 cities and municipalities.
It has a population of more than 7 million, comprising a broad range of residential, semi-business, commercial, and industrial customers.

The year 2022 was a year of recovery from the far-reaching effects of the pandemic. Despite the challenges, we pushed through with our CAPEX projects to ensure compliance with to our service obligations despite the prevailing tariff freeze.

Revenues were up at Php17.1 billion for the period, with the recovery in consumption of commercial and industrial accounts. Other income from connection fees and cross border charges further supported revenue growth.

Meanwhile, costs and expenses rose by 17% for the period to Php7.2 billion. This was driven by: 1) higher direct costs following the ramp up of repairs and maintenance, collection, and connection activities; 2) higher power costs due to higher rates and higher consumption in line with compliance with BNR standards; and 3) additional cost from input VAT in line with the grant of a franchise to the Company. On the other hand, overhead costs saw a decrease from the same period in 2021 due to the partial reduction of provision for expected credit losses (ECL).

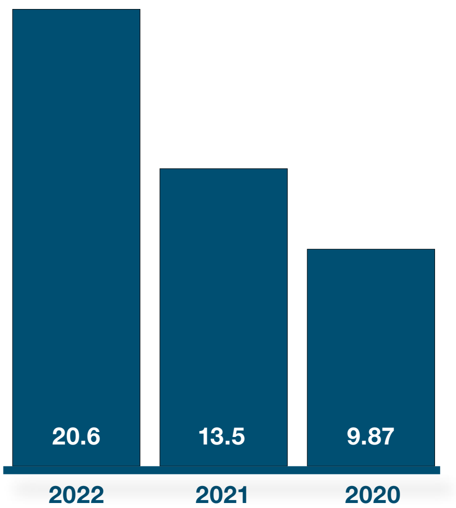
These developments led to a 4% increase in EBITDA to Php10.2 billion from Php9.94 billion in 2021. EBITDA margin was at 60%. In all, we posted a Net Income of Php5.5 billion for the period, up 52% from the previous year. Net Income margin stood at 32%, up by 10 ppts from the full-year 2021 Net Income margin of 22%.

With improved mobility during the year, we continued to develop and construct water and wastewater infrastructure for the current and future requirements of our East Zone customers. The CAPEX level was nearly Php20.6 billion in 2022.

Operating Highlights	2022	2021	% Change
Billed Volume (in mcm)	501.3	488.5	3%
Billed Connections	1,063,216	1,033,211	3%
Average Tariff (in Php per cu.m.)	32.5	32	2%
Non-revenue Water (end of period)	12.2%	12.8%	0.7 ppt
Average Consumption (in cu.m per connection)	39.7	39.7	0%

Financial Highlights (in million Php)	2022	2021	% Change
Revenues	**17,131**	**16,084**	**7%**
COS and Operating Expenses	**7,181**	**6,140**	**17%**
EBITDA (from continuing operations)	**10,207**	**9,803**	**4%**
EBITDA Margin	60%	61%	1 ppt
Provision for Income Tax	1,506	1,440	5%
Net Income	**5,500**	**3,618**	**52%**
NIAT Margin	32%	22%	10 ppts

CAPEX Disbursements (in million Php)



As the East Zone Concession remains to be the largest business segment of the group, we will continue to protect and strengthen this core as we gear for growth. Specifically, we will continue to accelerate our CAPEX projects in the areas of water supply security. We will likewise also expand service coverage and comply with regulatory standards for wastewater treatment.

To name a few of these projects:

- The Novaliches-Balara Aqueduct 4 is one of the largest and most important water supply projects in Metro Manila to date. It involves the construction of a new intake facility at the La Mesa reservoir, and a 7.3 kilometer underground aqueduct from La Mesa to an outlet facility at the Balara Water Treatment Plant. This aqueduct can deliver 1,000 MLD.

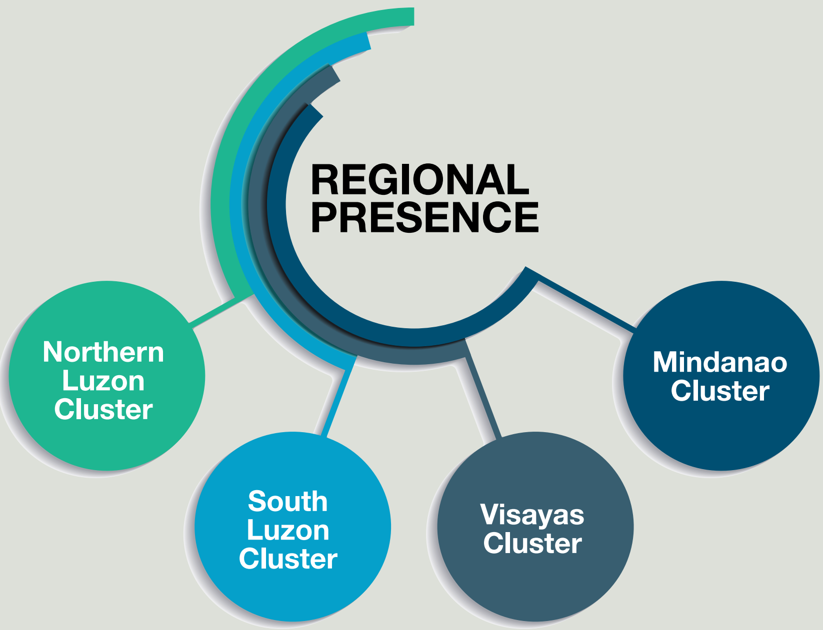
- The East Bay Project Phase 1 is composed of a 50 MLD water treatment plant with a 25 km transmission pipeline, pumping stations, and a 21 km submarine pipeline. Said project will similarly extract water from the Laguna Lake, together with the now operational 100 MLD Cardona Plant.

- 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 customers and ensure water security in the coming years.

- The North and South Pasig Sewerage System Project is now at 80% completion. This is a 100 MLD Sewage Treatment Plant with a 65 km sewer network. Additionally, the Mandaluyong West – San Juan South – Quezon City South Sewerage System Project is composed of a 60 MLD sewage treatment plant with a 53 km combined sewer network. This project is currently 53% completed and should be operational by 2025.

On December 15, 2022, we received MWSS' approval of our Standard Rates Table for Charging Year 2023. Said approval provides for the increase of tariffs of approximately 70% on a staggered basis from 2022-2027. The timely completion of the Rate Rebasing exercise was the culmination of several months of discussions with the MWSS Regulatory Office (MWSS RO) on our Service Improvement Plan. The Service Improvement Plan outlines our proposed projects and initiatives for the East Zone to provide reliable and efficient service to our customers. Specifically, the plan focused on 3 priority areas, or "pillars" for the East Zone, namely: 1) Water Security, which will provide additional water supply to the East Zone as we consider growing demand and climate change challenges; 2) Service Accessibility and Continuity, which will expand service coverage to more communities while ensuring dependable service for all customers; and 3) Environmental Sustainability, which will enable continued compliance to regulatory standards for wastewater and provide wastewater and sanitation to more customers in the East Zone.

Expand Footprint



Non-East Zone Philippines

Manila Water Philippine Ventures (MWPV) is the growth platform of our Non-East Zone (NEZ) - Philippines businesses. For NEZ - Philippines, we focus on developing strong partnerships with LGUs, water districts, as well as key players in the property sector. Establishing this strong collaboration with our stakeholders helps us identify opportunities to provide better and reliable service to more areas in the country outside the East Zone. It has the following core domestic operating subsidiaries: (1) Boracay Water, (2) Clark Water, (3) Laguna Water, and (4) Estate Water (a division of Manila Water Philippine Ventures).

(in Million Php)	FY 2022	FY 2021	% Change
Clark Water			
Billed Volume (in mcm)	13.5	12.8	5%
Billed connections	2,003	2,021	(1%)
Net Income (in Php Mn)	77.9	52.2	49%
Laguna Water			
Billed Volume (in mcm)	45.6	45.9	(1%)
Billed connections	124,119	116,367	7%
Net Income (in Php Mn)	614.0	488.0	26%
Boracay Water			
Billed Volume (in mcm)	3.5	2.3	51%

(in Million Php)	FY 2022	FY 2021	% Change
Billed connections	4,629	3,932	18%
Net Loss (in Php Mn)	(102.4)	(175.0)	42%
Estate Water			
Billed Volume (in mcm)	7.6	7.1	7%
Billed connections	15,716	14,172	12%
Net Income (in Php Mn)	75.9	(190.1)	140%

Operating Highlights	2022	2021	% Change
NEZ – Philippines Billed Volume (in mcm)	115.9	108.9	6%
Boracay Water	3.5	2.3	51%
Clark Water	13.5	12.8	5%
Estate Water	7.6	7.1	7%
Laguna Water	45.6	45.9	(1%)
NEZ – Philippines Billed Connections	230,887	216,403	7%
Boracay Water	4,629	3,932	18%
Clark Water	2,003	2,021	(1%)
Estate Water	15,716	14,172	12%
Laguna Water	124,119	116,367	7%

Financial Highlights (in million Php)	2022	2021	% Change
Revenues	**5,839**	**4,506**	**30%**
COS and Operating Expenses	**3,467**	**3,127**	**11%**
EBITDA (from continuing operations)	**2,395**	**1,459**	**64%**
EBITDA Margin	41%	32%	9 ppts
Provision for income tax	287	93	209%
Net Income	137	393	135%
NIAT margin	2%	(9%)	11 ppts

On a consolidated level, revenues grew by 30% to more than Php5.8 billion. This was led by the higher contributions from Estate Water, the Visayas-Mindanao cluster businesses, and Manila Water Infratech Solutions.
This growth was further supported by tariff increases in several business units and a 6% increase in billed volume. Cost and expenses rose by 11% from the same period last year to Php3.5 billion. This was attributed to the increase in direct costs from higher contractual services, repairs and maintenance, power, and manpower costs, partially offset by lower overhead expenses.

The movements in revenues and costs resulted to a 64% improvement in EBITDA to Php2.4 billion. EBITDA margin improved to 41%.

In all, NEZ – Philippines ended the period with a net income of Php137 million. This marks NEZ – Philippines' turn-around from its net loss position. Consequently, net income margin improved by 11 ppts to 2% for 2022.

The following provides a brief snapshot of the operating and financial highlights of our core subsidiaries under NEZ - Philippines

LAGUNA WATER

Billed volume of Laguna Water declined slightly by 1% in 2022. This was driven by the lower consumption of its industrial accounts.

Despite this decline, Laguna Water managed to control its overhead costs. Coupled with the 10% increase in its average tariff, Laguna water posted Php614 millon in net income for 2022, an increase of 26% from the previous year.

ESTATE WATER

Estate Water billed volume increased by 7% to 7.6 mcm. This was due to the higher consumption from its residential and commercial segments from existing developments combined with new connections from greenfield projects.

Furthermore, Estate Water increased its supervision fees as a result of higher construction progress in greenfield projects. It closed the year with a net income of Php76 million

BORACAY WATER

Billed volume of Boracay Water significantly increased by 51% in 2022 from last year with the re-entry of tourists to the island. This resulted to an improved performance of Boracay Water with a net loss of Php102 million.

CLARK WATER

Billed volume of Clark Water increased by 5% to 13.5 mcm in 2022 due to the higher consumption of its commercial, industrial, and government accounts. Combined with lower overhead costs, Clark Water's net income stood at Php78 million for the period.

New Geographies

Non-East Zone International

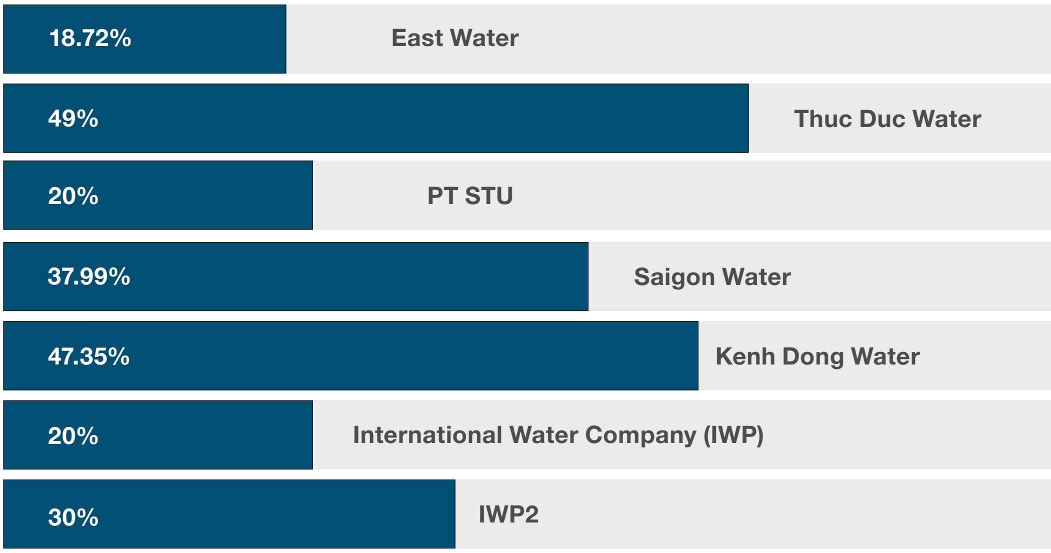
Our NEZ - International businesses housed under Manila Water Asia Pacific (MWAP) started with a Performance-based Leakage Reduction project in Zone 1 of Ho Chi Minh City, Vietnam. Since then, we have expanded our market presence in Vietnam, Thailand, Indonesia, and more recently, in the KSA.

On a consolidated level, the equity share in net income of associates decreased by 9% to Php520 million. This was driven by East Water's (Thailand) lower contribution due to lower raw water and tap water billed volume. Nevertheless, the Vietnam business units, particularly Thu Duc Water, Kenh Dong, and Saigon Water showed an improved performance. Thu Duc Water's higher earnings resulted from rate hikes and lower direct costs and interest expense; Kehn Dong's performance, on the other hand, was supported by a 1% tariff increase, higher billed volume from Cu Chi, and lower overhead and interest expense. Lastly, Saigon Water also experienced an improvement in billed volume, but this was offset by the impact of bad debts provision. Overall, the decline in equity share was partially offset by the positive contributions of the Vietnam business units.

As a result of these developments, the EBITDA for 2022 amounted to Php290 million. This is 35% lower compared to the EBITDA for the same period last year.

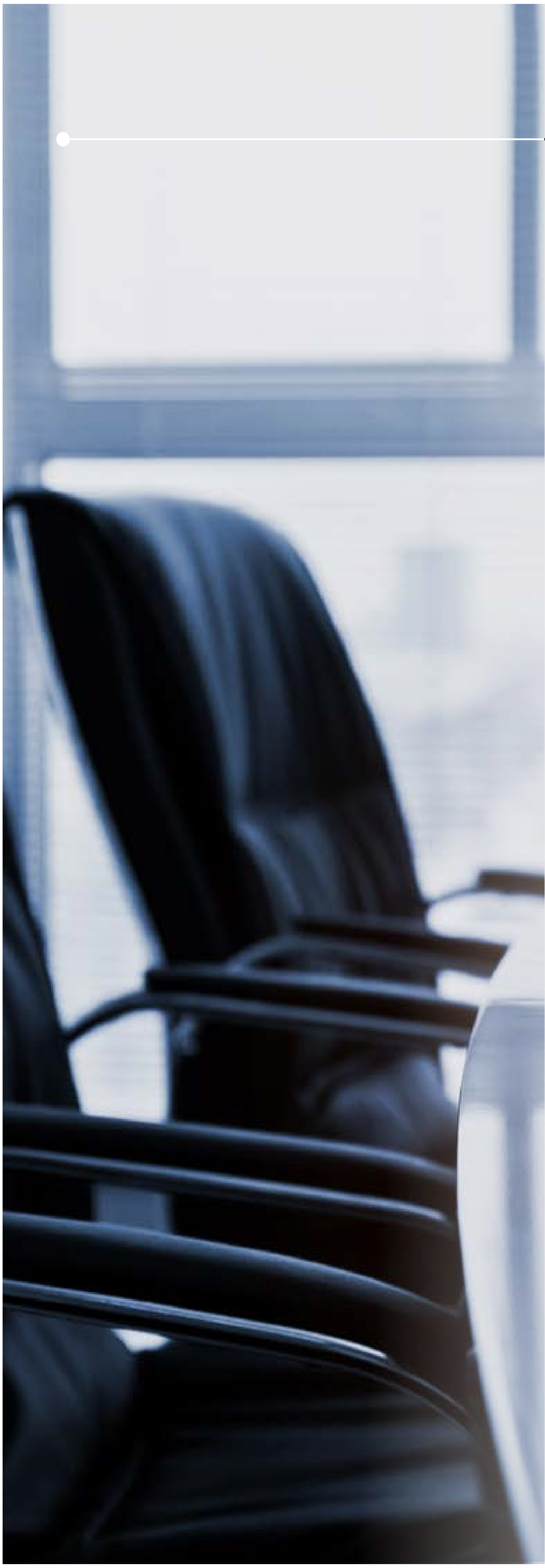
Net income decreased by 51% to Php154 million, due primarily to the decrease in equity share in the net income of associates. There was also an increase in costs and expenses during the period. This was driven by higher management and professional fees, as we focused on intensifying its new business development activities.

	For the year ended December 31			
(in millions)	**2022**	2021	Increase (Decrease)	%
East Water at 18.72% contribution, before adjustment	**P204.6**	P305.8	(P101.2)	(33%)
Impact of fair value amortization	**144.1**	147.9	(3.8)	(3%)
East Water at 18.72% contribution, adjusted	**60.5**	157.9	(97.4)	(62%)
Thu Duc Water at 49.00% contribution	**315.9**	275.8	40.1	15%
Kenh Dong Water at 47.35% contribution	**197.9**	165.5	32.4	20%
Saigon Water at 37.99% contribution	**(77.6)**	(60.8)	(16.8)	(28%)
PT STU at 20.00% contribution	**0.1**	3.0	(2.9)	(95%)
IWP at 20.00% contribution	**11.8**	28.1	(16.3)	(58%)
IWP2 at 30.00% contribution	**11.4**	-	11.4	100%
Total equity share in net income of associates - PFRS	**P520.0**	P569.5	(P49.5)	(9%)



GOVERNANCE

Aerial view of Balara Treatment Plant 2 filter beds



Compliance with Leading Practices on Corporate Governance

Board of Directors

The Company's Board of Directors (Board) is composed of highly competent and seasoned individuals with the collective knowledge, experience, and expertise that is relevant to our business and operations. The Board provides a clear vision in formulating sound corporate strategies. It oversees the systemization, improvement, and upholding of transparency in governance. It also provides guidance in achieving fairness and accountability in all our major dealings with the objective of protecting the interests of its stakeholders.

In relation thereto, the Board fulfills certain key functions, including: (i) reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets, and business plans; (ii) setting performance objectives; (iii) monitoring implementation and corporate performance; (iv) overseeing and approving major capital expenditures, acquisitions, and divestitures; (v) monitoring the effectiveness of our governance practices and making changes as needed; (vi) selecting, compensating, evaluating and, when necessary, replacing key executives and overseeing succession planning; (vii) aligning key executive and board remuneration with the longer term interests of the Company and its stakeholders; (viii) ensuring a formal and transparent board nomination and election process; and (ix) monitoring and managing potential conflicts of interest of management, board members, stockholders, and stakeholders, including the misuse of corporate assets and abuse in related party transactions.

Board Composition

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

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

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 existing rules and regulations. Upon receipt of all nominations, the Nomination Committee convenes to evaluate the qualifications of the 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 provided 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 ASM. The members of the Board so elected at the ASM hold office for 1 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, and 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 stockholders to nominate and select individuals who will promote diversity in the Board membership.

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

The Company encourages the selection of a mix of competent directors, each of whom are able to 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 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 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.

The nominating stockholder must indicate his or her complete name and address and/or contact details, number of Company shares registered in his or her 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 SRC Rules, and the applicable laws, rules, and regulations.

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.

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.

If the ground for disqualification of a nominee to the Board 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 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 60-day curing period if the grounds for temporary disqualification can be cured. If the disqualification, however, becomes permanent after the endorsement by the Nomination Committee and before the ASM, the nominee shall be given the option 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 qualifications disqualifications of the nominees, the Nomination Committee shall issue a resolution whether or not to endorse 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 for disqualification.

v. The Chairman of the Board shall provide inputs 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 Company directors 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. Each stockholder may vote commensurate to the number of shares he or she owns, and for as many persons as are Directors to be elected. He or she may give 1 candidate as many votes as the number of Directors to be elected, multiplied by the number of his or her shares. He or she may distribute them on the same principle among as many candidates as he or she may see fit, provided that the whole number of votes cast by him or her shall not exceed the number of shares owned by him or her 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 1 share of the capital stock of the Company;

b) At least 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 a director's functions.

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

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

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 1 of the independent directors must have accounting expertise (accounting qualification or experience);

d) At least 1 non-executive director must have prior working experience in the sector that Manila Water is operating in;

e) Independent directors must have all the requisite qualifications for independence under the 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 nominee elected or appointed as an independent director becomes an officer, employee, or consultant of the Company, the Company shall cease to consider him or her as an independent director; and

h) If the beneficial ownership of an independent director in the Company or its related corporations shall exceed 2% of the subscribed capital stock of such corporation, the Company shall cease to consider him or her as an independent director, except when the independent director takes the appropriate action to remedy or correct the disqualification within 60 days from the occurrence of the ground, in which case, he or she 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 or her fiduciary relationship with a bank, quasi-bank, trust company, investment house, or as an affiliated person of any of them;

b) Any person who, by reason of any misconduct, after hearing or trial, is permanently or temporarily enjoined by order, judgment or decree of the SEC or any court or other administrative body of competent jurisdiction from: (i) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (ii) acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company, or an affiliated person of any of them; (iii) engaging in or continuing any conduct or practice in connection with any such activity, or willfully violating laws governing securities and banking activities.

   Such disqualification shall also apply when such person is currently subject to an effective order of the SEC or any court or other administrative body refusing, revoking, or suspending any registration, license, or permit issued under the Corporation Code of the Philippines, SRC, or any other law administered by the SEC or the Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation promulgated by the SEC or the BSP, or otherwise restrained to engage in any activity involving securities and banking. Such person is also disqualified when he or she is currently subject to an effective order of a self-regulatory organization suspending or expelling him or her 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 6 years, or a violation of the Revised Corporation Code of the Philippines, committed within 5 years prior to the date of election or appointment; and,

h) Any person convicted by final and executory judgment of an offense punishable by imprisonment for a period exceeding 6 years, or a violation of the Revised Corporation Code of the Philippines, committed within 5 years prior to the date of election or appointment;

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

   ii. If he or she is an officer, manager or controlling person, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any other corporation or entity engaged in any line of business of the Company, or when in the judgment of the Board, by at least 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 3/4 vote that he or she 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; and

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 or her 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 or her refusal persists;

b) Absence or non-participation in more than 50% of all meetings, both regular and special, of the Board during his or her incumbency, or any 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 or she has cleared himself or herself of any involvement in the cause that gave rise to his or her dismissal or termination;

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

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

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 60 days upon the occurrence of any ground for temporary disqualification to remedy or correct the same. Otherwise, the disqualification shall become permanent.

The Board's Governance Responsibilities:

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 this 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 directors 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 stockholders;

b) The Board shall oversee the development of and approve the Company's business objectives and strategy, and monitor their implementation. This is 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, the Management. This is to ensure growth and a continued increase in the stockholders' 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.

   The Board shall align the remuneration of key officers and board members with the Company's long-term interests. In doing so, it should formulate and adopt a policy specifying the relationship between remuneration and performance. Furthermore, no director should participate in discussions or deliberations involving his or her own remuneration

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

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

f) The Board should ensure the establishment of an effective performance management framework to ensure that the Management's performance, including the Chief Executive Officer, is at par with the standards set by the Board.

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

h) The Board shall oversee that a sound ERM framework is in place. This is 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, and the effectiveness of risk management strategies.

i) The Board should adopt a Code of Business Conduct and Ethics. This 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, Management, and employees. It should also be posted and made available to the public through the Company's website.

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

a) The Board shall 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, this includes systems for risk management, financial and operational control, and compliance with 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; and

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 Company's strategic direction.

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 4 independent directors as Board members.

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 or she holds no interests or relationships with the Company that may hinder his or her independence from the Company or its Management which would interfere with the exercise of independent judgment in fulfilling the responsibilities of a director. More importantly, the Company also subscribes to the requirements of independence under existing laws, rules, and regulations. As required in our legislative franchise under Republic Act No. 11601, an Independent Director shall have at least 3 years of management or supervisory experience in the professional fields of water security, water science policy and management, environmental science, or any similar field.

Furthermore, we ensure that our independent directors have all the qualifications and none of the disqualifications specified in the SEC Memorandum Circular No. 16 Series of 2002.

Board Committees

The Board is supported by several committees, namely: Executive Committee, Audit Committee, Corporate Governance Committee, Board Risk Oversight Committee, ESG Committee, Related Party Transactions Committee, Nomination Committee, and the Talent and Remuneration Committee. These Board Committees are required to report to the Board a summary of the actions taken on matters submitted to them for consideration at subsequent meetings 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.

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

The Executive Committee

The Executive Committee is composed of 5 directors, with one member appointed as Chairman. 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 stockholders' approval is also required;

b) the filling of vacancies in Board vacancies;

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 express terms is not so amendable or repealable;

e) the distribution of cash dividends to stockholders;

f) the exercise of powers delegated by the Board exclusively to other committees, if any.

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 1 meeting in 2022.

Executive Committee	Meetings Attended/Held
Enrique K. Razon, Jr.	1/1
Jose Victor Emmanuel A. de Dios	1/1
Jose Rene Gregory D. Almendras	1/1
Donato C. Almeda	1/1
Rafael D. Consing, Jr.	1/1

The Audit Committee

The Audit Committee is composed of 4 non-executive directors as members, majority of whom are independent directors. It is chaired by an independent director[2].

The Audit Committee is expected to support the corporate governance process through the provision of checks and balances. These 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. The Audit Committee also oversees the activities of the Internal Audit Department. Moreover, it also recommends and/or concurs with the appointment, replacement, re-assignment, and removal or dismissal of the Company's external auditors. This includes 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 with the appointment, replacement, re-assignment, and removal or dismissal of the Chief Audit Executive. This is to ensure that the external and internal auditors will function and operate independently of the Management as required of their function.

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, before the quarterly Board meetings, and whenever 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 the revision to its charter to include the responsibility to assess the independence, adequacy of resources, professional qualifications, and competence of the external auditor. Furthermore, it approved to ensure 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 were also included in this revision. These changes were ratified by the Board of Directors on November 18, 2021.

The Committee held 4 regular meetings and 2 special meetings in 2022.

Audit Committee	Meetings Attended/Held
Sherisa P. Nuesa	6/6
Octavio Victor R. Espiritu	6/6
Cesar A. Buenaventura	6/6
Rafael D. Consing, Jr.	6/6

The Corporate Governance Committee

The Corporate Governance (CG) Committee is composed of 4 independent directors including the Chairman.[3] 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;

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;

2 In accordance with Part C of the Charter of the Audit Committee, the Committee shall be composed of at least 3 non-executive directors as members, majority of whom shall be independent directors, and shall be chaired by an independent director.

3 Section 1.1 of the Charter of the Corporate Governance Committee states that the Committee shall be composed of at least 3 members, all of whom shall be independent directors, including the Chairman.

e) Proposes and plans relevant training for the Board members;

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, the Company's stockholders, 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 detecting fraud and its whistleblower 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 3 to at least 3 members, all of whom shall be independent directors.

The Chief Compliance Officer, in coordination with the Corporate Secretary, shall support the Committee in the performance of its functions. The Corporate Governance Committee held 1 meeting in 2022.

Corporate Governance Committee	Meetings Attended/Held
Octavio Victor R. Espiritu	1/1
Cesar A. Buenaventura	1/1
Eric Ramon O. Recto	1/1
Sherisa P. Nuesa	1/1

The ESG Committee

The Board of Directors established the ESG Committee on February 24, 2022 to provide focus on the integration of economic, environmental, social and governance (EESG) principles in the formulation and implementation of the Company's plans and strategies. The Committee is supported by the Sustainability Officer and is composed of 5 Board members, with all independent directors of the Company serving as members. The President and Chief Executive Officer of the Company serves as the Chairman of the Committee.

The ESG Committee held 3 meetings in 2022. .

ESG Committee	Meetings Attended/Held
Jose Victor Emmanuel A. de Dios	3/3
Sherisa P. Nuesa	3/3
Cesar A. Buenaventura	3/3
Octavio Victor R. Espiritu	3/3
Eric Ramon O. Recto	3/3

The Board Risk Oversight Committee

The Board Risk Oversight Committee (BROC) is composed of four (4) members, majority of whom are independent directors. It is chaired by an independent director[4]. In accordance with the BROC charter, Mr. Cesar 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. This is in order to further enhance governance on risk matters and align with the best practices in risk management. It is supported by the ERM 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 the Company. This includes: (i) ensuring that the Management maintains a sound and responsive risk management system across the organization; (ii) promoting 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 (iii) ensuring that a 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. Specifically, the committee: (i) reviews our risk governance structure and the adequacy of our risk management framework/process; (ii) reviews and endorses to the Board changes or amendments to the ERM Policy; (iii) performs oversight functions specifically in the areas of managing strategic, financial, compliance, regulatory, operational, and other risks of the Company; and (iv) oversees crisis management. In coordination with the Audit Committee, it ensures that our 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.

4 Part B of the Charter of the Board Risk Oversight Committee states that the Committee shall be comprised of at least three (3) Board members, majority of whom shall be independent directors of the Company. One member of the Committee, who must be an independent director, shall be designated as Chairman.

On February 11, 2021, the Charter of the BROC 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 its 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 4 to at least 3, majority of whom shall be independent directors of the Company.

The Board Risk Oversight Committee held 4 meetings in 2022. From the year 2020, the BROC met quarterly; it used to meet semi-annually in previous years.

Board Risk Oversight Committee	Meetings Attended/Held
Cesar A. Buenaventura	4/4
Sherisa P. Nuesa	4/4
Eric Ramon O. Recto	4/4
Donato C. Almeda	3/4

The Related Party Transactions Committee

The Related Party Transactions Committee (RPT) Committee is composed of 4 non-executive directors, majority of whom are independent directors.[5] In accordance with the RPT Committee Charter, Mr. Eric Recto, who is an independent director, is the Chairman of the Committee.

This committee is primarily tasked with the duty of enforcing and implementing our Related Party Transactions Policy. 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. In case of doubt of 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 our 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 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 to reduce the minimum number of committee members from 4 to at least 3. At least 2 members shall be independent directors of the Company.

The RPT Committee met once in 2022.

Related Party Transactions Committee	Meetings Attended/Held
Eric Ramon O. Recto	1/1
Octavio Victor R. Espiritu	1/1
Cesar A. Buenaventura	1/1
Rafael D. Consing, Jr.	1/1

The Nomination Committee

The Nomination Committee is composed of at least 3 directors, majority of whom are independent directors. Under its Charter, it is required to be chaired by an independent director.[6]

This committee is tasked to install and maintain an evaluation process for nominations. This is 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. Under existing laws and regulations, it 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 the Company. 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. It 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.

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 recommends to the Board policies for considering nominees for directors, officers, or advisors.

5 Section 1.1 of the Charter of the Related Party Transactions Committee states that the Committee shall be composed of at least 3 non-executive directors as members, two of whom shall be independent.

6 Section 1.1 of the Charter of the Nomination Committee states that the Committee shall be composed of at least 3 members, majority of whom shall be independent directors.

The Nomination Committee met 5 times in 2022.

Nomination Committee	Meetings Attended/Held
Octavio Victor R. Espiritu	5/5
Sherisa P. Nuesa	5/5
Cesar A. Buenaventura	5/5
Donato C. Almeda	5/5

The Talent and Remuneration Committee

The Talent and Remuneration Committee is composed of 4 members, and in accordance with its Charter, is chaired by an independent director.[7]

As of December 31, 2022, 2 of our independent directors serve as members of the Talent and Remuneration Committee.

The Committee is tasked with the duty to: (i) determine and approve all matters and policies relating to the remuneration and benefits of the Company's directors and key officers; (ii) establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy, and the business environment in which it operates; (iii) determine and approve all matters relating to the remuneration and benefits of the Board and the Company's officers; (iv) evaluate and recommend for Board approval the pertinent guidelines on executive compensation, including non-monetary remuneration; and (v) periodically review and evaluate the policy on remuneration in order that it be at a sufficient level to attract and retain the directors and officers of the Company.

The Talent and Remuneration Committee continuously evaluates and recommends for Board approval, pertinent guidelines and policies on executive and employee compensation, including non-monetary remuneration.

On November 14, 2019, the Talent and Remuneration Committee approved the addition of the following in its scope of powers, duties, and responsibilities: (i) total rewards, merit increases, salary, and retirement and benefits plan; (ii) senior management and executive promotions; (iii) overall succession landscape; (iv) tracking of key talents; and (v) talent management and risk updates. The amendments were ratified by the Board of Directors during its regular meeting held on November 26, 2019.

On June 3, 2021, the Talent and Remuneration Committee Charter was amended to remove the requirement that a majority of the members of the Committee were required to be independent directors.

The Talent and Remuneration Committee held 6 meetings in 2022.

Talent and Remuneration Committee	Meetings Attended/Held
Octavio Victor R. Espiritu	6/6
Eric Ramon O. Recto	6/6
Antonino T. Aquino	6/6
Jose Victor Emmanuel A. de Dios	6/6

The Committee of Inspectors of Ballots and Proxies

Membership consists of the Chief Audit Executive as Chairman, the Assistant Corporate Secretary, and a representative of the external auditor of the Company as members.

This committee is mandated to validate proxies issued by the stockholders and determine if the same are in accordance with existing laws, rules, and regulations prior to the ASM. This committee also serves as the default inspector of ballots and tabulator of votes during the ASM, 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 held 1 meeting in 2022.

Committee of Inspectors of Ballots and Proxies	Meetings Attended/Held
Rolando V. Caraig	1/1
Romelyn A. Obligacion (representing Atty. Ninez C. Maningat)	1/1
Representative from the External Auditor	1/1

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 Board members are also provided with such resources, training, and continuing education to enable each member to actively, independently, and judiciously participate in Board and Committee meetings.

7 Section 1.1 of the Charter of the Talent and Remuneration Committee states that the Committee shall be composed of at least three (3) members.

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 for newly elected member of the Board 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 and to enhance their skills as directors and keep them updated in their knowledge and understanding of our 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. This is to ensure that the directors are continuously informed of the performance and new developments concerning 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. The orientation also covers existing policies, rules, and regulations. The curriculum of the orientation program may be revised as often as necessary to include other relevant subject matter. 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 Board meetings.

These programs notwithstanding, the Company encourages its directors to attend external training, 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.

Corporate Governance Programs Attended by the Board of Directors in 2022

Name of Director	Date of Training	Title of Training	Training Provider
Enrique K. Razon Jr.	December 2, 2022	Crisis Communication and Dealing with Controversies	Center for Global Best Practices
Fernando Zobel de Ayala	May 19, 2022	Sustainability and the Future of Business (Part 1)	World Business Council for Sustainable Development
	July 14, 2022	Sustainability and the Future of Business (Part 2)	
Jose Victor Emmanuel A. de Dios	October 14, 2022	The Board's Agenda: Mindset Shifts for a Sustainable and Equitable Future	Institute of Corporate Directors
Jose Rene Gregory D. Almendras	October 18, 2022	The Board's Agenda: Mindset Shifts for a Sustainable and Equitable Future	Institute of Corporate Directors
Antonino T. Aquino	October 18, 2022	The Board's Agenda: Mindset Shifts for a Sustainable and Equitable Future	Institute of Corporate Directors
	December 2, 2022	Crisis Communication and Dealing with Controversies	Center for Global Best Practices
Rafael D. Consing, Jr.	December 2, 2022	Crisis Communication and Dealing with Controversies	Center for Global Best Practices
Donato C. Almeda			

Name of Director	Date of Training	Title of Training	Training Provider
Alberto M. de Larrazabal	May 19, 2022	Sustainability and the Future of Business (Part 1)	World Business Council for Sustainable Development
	July 14, 2022	Sustainability and the Future of Business (Part 2)	World Business Council for Sustainable Development
	October 18, 2022	The Board's Agenda: Mindset Shifts for a Sustainable and Equitable Future	Institute of Corporate Directors
Sherisa P. Nuesa	October 18, 2022	The Board's Agenda: Mindset Shifts for a Sustainable and Equitable Future	Institute of Corporate Directors
	November 8, 2022	Advanced Corporate Governance Training	Institute of Corporate Directors
Cesar A. Buenaventura	December 2, 2022	Crisis Communication and Dealing with Controversies	Center for Global Best Practices
Octavio Victor R. Espiritu	October 18, 2022	The Board's Agenda: Mindset Shifts for a Sustainable and Equitable Future	Institute of Corporate Directors
Eric Ramon O. Recto	November 28, 2022	Aboitiz In-House Corporate Governance Seminar Topics: The Future is Personal: A View from Start-Up Nation Geo-Politics and Cyber Security; How Innovation Works	Aboitiz Group of Companies

Board Meetings

Under the Charter of the Board, the Board institutionalized a policy of holding at least 6 meetings in a year. These include the organizational meeting of the Board which is held immediately after the ASM. 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 1 independent director in all its meetings. In the past years, the Board has not conducted a meeting without the presence of at least 1 independent director.

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

Quorum in Board Meetings

Under the By-Laws of the Company, at least 2/3 of the members of Board (as fixed in the Articles of Incorporation) shall constitute a quorum for the transaction of corporate business. Moreover, 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.

Attendance of Directors in Board Meetings

In 2022, a total of 14 meetings were held by the Board (exclusive of the ASM), as follows:

1. Special Board Meeting held on January 13, 2022
2. Regular Board Meeting held on February 24, 2022
3. Special Board Meeting held on March 26, 2022
4. Organizational Board Meeting held on April 20, 2022
5. Special Board Meeting held on May 12, 2022
6. Special Board Meeting held on May 30, 2022
7. Special Board Meeting held on July 20, 2022
8. Special Board Meeting held on August 11, 2022
9. Regular Board Meeting held on August 23, 2022
10. Special Board Meeting held on September 30, 2022
11. Special Board Meeting held on November 11, 2022
12. Regular Board Meeting held on November 17, 2022
13. Special Board Meeting held on November 30, 2022
14. Special Board Meeting held on December 23, 2022

The Non-Executive Directors' (NED) Meeting was held on November 17, 2022.

Mr. Jose Victor Emmanuel A. de Dios, the Company's President and CEO, 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.

The attendance of each member of the Board of Directors is listed below:

Name	ATTENDANCE IN 2022 BOARD MEETINGS	
	Board Meetings Attended	Percentage Present
Enrique K. Razon, Jr.	14/14	100.00%
Fernando Zobel de Ayala[8]	8/9	88.89%
Jose Victor Emmanuel A. de Dios	14/14	100.00%
Donato C. Almeda	14/14	100.00%
Rafael D. Consing, Jr.	14/14	100.00%
Antonino T. Aquino	14/14	100.00%
Jose Rene Gregory D. Almendras	14/14	100.00%
Sherisa P. Nuesa	14/14	100.00%
Cesar A. Buenaventura	14/14	100.00%
Octavio Victor R. Espiritu	14/14	100.00%
Eric Ramon O. Recto	14/14	100.00%
Alberto M. de Larrazabal[9]	5/5	100.00%

During the 2022 ASM held on April 20, 2022, and conducted virtually via https://conveneagm.com/ph/MWCI2022ASM, 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. The minutes of the ASM may be viewed on our website at 2022-04-20 – MWC ASM Minutes.pdf (manilawater.com)

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 in their performance of numerous responsibilities as 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 Php500,000.00 as a fixed annual retainer fee; Php200,000.00 for each meeting of the Board actually attended; and Php50,000.00 for each Committee meeting actually attended. This Board remuneration structure was approved by the stockholders in its ASM 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 or her 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.

8 Mr. Zobel de Ayala served as a Director from January 1, 2022 until September 12, 2022.
9 Mr. de Larrazabal was elected as a Director on September 30, 2022. He serves the unexpired term of Mr. Zobel de Ayala.

The directors of the Board received the following gross per diem remuneration for attending 14 Board meetings, the meeting of the Non-Executive Directors, the annual stockholders' meeting, and their respective Committee Meetings in 2022:

NAME	2022 RETAINER FEE	ATTENDANCE IN THE MEETINGS OF THE BOARD AND STOCKHOLDERS#	ATTENDANCE IN THE MEETINGS OF THE BOARD COMMITTEES	TOTAL
Enrique K. Razon, Jr.	Php375,000	Php1,200,000	Php0.00	Php1,575,000
Fernando Zobel de Ayala	Php125,000	Php800,000	Php0.00	Php925,000
Jose Victor Emmanuel A. de Dios*	-	-	-	-
Donato C. Almeda*	-	-	-	-
Antonino T. Aquino	Php375,000	Php1,400,000	Php100,000	Php1,875,000
Jose Rene Gregory D. Almendras	Php375,000	Php1,400,000	Php0.00	Php1,775,000
Rafael D. Consing, Jr.	Php375,000	Php1,400,000	Php300,000	Php2,075,000
Alberto M. de Larrazabal	Php125,000	Php400,000	Php0.00	Php525,000
Sherisa P. Nuesa	Php375,000	Php1,400,000	Php700,000	Php2,475,000
Cesar A. Buenaventura	Php375,000	Php1,400,000	Php700,000	Php2,475,000
Octavio Victor R. Espiritu	Php375,000	Php1,400,000	Php600,000	Php2,375,000
Eric Ramon O. Recto	Php375,000	Php1,400,000	Php450,000	Php2,225,000
TOTAL	**Php3,250,000**	**Php12,200,000**	**Php2,850,000**	**Php18,300,000**

**Mr. de Dios and Mr. Almeda are Executive Directors, and as such, do not receive per diems for attending Board or Board Committee Meetings.*

Purpose, Vision, Mission, and Core Values

To ensure good governance in 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 Management's performance, 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 our market competitiveness and enhance stockholder 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 our purpose statement and core values, as representative of our strategic and corporate objectives:

Purpose: Better lives and resilient economies throughout 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 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. This 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 Management to determine areas that need improvement on the very scope and criteria of the evaluation process. It also allows the directors to explain their respective ratings and provide their own comments on the matters discussed in the evaluation. The scope and criteria for the Board Evaluation Process are 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.

The Company also engages a third-party evaluator to assess the performance of the Board, the Company's Chairman, and individual directors every 3 years.

Office of the Corporate Secretary

The Corporate Secretary ensures that the Board and Management follow internal and external rules and regulations, and facilitates clear communications between the Board and Management. 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 deciding and implementing the Company's day-to-day affairs.

It determines the Company's activities by putting the Company's targets in concrete terms and by formulating the basic strategies for achieving these targets.

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

Reliance on information volunteered by Management may not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board of Directors to enable the directors concerned to properly perform their respective duties and responsibilities. Hence, the Board should be given independent access to the Management, the Chief Compliance Officer, tChief Risk Officer, Chief Audit Executive, External Auditor, and the Corporate Secretary.

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. The succession management process has been an established practice since the early years of the Company. Over time, it has been embedded in leadership responsibilities across the organization. It has been a critical enabler of our operations, having enabled succession in key leadership positions and middle management roles.

Through our robust succession management, we have put in place a process to determine the competencies, potential for growth, knowledge, and experience necessary for particular roles and positions. This enables us 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 the Company in the future. Hence, it is one of our top strategic priorities.

The succession of both leadership and technical talent pool is given equal emphasis to ensure that we build the right talents to sustain our operations and support our growth. Talents identified to be part of the succession pool undergo the following:

1. Creation of an Individual Development Plan (IDP) that outlines possible developmental areas and stretched assignments. Documentation and implementation of the IDP is the responsibility of the successor's line manager. Monitoring execution is done through the Corporate Human Resources Group.

2. Coaching and mentoring sessions. The Company's Corporate Human Resources Group, with strong sponsorship from the CEO and senior leaders, manages the succession process. But it is ultimately driven by the CEO and business leaders who work with HR. Together, they devote 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 Chief Regulatory Officer

The Chief Regulatory Officer (CRO) shall be appointed by the Board. He or she shall have general supervision over the regulatory compliance by the Company and its regulated business. The CRO shall maintain regular communication lines with the regulators, government agencies, and public officers with jurisdiction over the Company and its businesses and assets. The activities and regulatory filings and reports of units with regulatory compliance functions shall be coordinated with him or her.

The CRO shall have such other responsibilities as the Board may impose upon him or her.

The Chief Administrative Officer

The Chief Administrative Officer (CAO) shall be appointed by the Board. He or she is accountable for the administrative operations of the Company. This includes, but is not limited to: (i) leading the development of an administrative and operational strategy while supporting the financial strategic intent for the Company; (ii) establishing metrics tied to that strategy; and (iii) ensuring the on-going development and monitoring of performance and control systems designed to preserve the Company's assets and report accurate results.

The CAO shall have such other responsibilities as the Board may impose upon him or her.

The Chief Operating Officer/s

The Chief Operating Officer/s (COO) shall be appointed by the Board. The Board may appoint 2 or more COOs as the operational model of the Company requires. He or she is tasked with overseeing the day-to-day operational functions of the Company.

The COOs shall have such other responsibilities as the Board may impose upon them.

The Chief Legal Officer

The Chief Legal Officer (CLO) shall be appointed by the Board. He or she shall provide direction on the major legal issues of the Company, and establish plans to minimize and manage legal risks.

The CLO shall have such other responsibilities as the Board may impose upon him or her.

The Chief Compliance Officer

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

Moreover, the Chief 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 Commission. Together with his or her primary function, the Chief 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 Chief Risk Officer

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

The Vice Presidents

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

The Company Vice Presidents are referred to as "Group Directors."

The Legal Services Group

The Legal Services Group (LSG) is the unit tasked to formulate and implement the initiatives and policies on good corporate governance. It reports on matters of corporate governance directly to the Chief Compliance Officer under the supervision of the Corporate Governance Committee. The LSG 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 of Corporate Governance.

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

Finally, the LSG, 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.

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 Department reports to and supports the Audit Committee in the effective discharge of the Committee's oversight roles and responsibilities. IA consists of talents and professionals who are either Certified Public Accountants, Electronics and Communication Engineers, or Civil Engineers.

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: (i) the annual work plan and all deviations from it, and ensures that internal audit examinations cover the evaluation of adequacy and effectiveness of controls encompassing the Company's governance, operations, and information systems; (ii) the reliability and integrity of financial and operational information; (iii) the safeguarding of assets; and (iv) compliance with laws, rules, and regulations.

The IA Department conducts its activities guided by the Institute of Internal Auditors' (IIA) Professional Practices Framework (IPPF) and its mandatory elements namely: (i) Core Principles for the Professional Practice of Internal Auditing; (ii) Definition of Internal Auditing; (iii) Code of Ethics; and (iv) International Standards for the Professional Practice of Internal Auditing. In November 2022, 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 5 years. Thus, the next validation exercise will be performed in 2027.

On November 10, 2022, the Audit Committee approved the changes and updates made to the Internal Audit Charter and Manual. These changes and updates were made to continuously improve the Company's Internal Audit and its operations. The changes were ratified by the Board of Directors during its regular meeting on November 17, 2022.

Investor Relations

The Investor Relations Department (IR) keeps the Company's investors and other relevant stakeholders regularly informed of developments in the 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 aim 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, press briefings are held as necessary 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 Company's Sustainability Officer monitors and reports on the environmental, sustainability, and social impacts of the Company's business operations. Furthermore, he or she communicates sustainability concerns, risks, and initiatives from Management to the Board of Directors through the ESG 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, and expectations of external stakeholders;

d) Manage existing and emerging business risks through collaboration with stakeholders by identifying short- and long-term initiatives to address sustainability issues, in accordance with the sustainability framework and commitments;

e) Undertake material indicator assessments to determine key sustainability-related issues, specifically 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 its 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 SEC and ensure that the Company is compliant with the prescribed reporting standards and frameworks for Sustainability Reporting;

k) Take the lead in developing and nurturing the sustainability ethic and competencies of all employees through training and sharing of leading-edge sustainability knowledge; and

l) Perform other activities as requested by the ESG Committee.

The Corporate Governance Manual

The Company dedicated to observing the highest standards of corporate governance in order to serve the best interests of it is stakeholders. The Board, the Management, employees, and our stockholders believe that sound and effective leadership is fundamental to the continued success and stability of the Company. These principles and practices enable it to create and sustain increased value for our stockholders.

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

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

a) The Board of Directors', the Board Committees', and Management's roles, functions, and responsibilities in relation to good governance;

b) Training for the Board of Directors, executive directors, and employees;

c) Evaluation of the Board and Management's performance;

d) 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.

The Company is in full compliance with the code of corporate governance and all disclosure rules of the Philippine Stock Exchange (PSE), and the SEC

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 our share price, and such other information that are required to be disclosed pursuant to the SRC and its Implementing Rules and Regulations (IRR), and other relevant laws. This information includes, but is not limited to: (i) results of earnings; (ii) acquisition or disposal of significant assets; (iii) off-balance sheet transactions; (iv) changes in Board membership, as well as changes in shareholdings of majority stockholders, directors and officers; and (v) 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 transactions be immediately disclosed. Moreover, 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 to comply with the highest standards of corporate governance. The Manual was amended on November 30, 2022.[10]

Related Party Transactions

To further instill the Company's policies on related party transactions, the Board adopted the Policy on Related Party Transactions (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 that 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 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 on the Company's Policy on Related Party Transactions in order to comply with 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 Stockholder, and Significant Influence.

The Code of Business Conduct and Ethics

Our commitment to the highest standards of ethics, good governance, competence, and integrity was institutionalized through the Code of Business Conduct and Ethics. 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. 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, contractors, subcontractors, consultants, service providers, suppliers, business partners, government offices, other stakeholders, and any other parties including individuals, partnerships, and bodies corporate associated with the Group. The Code includes policies on: (i) Honesty and Fair Dealing; (ii) Conflict of Interest; (iii) Corporate Entertainment and Gifts; (iv) Insider Trading; (v) Disclosure; (vi) Creditor Rights; (vii) Anti-Corruption; and (viii) Anti-Sexual Harassment.

Honesty and Fair Dealing

The Company's core principle is to conduct business honestly and fairly with its investors, suppliers, contractors, service providers, customers, employees, and other third parties. Directors, officers, and employees shall act honestly and ethically. They shall comply with all applicable laws, rules and 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, 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.

10 The substantial revisions to the Manual include the option to hold meetings of the Board Committees, the Board of Directors, and Stockholders by remote communication; the adoption of a bribery and anti-corruption policy; revision of the Qualifications of Independent Directors to include the requirements in the Company's legislative franchise; and to update the list of Executive Officers to include the Chief Regulatory Officer, the Chief Administrative Officer, the Chief Operating Officer(s), and the Chief Legal Officer.

Directors, officers, and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to the Board in cases involving directors, and to the immediate supervisor or to the Office of the Compliance Officer in cases involving 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 Whistleblower Policy of the Company.

Reporting of Fraudulent or Dishonest Acts (Whistleblower Policy)

The Whistleblower Policy provides for procedures to encourage all covered persons to report fraudulent or dishonest acts in order to protect the good name and reputation of the Company. In the process, the Policy discourages 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 cases involving directors, and to the immediate supervisor or to the Office of the Compliance Officer in cases involving 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 the protection of the reporter from any form of retaliation or discrimination, the identity of the person making the report and the contents of said 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, officer, or employee appears to have a direct or indirect personal or financial interest in any transaction which may deter or influence him or her 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 a perceived conflict by an impartial observer.

All contracts and arrangements by directors, officers, and employees, as well as their relatives that violate 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 regarding Corporate Entertainment and/or Gifts prohibits all officers and employees from accepting corporate entertainment and 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 or her duties.

Insider Trading

The Company's Insider Trading Policy prohibits directors, officers, and confidential employees from trading in Manila Water shares 5 days before and 2 days after the release of quarterly and annual financial statements; and 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 (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 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 PSE in respect of their shareholding in the Company or any changes thereof, are required to report their dealings in Company shares within 3 business days after the transaction. Likewise, all other Covered Persons shall likewise report to the Office of the Compliance Officer within 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 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: (i) when allowed by the law; (ii) by decrease of capital stock; (iii) upon lawful dissolution and after payment of all its debts and liabilities; and (iv) 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, as well as 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

This Policy 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 the Company. The end view is to enhance vendor participation and protect the Company's interests. Officers and employees of the Company involved in the procurement process for services, materials, supplies, and equipment for the Company 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 our vendors in the performance of their obligations and/or in transacting business with the Company, thus avoiding acts contrary to standards, policies, laws, and morals. As business partners of the Company, its vendors are expected to act with utmost integrity, efficiency, and competence in performing awarded contracts and/or delivering ordered products. Moreover, they should demonstrate a strong sense of responsibility for public safety and interest that will ultimately promote and protect the good name of the Company. The Vendors' Code of Conduct is deemed incorporated in the contracts of the Company with its suppliers, vendors, and contractors.

A copy of the Vendor's Code of Conduct is available for download at the Company's website.

The Enterprise Risk Management Policy

Manila Water has established an ERM Program which aims to use a globally accepted approach in managing imminent and emerging risks in its internal and external operating environments. Under the ERM Program, the Company shall appropriately respond to risks and manage them in order to increase shareholder value and enhance its competitive advantage.

To bolster the risk oversight and management functions relating to strategic, financial, operational, compliance, legal, and other risks of the Company, the Board, approved the establishment of a separate Board Risk Oversight Committee (BROC) on August 11, 2015. 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

We are committed to achieving customer satisfaction, upholding environmental sustainability, ensuring safety, and preserving life and health of our employees and all stakeholders. To achieve these objectives, it is the policy of the Company to:

a) Continuously assess, implement, and improve its processes and business conduct by adopting best practices and keep abreast with latest innovations to ensure reliability and efficiency of its operations;

b) Ensure full compliance with relevant laws and standards in pollution prevention and environmental sustainability, safety, and health protection, as well as in applicable regulatory standards and customer requirements related to the quality of its products and services;

c) Build a strong culture committed to customer satisfaction, environmental protection, health, and safety. This is achieved through education, training, and awareness at all levels of the organization that will empower its employees, contractors, suppliers, and stakeholders;

d) Actively promote the conservation and optimal use of precious resources by creating and improving programs aimed at pollution prevention, waste minimization, resource conservation, and environmental sustainability;

e) Systematically manage and mitigate the Company's health and safety risks through effective risk assessment processes; and

f) Regularly revisit, improve, develop, and maintain its Quality, Environment, Health, and Safety management system to ensure its effectiveness and relevance to the changing needs of the Company. This will drive continuous improvement in its Quality, Environmental, Health, and Safety performance.

Stockholder Rights

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

The Board shall be instrumental in removing excessive costs and other administrative or practical impediments to stockholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of stockholder information necessary to make informed decisions subject to legal constraints.

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 stockholder participation by sending the Notice of Annual and Special Stockholders' Meeting with sufficient and relevant information at least 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 Meetings and to Propose Agenda Items

The Manual provides that all stockholders, including minority and non-controlling, 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. This is provided that the items proposed are for legitimate business purposes, all in accordance with the By-Laws and the existing laws.

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

Furthermore, the Company adheres to SEC Memorandum Circular No. 7-2021 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 and minority, has a right to submit a nomination for election to the Board. The stockholders, in making their nominations, or the Company, are encouraged to make use of professional search firms or external sources of candidates when searching for candidates to the Board.

Voting Right and Right to Participate at Stockholders Meetings

In all items for approval, each share of voting stock entitles its registered owner as of the Record Date to 1 vote.

Voting shall be by poll and the Company shall provide the mechanism to implement the same at every stockholders' meeting. Any stockholder entitled to vote may vote in person, through remote communication, in absentia, or be represented by proxy at any regular or special stockholders' meetings.

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

a) Amendment of the Articles of Incorporation;

b) Adoption and/or amendment of the By-Laws (unless the power to amend By Laws have been delegated to the Board by the stockholders);

c) Sale, lease, exchange, mortgage, pledge, or other disposition of all or substantially all of the corporate property;

d) Incurring, creating, or increasing bonded indebtedness;

e) Increase or decrease of capital stock;

f) Merger or consolidation of the Company with another company;

g) Investment of corporate funds in another corporation or business for any purpose other than the primary purpose for which it was organized; and

h) Dissolution of the Company, among others.

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 or her for as many persons as there are directors to be elected, or to cumulate his or her votes by giving a single candidate as many votes as the number of such directors multiplied by the number of his or her shares shall equal, or by distributing such votes on the same principle among any number of candidates.

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 records the stockholders' questions and corresponding answers given by the directors and officers of the Company.

The Board should encourage active stockholder participation by making the result of the votes taken during the most recent Annual or Special Stockholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Stockholders' Meeting should be made available to the public through the Company website within 5 business days from the end of the meeting. The draft minutes of the 2022 Annual Stockholders Meeting was posted on the Company's website on April 26, 2022.

In addition, the Company is compliant with SEC Memorandum Circular No. 14-2020 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 stockholders an equitable share of the Company's profits. In 2013, the Board of Directors confirmed its dividend payout practice which entitles holders of common shares and participating preferred shares to annual cash dividends equivalent to 35% of the prior year's net income payable at least semi-annually, 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 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 stockholders 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 stockholder shall be provided with periodic reports regarding the performance of the Company upon written request for a legitimate purpose. Stockholders shall be allowed to inspect corporate books and records in accordance with the Revised Corporation Code and shall be provided an annual report, including the financial statements, without cost or restrictions.

Appraisal Right

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

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

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

iii. In case of merger or consolidation.

Remedies for Infringement of Stockholder Rights

The Board can establish and maintain an alternative dispute resolution system in the Company that can amicably settle intra-corporate disputes such as arbitration, mediation, and conciliation. This is without prejudice to the legal remedies of the parties under existing laws and the parties' ability to avail of their legal rights to address or resolve conflicts or differences in the proper venue as may be appropriate or warranted.

Quorum and Voting Procedures at the Stockholders Meetings

Unless otherwise provided by law or the By-laws, stockholders as of Record Date constituting over 1/2 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. Under the Company's By-laws, the affirmative vote of stockholders constituting at least a majority of the outstanding voting capital stock of the Company is necessary to approve matters requiring stockholders' action, unless otherwise provided for under existing laws, except in cases where the applicable law or the By-laws of the Company require a greater number.

In all items for approval, each share of voting stock entitles its registered owner as of the Record Date to 1 vote.

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 or her for as many persons as there are directors to be elected, or to cumulate his votes by giving a single candidate as many votes as the number of such directors multiplied by the number of his or her shares shall equal, or by distributing such votes on the same principle among any number of candidates.

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 meetings 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 meeting venue, 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 11 members of the Board of Directors, the 11 nominees receiving the highest number of votes will be declared elected as directors of the Company. However, if there are only 11 nominees, all nominees shall be declared elected upon approval of the motion.

Public Ownership

The Company is compliant with the requirement of the PSE on minimum public ownership with 37.06% of its shares subscribed and owned by the public as of December 31, 2022. Also 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 Stockholders

Name	December 31, 2022	Class of Shares	December 31, 2021	Class of Shares
Directors				
Enrique K. Razon, Jr.	900,052,260	Common	900,052,260	Common
Jose Victor Emmanuel A. de Dios	278,910	Common	10	Common
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	1,000	Common
Rafael D. Consing	100	Common	100	Common
Alberto M. de Larrazabal	1	Common	N.A.	N.A.
Sherisa P. Nuesa	5,093, 607	Common	5,093,607	Common
Cesar A. Buenaventura	770,001	Common	570,001	Common
Octavio Victor R. Espiritu	188,300	Common	188,300	Common
Eric Ramon O. Recto	10,000	Common	10,000	Common
Officers				
Roberto Jose R. Locsin	23,500	Common	23,500	Common
Gigi Iluminada T. Miguel	38,000	Common	18,000	Common
Arnold Jether A. Mortera	342,900	Common	342,900	Common
Melvin John M. Tan	102,770	Common	29,970	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
Evangeline M. Clemente	309,400	Common	309,400	Common

Name	December 31, 2022	Class of Shares	December 31, 2021	Class of Shares
Silverio Benny J. Tan	74,500	Common	74,500	Common
Ninez C. Maningat	N.A.	N.A.	N.A.	N.A.
Mailene M. Cabral	N.A.	N.A.	N.A.	N.A.
Ana Mari B. Bentilanon	N.A.	N.A.	N.A.	N.A.

MAJOR STOCKHOLDERS				
	December 31, 2022	Class of Shares	December 31, 2021	Class of Shares
Trident Water Company, Inc.*	0	Common	900,052,160	Common
Ayala Corporation	866,946,195	Common	866,946,195**	Common
Trident Water Company, Inc.	2,691,268,205	Participating Preferred	2,691,268,205	Participating Preferred
Philwater Holdings Corporation	1,308,731,794	Participating Preferred	1,308,731,793	Participating Preferred

Same as Enrique K. Razon, Jr.
*** 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 its best practices in the conduct of business and operations, corporate governance, and dealings with its business partners and customers, it 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, as well as other matters of relevance to the stockholders and 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, stockholders, and stakeholders. The site is consistently updated and made accessible to the public.

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 January 20, 2023, the Company received its first 4-golden arrow recognition from the Institute of Corporate Directors for its performance rating against the 2021 ASEAN Corporate Governance Scorecard (ACGS). Previously, the Company received a 3-golden arrow recognition for its rating against the 2019 and 2018 ASEAN Corporate Governance Scorecard. In 2018, it was likewise 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

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

SGV is a member practice of Ernst & Young Global (EY). It 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 non-financial information to meet regulatory and other stakeholder requirements utilizing world-class business-process-based methodologies and supporting tools. SGV uses 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 firm is being recommended for re-election at the 2023 Annual Stockholders' Meeting for a remuneration to be approved by the Audit Committee during its next meeting. 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.

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[11] 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 stockholders' 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 for 2022:

External Audit Fees	Audit and Audit-Related Fees of the Company	
	2022	2021
Audit fees	Php2,885,000.00	Php3,652,400.00
Audit-related fees[12]	Php4,000,000.00	-
Non-audit fees[13]	Php76,385.00	Php431,000.00
Total	**Php6,961,385.00**	**Php4,083,400.00**

11 As of December 31, 2022, 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.
12 Includes proxy validation, validation of ASM votes and 2021 hedge accounting advisory services.
13 Fees are exclusive of VAT and out-of-pocket expenses.

Members of the Board of Directors

As of January 31, 2023

The members of the Board of Directors are distinguished in their respective fields and possess the expertise and experience to fulfill their duties and responsibilities. The credentials and achievements of the Board outlined below include positions held as of January 31, 2023 and in the past 5 years, as well as personal information as of January 31, 2023.

Board of Directors

Name	Position/Board Committee Membership
Enrique K. Razon, Jr.	Chairman of the Board of Directors Chairman of the Executive Committee
Jose Victor Emmanuel A. de Dios	Chairman of the Environment, Social, and Governance Committee 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
Alberto M. de Larrazabal	Member of the Board of Directors
Sherisa P. Nuesa	Chairman of the Audit Committee Member of the Board Risk Oversight Committee Member of the Corporate Governance Committee Member of the Nomination Committee Member of the Environment, Social, and Governance 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 Member of the Environment, Social, and Governance 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 Member of the Environment, Social, and Governance 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 Member of the Environment, Social, and Governance Committee

ENRIQUE K. RAZON JR.
Filipino, 63 years old
Chairman of the Board of Directors since June 3, 2021

Enrique K. Razon Jr. is the 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 Corp. (BRC), owner of Solaire Resort and Casino in Entertainment City and in Quezon City, Philippines. He is the Chairman of Manila Water Company (MWC), the private concessionaire of Metropolitan Waterworks and Sewerage System that serves the more than 7 million population of the East Zone of Metro Manila and the Rizal Province.

ICTSI, BRC and MWC are listed on the PSE.

Mr. Razon also chairs Prime Infrastructure Capital, Inc. (Prime Infra) which focuses on environmentally resilient and socially relevant projects that enable the Philippines and emerging economies move forward on their sustainable economic growth plans. Prime Infra develops and operates critical infrastructure in the renewable energy, water, and waste management and sustainable fuel sectors.

Prime Infra acquired a 45-percent operating stake in the Malampaya deep water gas-to-power project, which produces natural gas that supplies up to 20% of Luzon's total electricity requirement. Prime Infra is the developer of the 1,400 MW Ahunan pumped storage hydropower plant, and the Terra Solar battery energy storage system project hailed as the world's largest endeavor of its kind.

Mr. Razon sits on the board of most ICTSI subsidiaries worldwide and of several foreign and Philippine corporations. His other investments are in real estate, mining, oil and gas exploration, and leisure facilities including a golf course in the Philippines. Mr. Razon also chairs the ICTSI Foundation, Inc., which implements the ICTSI Group's corporate social responsibility advocacies worldwide. He is also Chairman of Pilipinas Golf Tournaments, Inc., which stages the Philippine Golf Tour, Southeast Asia's largest professional golfing circuit.

Mr. Razon is a member of the US Philippines Society, ASEAN Business Club, and Philippines, Inc.

JOSE VICTOR EMMANUEL A. DE DIOS
Filipino, 58 years old
Member of the Board of Directors, President, and Chief Executive Officer since August 27, 2021

Mr. De Dios was appointed President and Chief Executive Officer of Manila Water in 2021. Prior to this, he was Chief Executive Officer of Prime BMD Corporation. He also sits on the board of Oriental Petroleum and Minerals Corp. (OPM) and Phoenix Petroleum Philippines (PNX), which are also publicly listed companies.

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, was an Undersecretary at the Philippine Department of Energy, overseeing the 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 based in Perth, Western Australia.

From 2012 to 2020, he held multiple positions within the General Electric (GE) organization: Chairman of the Board and CEO of GE Philippines, Chairman and COO of GE Oil & Gas Philippines, Inc., Chairman and President of GE Power and GE Lighting Philippines Inc., Branch Manager of General Electric International Inc., and Managing Director of GE Government Affairs and Policy, Asia Pacific. As CEO of GE, he led the growth of the company's diverse businesses in the Philippines.

Concurrent with his appointment as President and CEO of Manila Water, he also serves as the Chairman of Boracay Island Water Company, Inc., Clark Water Company, Inc., and Manila Water Total Solutions Corp. He also serves as the Vice-Chairman of Laguna AAAWater Corporation, and is 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 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, 63 years old

Member of the Board of Directors since May 14, 2019

Mr. Rene Almendras is the President and CEO of AC Logistics and AC Infrastructure Holdings Corporation; he concurrently serves as Senior Managing Director of Ayala Corporation (AC) and Group Head of Public Affairs. He is also a Board of Director of the following companies within the Ayala Group: AF Payments Inc.; Light Rail Manila Holdings, Inc.; MCX Tollway Inc.; and PHINMA Energy.

He spent 13 years with the Citibank group where he started as a management trainee and landed his first CEO position as President of City Savings Bank of the Aboitiz Group at the age of 37. In 2011, he was recognized by the World Economic Forum as a Sustainability Champion for his efforts as President of MWC. During his stint as MWC President and Chief Operating Officer, the company received multiple awards and was recognized as one of the Best Managed Companies in Asia, Best in Corporate Governance, one of the Greenest Companies in the Philippines and hailed as the world's Most Efficient Water Company.

From 2010 to 2016, Mr. Almendras served in various key capacities in government, namely as Secretary of the Department of Energy, the Department of Foreign Affairs, and as Cabinet Secretary.

ANTONINO T. AQUINO

Filipino, 75 years old

Member of the Board of Directors 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.

Mr. Aquino has been with the Ayala Group in various capacities for the past 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, 68 years old

Member of the Board of Directors 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 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.

Mr. Almeda also serves as the Chairman of Manila Water Foundation, Inc.

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

ALBERTO M. DE LARRAZABAL

Filipino, 67 years old
Member of the Board of Directors since September 30, 2022

Mr. de Larrazabal has been a Senior Managing Director, Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer, and Finance Group Head of Ayala Corporation since April 23, 2021. He is also a Director of publicly listed companies, namely Integrated Micro-Electronics, Inc. ENEX Energy Corp. and Manila Water Company, Inc. He is the Chairman, President and Chief Executive Officer of AC Ventures Holdings Corp., Chairman of Darong Agricultural and Development Corporation and LiveIt Investments Limited; President and CEO of AYC Finance Limited, and Bestfull Holdings Limited; Vice Chairman of Lagdigan Land Corporation; President of Liontide Holdings, Inc. and of Philwater Holdings Company, Inc.; CEO of Azalaea International Venture Partners Limited, Director of Ayala Hotels, Inc., AC Infrastructure Holdings Corporation, AC Energy and Infrastructure Holdings, Inc., Ayala Healthcare Holdings, Inc., AC Energy International, Inc., AC Industrial Technology Holdings, Inc., Affinity Express Holdings Limited, Ayala Aviation Corporation, Asiacom Philippines, Inc., Ayala Group Legal, Michigan Holdings, Inc., A.C.S.T Business Holdings, Inc., Merlin Solar Technologies, Inc., Pioneer Adhesives, Inc., BF Jade E-Services Philippines, Inc., AC International Finance Limited, AYC Holdings Limited, AG Holdings Limited, Fine State Group Limited, AG Region Pte. Ltd., Ayala International Holdings Limited, Ayala International Pte. Ltd., Strong Group Limited, Total Jade Group Limited, VIP Infrastructure Holdings Pte. Ltd., Purefoods International Limited ("PFIL NA") and AI North America, Inc.

Mr. de Larrazabal has over 2 decades of extensive experience as a senior executive in Finance, Business Development, Treasury Operations, Joint Ventures, Mergers and Acquisitions, as well as Investment Banking and Investor Relations.

Prior to joining Ayala Corporation, Mr. de Larrazabal served as Chief Commercial Officer and Chief Finance Officer of Globe Telecom, a business unit of Ayala Corporation. Before he joined Globe Telecom, he held positions such as Vice President and Chief Finance Officer of Marsman Drysdale Corporation, Vice President and Head of the Consumer Sector of JP Morgan, Hong Kong, and Senior Vice President and Chief Finance Officer of San Miguel Corporation. He holds a Bachelor of Science degree in Industrial Management Engineering from De La Salle University.

SHERISA P. NUESA

Filipino, 68 years old
Lead Independent Director since April 16, 2021
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) and of Vicsal Development Corporation, Vice Chairman of the Board of the Justice Reform Initiative, and a Trustee of the Next Gen Organization of Women Corporate Directors. She is also a Life Fellow and lecturer at the Institute of Corporate Directors.

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 for Directors at Harvard Business School. Ms. Nuesa is a Certified Public Accountant.

CESAR A. BUENAVENTURA

Filipino, 93 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 ICTSI since February 12, 2019. On June 18, 2020, he was appointed member of Audit Committee, Environment, Social and Governance Sub-Committee, Board Risk Oversight Committee, Related Party Transactions Committee, and a Chairman of the 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 the 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, and a recipient of the Centennial Award as one of the UP's Top 100 Alumni Engineering Graduates.

In 1991, Mr. Buenaventura was conferred as 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 in Bethlehem, Pennsylvania in 1954, as a Fulbright scholar.

OCTAVIO VICTOR R. ESPIRITU

Filipino, 79 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 of the Carlos P. Romulo Foundation.

Formerly, Mr. Espiritu formerly a 3-term President of the Bankers Association of the Philippines, a former President and CEO of Far East Bank and Trust Company, and Chairman of the Board of Trustees of the Ateneo de Manila University for 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, 59 years old
Member of the Board of Directors since April 16, 2021

Mr. Recto has served as 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. He was recently appointed as Senior Advisor of Stonepeak Infrastructure Partners in the US, and is a Director of Miescor Infrastructure Development Corp.

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 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.

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

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

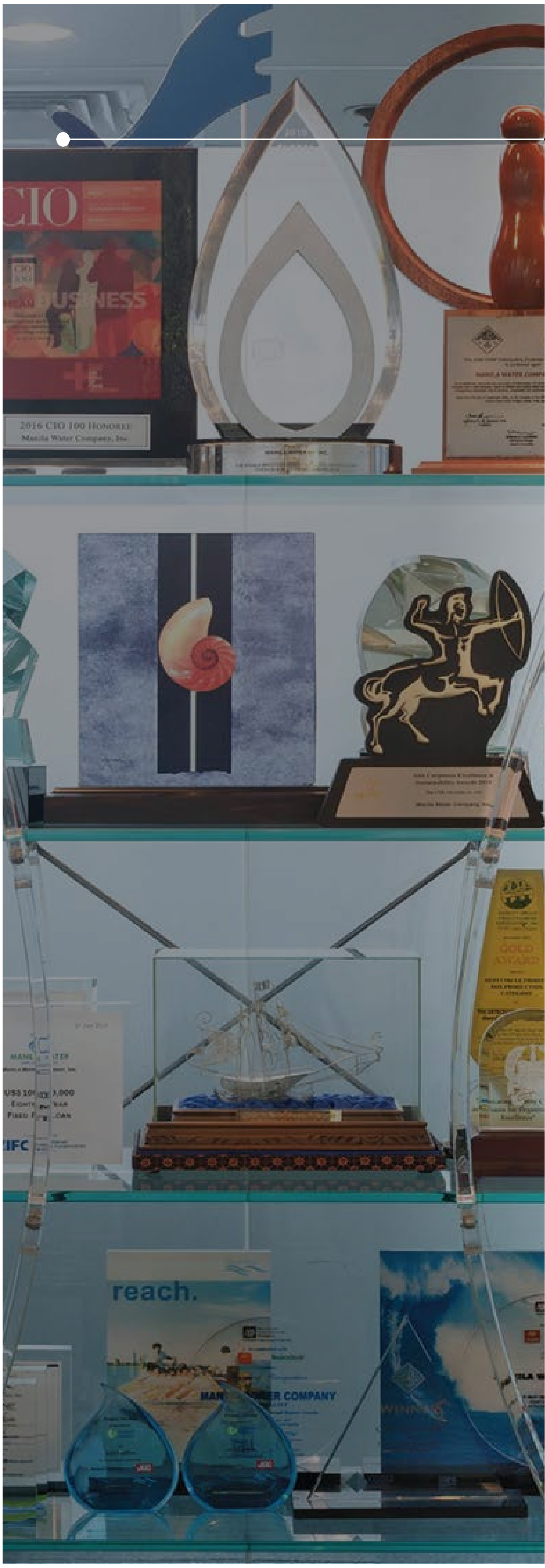
Donato C. Almeda
Chief Regulatory Officer

Roberto Jose R. Locsin
Chief Administrative Officer and Chief Operating Officer for Non-East Zone International Businesses

Melvin John M. Tan
Chief Operating Officer for Non-East Zone Philippines Businesses

Arnold Jether A. Mortera
Chief Operating Officer for East Zone Operations

Amabelle C. Asuncion
Chief Legal Officer and Chief Compliance Officer



Awards and Citations

Manila Water's accomplishments are a tribute to the leadership and vision of the Company's Management, the dedication of a resilient workforce, and its enduring partnerships with various stakeholders. They all work towards the common goal of improving the quality of service and quality of life of communities.

Awards and Citations for Corporate Governance and Management

2022 Water Company of the Year, Global Water Awards

Awards and Citations for Operations and Technical Excellence

2022 Runner-up, Biological Nutrient Removal (BNR) Enhanced Conventional Activated System (ECAS) Poster Presentation, Singapore International Water Week (SIWW)

Awards and Citations for Corporate Social Responsibility and Sustainability

2022 Climate Smart Utility, 1st IWA Climate Smart Utilities Recognition Program, International Water Association (IWA)

2022 Outstanding CSR Collaboration Project, LCFWinS: Lingap Eskwela sa Pandemya, League of Corporate Foundations (LCF) CSR Guild Awards

2022 Education Stakeholders Convergence and Partners Appreciation Program Awardee for Manila Water Foundation, Department of Education (DepEd)

Awards and Citations for Human Resource and People Management

2022 No. 7 on Top 15 Companies (Best Workplaces) in the Philippines, LinkedIn

MEMBERSHIP AND AFFILIATIONS

International
1. International Water Association (IWA)
2. Asia Water Council (AWC)
3. Asia Business Council (ABC)
4. The Wallace Business Forum

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

Sustainability Content Index

We reference to the following sustainability reporting standards and frameworks in reporting our 2022 Environmental, Social, and Governance highlights:

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

GRI	SASB	TCFD	<IR>	UN SDG	Page or Response	Section reference	Materiality
General Disclosure 2021							
2-1 Organizational details	-	-	-	-	2	About this Integrated Report	-
2-2 Entities included in the organization's sustainability reporting	-	-	-	-	2, 18	About this Integrated Report How we create shared value	-
2-3 Reporting period, frequency and contact point	-	-	-	-	2	About this Integrated Report	-
2-4 Restatements of information	-	-	-	-	54	Protecting the environment ESG Performance Index	-
2-5 External assurance	-	-	-	-	148	Independent Assurance Statement	-
2-6 Activities, value chain and other business relationships	-	-		-	18	How we create shared value	-
2-7 Employees	-	-			18, 60	How we create shared value Building a culture of care and trust ESG Performance Index	Human Capital
2-8 Workers who are not employees	-	-			18, 48	How we create shared value Helping communities thrive ESG Performance Index	Supply Chain

GRI	SASB	TCFD	<IR>	UN SDG	Page or Response	Section reference	Materiality
2-9 Governance structure and composition	-	Governance			99	Board of Directors Corporate Governance Report	Corporate Governance
2-10 Nomination and selection of the highest governance body	-	-	-	-	99	Corporate Governance Report	Corporate Governance
2-11 Chair of the highest governance body	-	Governance	-	-	99	Board of Directors Corporate Governance Report	Corporate Governance
2-12 Role of the highest governance body in overseeing the management of impacts	-	Governance	-	-	99	Corporate Governance Report	Corporate Governance
2-13 Delegation of responsibility for managing impacts	-	Governance	-	-	102	Corporate Governance Report	Corporate Governance
2-14 Role of the highest governance body in sustainability reporting	-	Governance	-	-	5, 102	Statement of Responsibility from the Board Corporate Governance Report	Corporate Governance Strategy and Risk
2-15 Conflicts of interest	-	-	-	-	102	Corporate Governance Report	Corporate Governance
2-16 Communication of critical concerns	-	-	-	-	102	Corporate Governance Report	Corporate Governance
2-17 Collective knowledge of the highest governance body	-	-		-	102	Corporate Governance Report	Corporate Governance
2-18 Evaluation of the performance of the highest governance body	-	-	-	-	102	Corporate Governance Report	Corporate Governance
2-19 Remuneration policies	-	-	-	-	102	Corporate Governance Report	Corporate Governance
2-20 Process to determine remuneration	-	-	-	-	102	Corporate Governance Report	Corporate Governance
2-21 Annual total compensation ratio	-	-	-	-	102	Corporate Governance Report	Corporate Governance
2-22 Statement on sustainable development strategy	-	Strategy	-	-	5	Statement of Responsibility from the Board	Corporate Governance Strategy and Risk

GRI	SASB	TCFD	<IR>	UN SDG	Page or Response	Section reference	Materiality
2-23 Policy commitments	-	Strategy	-	-	102	Corporate Governance Report	Corporate Governance
2-24 Embedding policy commitments	-	-	-	-	102	Corporate Governance Report	Corporate Governance
2-25 Processes to remediate negative impacts	-	-		-	32-35, 102	Getting to Know the People we Value Understanding What Matters Most Corporate Governance Report	Community Relations Corporate Governance
2-26 Mechanisms for seeking advice and raising concerns	-	-		-	In 2022, 3 whistleblowing cases were raised across Manila Water through various channels. This indicates that our culture fosters an environment in which employees are encouraged and have the confidence to report any concerns.	Getting to Know the People we Value Understanding What Matters Most Corporate Governance Report	Community Relations Corporate Governance
2-28 Membership associations	-	-		-	137	Membership and Affiliation	
2-29 Approach to stakeholder engagement	-	-		-	34-47	Getting to know the people we value Understanding What Matters Most	Community Relations Strategy and Risk
2-30 Collective bargaining agreements	-	-		-	60	Building a culture of care and trust	Labor Practices
Material Topics 2021							
3-1 Process to determine material topics	-	-	-	-	34-47	Understanding What Matters Most	Strategy and Risk
3-2 List of material topics	-	-	-	-	34-47	Understanding What Matters Most	Strategy and Risk
3-3 Management of material topics	-	-	-	-	34-47	Understanding what matters most Getting to know the people we value	Strategy and Risk

GRI	SASB	TCFD	<IR>	UN SDG	Page or Response	Section reference	Materiality
Economic Performance 2016							
201-1 Direct economic value generated and distributed	-	-			19, 39	Helping Communities Thrive	Economic Contribution
201-2 Financial implications and other risks and opportunities due to climate change	IF-WU-450a.4	Strategy Risk Management	-	-	78	Our Approach to Climate Change	Strategy and Risk Climate Change
Indirect Economic Impacts 2016							
203-1 Infrastructure investments and services supported	IF-WU-450a.1 IF-WU-000.E	-			39	Helping Communities Thrive	Economic Contribution
203-2 Significant indirect economic impacts	IF-WU-450a.1 IF-WU-000.E	-			39-49	Helping Communities Thrive	Economic Contribution
Procurement Practices 2016							
204-1 Proportion of spending on local suppliers	-	-			49	Helping Communities Thrive	Economic Contribution Supply Chain
Materials 2016							
301-1 Materials used by weight or volume	-	-			50	Protecting the Environment	Materials

	GRI	SASB	TCFD	<IR>	UN SDG	Page or Response	Section reference	Materiality
Energy 2016								
302-1 Energy consumption within the organization		IF-WU-130a.1	-			54	Protecting the Environment	Energy
302-2 Energy consumption outside of the organization		-	-			54	Protecting the Environment	Energy
302-3 Energy intensity		-	-			55	Protecting the Environment	Energy
302-4 Reduction of energy consumption		-	-			54-55	Protecting the Environment	Energy
Water and Effluents 2018								
303-1 Interactions with water as a shared resource		IF-WU-440a.3	-			51-52	Protecting the Environment	Water and Effluents
303-2 Management of water discharge-related impacts		IF-WU-140b.1; IF-WU-140b.2	-			52	Protecting the Environment	Water and Effluents
303-3 Water withdrawal		IF-WU-440a.1; IF-WU-450a.4	-			52	Protecting the Environment	Water and Effluents
303-4 Water discharge		-	-			51-52	Protecting the Environment	Water and Effluents

GRI	SASB	TCFD	<IR>	UN SDG	Page or Response	Section reference	Materiality
Biodiversity 2016							
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	-			55-57	Protecting the Environment	Biodiversity
304-3 Habitats protected or restored	-	-			55-57	Protecting the Environment	Biodiversity
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	-	-			55-57	Protecting the Environment	Biodiversity
Emissions 2016							
305-1 Direct (Scope 1) GHG emissions	-	Metrics and Targets			81-85	Our Approach to Climate Change	Climate Change
305-2 Energy indirect (Scope 2) GHG emissions	-	Metrics and Targets			81-85	Our Approach to Climate Change	Climate Change
305-3 Other indirect (Scope 3) GHG emissions	-	Metrics and Targets			81-85	Our Approach to Climate Change	Climate Change

GRI	SASB	TCFD	<IR>	UN SDG	Page or Response	Section reference	Materiality
305-4 GHG emissions intensity	-	Metrics and Targets			81-85	Our Approach to Climate Change	Climate Change
305-5 Reduction of GHG emissions	-	Metrics and Targets			81-85	Our Approach to Climate Change	Climate Change
Waste 2020							
306-1 Waste generation and significant waste-related impacts	-	-			59	Protecting the Environment	Waste
306-2 Management of significant waste-related impacts	-	-			59	Protecting the Environment	Waste
306-3 Waste generated	-	-			59	Protecting the Environment	Waste
306-4 Waste diverted from disposal	-	-			59	Protecting the Environment	Waste
306-5 Waste directed to disposal	-	-			59	Protecting the Environment	Waste
Supplier Environmental Assessment 2016							
308-1 New suppliers that were screened using environmental criteria	-	-			-	Building a Culture of Care and Trust	Supply Chain

GRI	SASB	TCFD	<IR>	UN SDG	Page or Response	Section reference	Materiality
Employment 2016							
401-1 New employee hires and employee turnover	-	-			61	Building a Culture of Care and Trust ESG Performance Index	Human Capital
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	-	-			61	Building a Culture of Care and Trust	Human Capital Labor Practices
Labor/Management Relations 2016							
402-1 Minimum notice periods regarding operational changes	-	-		-	We comply with the prescribed notice period by the Labor Code of the country where our business units operate in.	Building a Culture of Care and Trust	Labor Practices
Occupational Health and Safety 2018							
403-1 Occupational health and safety management system	-	-			69-70	Building a Culture of Care and Trust	Business Continuity Occupational Health and Safety
403-3 Occupational health services	-	-			69-70	Building a Culture of Care and Trust	Occupational Health and Safety
403-4 Worker participation, consultation, and communication on occupational health and safety	-	-			69-70	Building a Culture of Care and Trust	Occupational Health and Safety
403-5 Worker training on occupational health and safety	-	-			69-70	Building a Culture of Care and Trust	Occupational Health and Safety

GRI	SASB	TCFD	<IR>	UN SDG	Page or Response	Section reference	Materiality
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	-	-			69-70	Building a Culture of Care and Trust	Occupational Health and Safety
403-8 Workers covered by an occupational health and safety management system	-	-			All employees are covered	Building a Culture of Care and Trust	Occupational Health and Safety
403-9 Work-related injuries	-	-			69-70	Building a Culture of Care and Trust ESG Performance Index	Occupational Health and Safety
Diversity and Equal Opportunity 2016							
405-1 Diversity of governance bodies and employees	-	-			18, 65-66, 102	Board of Directors How We Create Shared Value Building a Culture of Care and Trust ESG Performance Index	Human Capital Corporate Governance
Non-discrimination 2016							
406-1 Incidents of discrimination and corrective actions taken	-	-			18	How we create shared value	Corporate Governance Labor Practices
Freedom of Association and Collective Bargaining 2016							
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-	-			18, 67	How we create shared value Building a Culture of Care and Trust ESG Performance Index	Labor Practices

GRI	SASB	TCFD	<IR>	UN SDG	Page or Response	Section reference	Materiality
Rights of Indigenous Peoples 2016							
411-1 Incidents of violations involving rights of indigenous peoples	-	-		-	61	Building a Culture of Care and Trust	Community Relations Labor Practices
Customer Health and Safety 2016							
416-1 Assessment of the health and safety impacts of product and service categories	IF-WU-250a.2	-		-	18, 69-70	How We Create Shared Value Helping Communities Thrive ESG Performance Index	Water and Effluents
Marketing and Labeling 2016							
417-1 Requirements for product and service information and labeling	-	-			58-59	Protecting the Environment ESG Performance Index	Waste
Customer Privacy 2016							
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	-			71	Building a Culture of Care and Trust	Customer Service Cybersecurity

INDEPENDENT ASSURANCE STATEMENT

Introduction

DNV Business Assurance Singapore Pte. Ltd. ('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 2022 Integrated Report ('the Report') in its printed format for the year ended 31 December 2022. 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 2022 to March 2023.

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, 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. We performed hybrid audit that included, desktop review of non-financial disclosures related to the Head Office at Quezon City, and selected sites of MWC (East Zone Concession and Laguna Water – both the sites have water and wastewater treatment plants) in the Philippines, based on DNV's sampling plan. We undertook the following activities:

[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 the approach 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 Concession and Laguna 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 2022 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, Investors and Financial Community, National Government Agencies, Local Government Units, Supply chain partners, Media, etc.) to engage with, to build trust based on significant influence on MWC's sustainability performance. The Report also describes the engagement channels 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 details refresh of material matters in 2022. 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 2022 have been clustered to make them actionable and MWC considers these are most significant to the business and its 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 2022 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., Integrated Micro Electronics, Inc (IMI). 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 assurance statement, 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

Nagarajan, Sathishkumar Digitally signed by Nagarajan, Sathishkumar Date: 2023.03.23 19:38:40 +08'00' **N Sathishkumar** **Lead Verifier** **Head, Sustainability Services** **DNV Business Assurance** **Singapore Pte. Ltd.**	Percy Lakdawalla Digitally signed by Percy Lakdawalla Date: 2023.03.24 12:01:23 +08'00' **Percy Lakdawalla** **Regional Manager – APAC** **Supply Chain and Product Assurance** **DNV Business Assurance** **Singapore Pte. Ltd.**	Astone, Antonio Digitally signed by Astone, Antonio Date: 2023.03.23 15:08:41 +01'00' **Antonio Astone** **Assurance Reviewer** **Global Service Manager** **DNV Business Assurance Italia S.r.l.**

24 March 2023, Singapore

DNV is 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 28 February 2023

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 https://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 (24) cities and municipalities spanning a 1,400-square kilometer area that include Makati, Mandaluyong, Pasig, Pateros, San Juan, Taguig, Marikina, most parts of Quezon City, portions of Manila, Parañaque, 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 entered into a Revised CA (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.

The Company and MWSS has since executed six (6) amendments to the RCA extending its Effective Date to allow time to complete the remaining condition precedent which is the Undertaking Letter from the Republic. The Sixth Amendment was executed on May 19, 2022 extending the Effective Date to not later than June 30, 2022.

On June 30, 2022, the RCA did not take effect due to the Republic's failure to submit the prescribed Undertaking Letter. Any changes adopted by the Company in relation to the RCA were reverted to the terms provided in the Original CA, except as provided under the franchise discussed below.

On December 10, 2021, the franchise of Manila Water (Republic Act (RA. No.) 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 for a period of twenty-five (25) years and confirms the status of Manila Water as a public utility. Section 5 of RA No. 11601 provides that the Concession

Agreement shall serve as the certificate of public convenience and necessity, license or permit of Manila Water for the operation of its waterworks and sewerage system. Under RA 11601, "Concession Agreement" refers to the agreement between the grantee and MWSS on February 21, 1997, including its amendment dated October 26, 2001, and the Memorandum of Agreement and Confirmation dated October 23, 2009, as amended by the Revised Concession Agreement dated March 31, 2021, or as may thereafter be amended. When public interest for affordable water security requires and upon application by Manila Water, MWSS is authorized to approve the amendment of the Concession Agreement to extend its term up to the term of the franchise.

On March 2, 2022, the MWSS Board of Trustees (BOT) approved Resolution No. 2022-025-RO, Series 2022 involving the implications of the Legislative Franchises on the value-added tax (VAT) and franchise tax of the Concessionaires specifically:

1. The removal of VAT from the customer bills of Manila Water and Maynilad resulting from the grant of the Legislative Franchises to the Concessionaires, subject to the National Internal Revenue Code of 1997, as amended, and the relevant rules of the Bureau of Internal revenues; and
2. The imposition of Government Taxes in the customers' bills as pass-through costs comprised of a national franchise tax at the rate of 2.00% and actual implemented rates of local franchise tax for each local government unit starting March 21, 2022.

On March 21, 2022, the Company submitted its notice of acceptance of the twenty-five (25)-year legislative franchise to the Committee on Legislative Franchises of the House of Representatives and the Senate Committee on Public Services.

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 under Metro Ilagan Water Company, Inc. (Ilagan Water), Manila Water Consortium, Inc. (MW Consortium), with subsidiary – Cebu Manila Water Development, Inc. (Cebu Water), Davao del Norte Water Infrastructure Company, Inc. (Davao Water), with subsidiary – 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), Calbayog Water Company, Inc. (Calbayog Water), North Luzon Water Company, Inc. (North Luzon Water), Leyte Water Company, Inc. (Leyte Water) and 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), Bulakan Water Company, Inc. (Bulakan Water), and Metro Ilagan Water Company, Inc. (Ilagan 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 comprised of Aqua Centro MWPV Corp. (Aqua Centro), Bulacan MWPV Development Corporation (BMDC), Manila Water Technical Ventures, Inc. (MWTV), and EcoWater MWPV Corp. (EcoWater). Under MWPV is 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, 2022, MWPV is still operating Atria Development.

On May 31, 2021, MWPV 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, MWPV 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. The MOMC contains the management, operations, and maintenance of the water and wastewater facilities to be undertaken through the consortium of Manila Water with Saur SAS and Miahona Company over a seven-year contract period, which entails the implementation of enabling projects and the deployment of key personnel to manage the cluster and achieve Key Performance Indicators target set by 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. To provide better focus in addressing customer needs in this sector, MWTS has been rebranded to Manila Water Infratech Solutions (MWIS).

CONSOLIDATED FINANCIAL PERFORMANCE

Group net income for the period ending December 31, 2022 increased 61% from the same period last year to ₱5,923 million. Excluding one-offs, core income stood at ₱5,541 million.

The Group's key financial performance indicators are discussed below:

	For the years ended December 31			
(in millions)	**2022**	2021	Increase (Decrease)	%
Total revenues	**₱22,799**	₱20,530	₱2,269	11%
Total cost and expenses (excluding depreciation and amortization)	**10,823**	9,220	1,603	17%
Other income (expenses) - net	**813**	377	436	116%
Equity share in net income of associates	**520**	569	(49)	(9%)
Other income (expenses) - net	**292**	(192)	484	252%
Earnings before interest, income taxes, depreciation, and amortization (EBITDA)	**12,789**	11,687	1,102	9%
Depreciation and amortization expense	**3,046**	3,628	(582)	16%
Income before interest income and expense and foreign exchange gains and losses	**9,743**	8,059	1,684	21%
Interest expense - net	**(2,694)**	(2,403)	(291)	12%
Foreign exchange gains (losses) - net	**662**	(348)	1,010	290%
Other income	**450**	-	450	100%
Income before income tax	**8,161**	5,308	2,853	54%
Provision for income tax	**2,013**	1,539	474	31%
Net income from continuing operations	**6,148**	3,769	2,379	63%
Net loss after tax from discontinued operations[1]	**(6)**	(15)	9	60%
Net income	**6,142**	3,754	2,388	64%
Non-controlling interests*	**219**	81	138	170%
Net income attributable to MWC	**₱5,923**	₱3,673	₱2,250	61%

**Non-controlling interest is an ownership position whereby a shareholder owns less than 50% of outstanding shares.*

Consolidated operating revenues increased 11% to ₱22,799 million in 2022 from ₱20,530 million the same period last year. Said increase was primarily driven by higher billed volume across all segments, coupled with higher connection fees and cross border charges in the Parent Company. This growth was further supported by the 30% increase in Non-East Zone revenues, on the back of tariff increases in several business units and 6% increase in billed volume, with further support from integrated used water and pipelaying projects revenues of MWIS and higher sewer revenues led by Estate Water. The Group derived 75% 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, service income from bulk water arrangements, and finance income from contract assets, among others.

Aside from factors which occur in the normal course of business, Management does not have any knowledge of material trends, events or uncertainties which it deems will have a material impact on revenues.

	For the years ended December 31			
(in millions)	**2022**	2021	Increase (Decrease)	%
Personnel costs	**₱2,471**	₱2,466	(₱5)	0%
Direct costs	**5,730**	3,973	1,757	44%
Overhead costs	**1,127**	1,719	(592)	(34%)
Premises costs	**453**	394	59	15%
Other cost and expenses	**1,042**	668	374	56%
Total cost and expenses	**₱10,823**	₱9,220	₱1,603	17%

Consolidated cost of services and expenses increased by 17% to ₱10,823 million in 2022 from ₱9,220 million due to higher costs in nearly all categories except overhead. Total fixed costs, which comprised nearly 66% of total OPEX for the year, increased 8%, driven primarily by repairs and maintenance costs as a result of improved mobility and resumption of economic activities. Similarly, power costs increased by 52% due to the combined effect of the following: (1) increased consumption with the higher operating protocols at the EZ to comply with the new bio-nutrient removal (BNR) standards of the Department of Environment and Natural Resources (DENR); (2) higher power rates with the impact of higher fuel prices on fixed power contracts; and (3) increased consumption and higher power rates for the NEZ - PH group in its operating facilities. Other variable costs relating to meter reading, collection and connection activities likewise increased with the improved mobility of business operations . Lastly, the significant increase in other income pertains to reversal of long-outstanding accounts, gain on insurance claims and input VAT adjustments, as well as foreign currency differential adjustment booked in 2021, among others.

Consequently, consolidated EBITDA increased 9% to end at ₱12,789 million for the year, with an EBITDA margin of 56%. Depreciation and amortization decreased by 16% to ₱3,046 million with the change in useful life of service concession assets in the East Zone under the franchise law.

Net interest expense was higher by 12% from last year at ₱2,694 million, driven by hedging costs which were slightly offset by higher capitalized borrowing cost at the Parent Company, higher debt balance of MWPV subsidiaries, and lower interest income due to lower holdings of cash and short-term investments.

On the other hand, foreign exchange gains totaled ₱662 million for the year due to the depreciation of the PHP vs USD, as well as writeback of deferred forex losses in line with the reversion to the Original Concession Agreement. Lastly, provision for income tax increased to ₱2,013 million mainly driven by (1) higher taxable income; and (2) deferred tax on unrealized forex and depreciation; but slightly offset by deferred taxes on Expected Credit Losses (ECL) in the Parent Company.

BUSINESS UNITS' FINANCIAL AND OPERATING PERFORMANCE
Parent Company – East Zone

Net income of the Parent Company stood at ₱5,499 million for the year, 52% higher than the same period last year. This was driven primarily by higher revenues coming from the recovery in consumption of commercial and industrial accounts, coupled with higher connection fees and cross border charges. Amortization and depreciation decreased 22% to ₱2,284 million as Estimated Useful Life (EUL) of service concession assets was changed from July 2037 to January 2047 which took effect from January 1, 2022 in line with the approval of the franchise law. Furthermore, this was coupled by foreign exchange gains due to the depreciation of the PHP vs USD, as well as writeback of deferred forex losses as well as the partial reduction of provisions in line with the Supreme Court resolution of the case involving the Clean Water Act. Said improvement was slightly offset by higher cost and expenses and interest expense.

	For the years ended December 31			
	2022	2021	Increase (Decrease)	%
Operating Highlights				
Billed volume (in million cubic meters)*	**501.4**	488.5	12.9	3%
Average tariff (in Pesos per cubic meter)**	**32.5**	32.0	0.5	2%
Number of billed connections***	**1,063,216**	1,033,211	30,005	3%
Collection efficiency****	**102.4%**	100.7%	1.7 ppts	
Non-revenue water*****	**12.2%**	12.8%	0.7 ppts.	
Financial Highlights (in millions)				
Revenues	**₱17,131**	₱16,084	₱1,047	7%
Cost and expenses (excluding depreciation and amortization)	**7,181**	6,140	1,041	17%
EBITDA	**10,207**	9,803	404	4%
Net income	**₱5,499**	₱3,618	₱1,881	52%

**Billed volume is the amount of water billed to customers, which is measured in million cubic meters (mcm)*
***Average tariff is revenue over billed volume*
****Billed connections is the number of water service connections in the concession area, which is measured by count*
*****Collection efficiency is total amount collected over total revenue billed for the period; this metric is among the regulatory KPIs being monitored by MWSS*
*****Non-revenue water refers to the volume of water lost in the Company's distribution system due to leakage, pilferage, illegal connections, and metering errors. As determined by the MWSS-RO, NRW is calculated as the percentage of water lost against the net volume of water supplied by the Company.*

Revenues increased 7% to ₱17,131 million from ₱16,084 million the same period last year driven by higher water revenues, connection fees and cross-border charges. Said increase was realized even amid the challenges which the prevailing tariff freeze posed upon the business, with estimated impact amounting to more than ₱4,891 million. Meanwhile, cost and expenses for the period increased 17% to ₱7,181 million. This was driven by higher direct costs, and mainly by higher power cost due to the rise in consumption and power rates. The business saw the continued ramp up of repairs and maintenance, collection and connection activities, as well as higher operating protocols to comply with the BNR standards of the DENR. On the other hand, overhead costs decreased from the same period last year due to reversal of provisions for ECL.

With these movements, EBITDA increased by 4% to ₱10,207 million from ₱9,803 million last year. EBITDA margin stood at 60%.

Non-East Zone (NEZ) – Philippines

The following discussion covers the consolidated results of NEZ - Philippines, driven mainly by its core domestic operating subsidiaries in Boracay Water, Clark Water, Laguna Water, and Estate Water (a division of MWPV).

	For the years ended December 31			
	2022	2021*	Increase (Decrease)	%
Operating Highlights				
Billed volume (in million cubic meters)	**115.9**	108.9	7.0	6%
Financial Highlights (in millions)				
Revenues	**₱5,839**	₱4,506	₱1,333	30%
Cost and expenses (excluding depreciation and amortization)	**3,467**	3,127	340	11%
EBITDA	**2,395**	1,459	936	64%
Net income attributable to MWC	**₱137**	(₱392)	₱529	135%

**Includes MWIS to show total domestic operations*

NEZ – Philippines ended the year with ₱137 million net income. This marked its significant turnaround from last year's ₱392 million net loss position. This substantial improvement in profitability was mainly driven by significant recovery in revenues, in line with improved mobility and improved economic activity.

On a consolidated MWPV level, revenues were higher by 30% at ₱5,839 million, mostly attributable to the growth in revenues from construction projects, increased water revenues from tariff hike implementation, billed volume improvements in several business units, and higher sewer revenues from Estate Water. Higher supervision fees from Laguna Water and Estate Water also contributed to overall growth in revenues.

Total cost and expenses increased by 11% year-on-year to ₱3,467 million mainly as a result of the increase in direct costs, and slightly offset by the decline in overhead expenses. The increase in direct cost was from higher contractual services, power costs due to higher consumption and rates, as well as repairs and maintenance costs. The decline in overhead costs was mainly due to lower provision for expected credit losses recorded in 2022.

The movements in MWPV Group's revenues and costs resulted to better EBITDA by 64% or an improvement of ₱936 million from ₱1,459 million in 2021 to ₱2,395 million in 2022. EBITDA margin was at 41% which is an increase of 9 percentage points compared from last year's 32%.

Net interest expense increased to ₱998 million driven by higher bank debt balance and higher interest expense resulting therefrom, and further from the payment of service concession obligations. Depreciation and amortization expense grew by 6% to ₱784 million due to increased capital expenditures. This was partially offset by the impact of the shift to units of production method of depreciation effective April 2022 for Estate Water, Bulacan Aqua Estates, Aqua Centro, and Eco Water.

Below is a summary of the results of MWPV's core subsidiaries which contribute 71% of total revenues of NEZ - Philippines:

	For the years ended December 31			
	2022	2021	Increase (Decrease)	%
Clark Water				
Billed volume (in million cubic meters)*	**13.5**	12.8	0.6	5%
Average tariff (in Pesos per cubic meter)**	**₱2.7**	₱31.8	₱0.9	3%
Revenues (in millions)	**₱451**	₱ 432	₱18	4%
Net income (in millions)	**₱78**	₱52	₱26	49%
Billed Connections***	**2,003**	2,021	(18)	(1%)
Non-Revenue Water****	**5.8%**	4.9%	0.9 ppts	18%
Laguna Water				
Billed volume (in million cubic meters)	**45.6**	45.9	(0.2)	(1%)
Average Tariff (in Pesos per cubic meter)	**₱44.7**	₱40.7	₱4.0	10%
Revenues (in millions)	**₱2,173**	₱1,923	₱250	13%
Net income (in millions)	**₱614**	₱488	₱126	26%
Billed Connections	**124,119**	116,367	7,752	7%
Non-Revenue Water	**22.3%**	20.0%	2.3 ppts	11%
Boracay Water				
Billed volume (in million cubic meters)	**3.5**	2.3	1.2	51%
Average tariff (in Pesos per cubic meter)	**₱126.1**	₱112.1	₱14.0	12%
Revenues (in millions)	**₱417**	₱189	₱228	121%
Net loss (in millions)	**(₱102)**	(₱175)	₱73	42%
Billed Connections	**4,629**	3,932	697	18%
Non-Revenue Water	**23.5%**	18.5%	5.0 ppts.	27%

	For the years ended December 31			
	2022	2021	Increase (Decrease)	%
Estate Water				
Supervision fees*****	**245.6**	199.0	47	23%
Billed volume (in million cubic meters)	**7.6**	7.1	0.5	7%
Average tariff (in Pesos per cubic meter)	**₱47.7**	₱41.9	₱5.8	14%
Revenues (in millions)	**₱1,076**	₱807	₱269	33%
Net income (in millions)	**₱76**	(₱190)	₱266	140%
Billed Connections	**15,716**	14,172	1,544	12%

**Billed volume is the amount of water billed to customers, which is measured in million cubic meters (mcm)*
***Average tariff is revenue over billed volume*
****Billed connections is the number of water service connections in the concession area, which is measured by count*
****Non-revenue water refers to the volume of water lost in the Company's distribution system due to leakage, pilferage, illegal connections, and metering errors. NRW is calculated as the percentage of water lost against the net volume of water supplied by the Company*
******Supervision fee is a fee or charge paid by the customer to the Company in exchange for the latter's assurance of potable water and/or effective wastewater services in new developments*

Clark Water registered billed volume of 13.5 million cubic meters (mcm) in 2022, 5% higher from its billed volume during the same period last year of 12.8 mcm. This performance was mainly driven by higher consumption of its commercial, industrial and government accounts. Consequently, Clark Water's revenues grew 4% to ₱451 million. On the other hand, Non-revenue Water increased slightly, in line with the increase in registered demand. Meanwhile, total costs and expenses rose by 2% to ₱246 million from ₱241 million last year. Combined with lower overhead costs, Clark Water's net income stood at ₱78 million for the period.

Laguna Water's billed volume declined by 1% to 45.6 mcm in 2022 from 45.9 mcm in 2021 driven by lower consumption of industrial accounts. Even amid this decline, Laguna Water's revenues grew 13% year-on-year to ₱2,173 million, driven by a 10% improvement in average effective tariff to ₱44.7 per cubic meter with the implementation of tariff hikes which started June 2022. Non-revenue Water increased 2.3ppts to 22.3% from 20% last year with the continued takeover of legacy networks in line with expansion. Meanwhile, cost and expenses were held to a 1% increase from 2021 to ₱894 million. These movements resulted in a 23% growth in EBITDA to ₱1,279 million and a 26% increase in net income to ₱614 million for the period ending December 2022.

Boracay Water's 2022 billed volume registered healthy recovery of 51% to 3.5 mcm from last year's 2.3 mcm due to the island's reopening to visitors. This enabled tourist arrivals to increase by close to 1.5 million from the same period last year. The increase in billed volume, coupled by a 12% increase in effective tariff, resulted in a 121% increase in Boracay Water's revenues to ₱417 million for the year. Total cost and expenses increased by 17% versus last year, driven by higher direct cost from repairs and maintenance, power and fuel costs. This resulted to an improved performance of Boracay Water with a net loss position of ₱102 million.

Estate Water, a division of MWPV, posted billed volume growth of 7% to 7.6 mcm for the period ended December 2022. This was due to higher consumption from its residential and commercial segments from existing developments, and further supported by the 12% increase in billed connections with the addition of new accounts from greenfield projects. Estate Water significantly increased its supervision fees with its higher construction progress in its greenfield projects. Furthermore, its average tariff increased 14% due to the implementation of tariff increase in its developments. It closed the year with a net income of ₱76 million.

NEZ – International

The following discussion covers the consolidated results of MWAP which comprise the NEZ – International business of the Group. Specifically, these are the performance contributions of associates in Vietnam, Thailand, Indonesia, and the Kingdom of Saudi Arabia.

	For the years ended December 31			
	2022	2021	Increase (Decrease)	%
Operating Highlights				
Billed volume (in million cubic meters)*	**637.6**	672.5	(35)	(5%)
Financial Highlights (in millions)				
Equity share in net income of associates**	**₱520**	₱570	(₱50)	(9%)
Cost and expenses (excluding depreciation and amortization)	**252**	137	115	84%
EBITDA	**290**	449	(159)	(35%)
Net income attributable to MWC	**₱154**	₱316	(₱162)	(51%)

**Billed volume is the amount of water billed to customers, which is measured in million cubic meters (mcm); Not attributable to MWC*
***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.*

On a consolidated level, NEZ – International net income decreased by 51% to ₱154 million. This was mainly due to the increase in costs and expenses with higher management and consultancy fees, as the Company continues to intensify its new business development activities.

Equity share in net income of associates decreased by 9% at ₱520 million, mainly driven by the decline in East Water's income contribution largely due to lower raw water billed volume. This offset the improved performance of the Vietnam associates (i.e., Thu Duc Water and Kenh Dong Water). The registered growth in billed volume for these businesses mainly drove the favorable performance, and consequently enabled it to remit dividends. These developments led to an EBITDA of ₱290 million, 35% lower than last year.

Below is a summary of the results of associates under NEZ - International:

	For the years ended December 31			
(in millions)	**2022**	2021	Increase (Decrease)	%
East Water at 18.72% contribution, before adjustment	**₱205**	₱306	(₱101)	(33%)
Impact of fair value amortization	**144.1**	147.9	(3.8)	(3%)
East Water at 18.72% contribution, adjusted	**60.5**	157.9	(97.4)	(62%)
Thu Duc Water at 49.00% contribution	**315.9**	275.8	40.1	15%
Kenh Dong Water at 47.35% contribution	**197.9**	165.5	32.4	20%
Saigon Water at 37.99% contribution	**(77.6)**	(60.8)	(16.8)	(28%)
PT STU at 20.00% contribution	**0.1**	3.0	(2.9)	(95%)
IWP at 20.00% contribution	**11.8**	28.1	(16.3)	(58%)
IWP2 at 30.00% contribution	**11.4**	-	11.4	100%
Total equity share in net income of associates	**₱520**	₱570	(₱50)	(9%)

	For the years ended December 31			
	2022	2021	Increase (Decrease)	%
Thu Duc Water				
Billed volume (in million cubic meters)	**109.5**	109.4	0.1	0%
Net income - VAS (in million VND)	**170,707**	143,828	26,879	19%
Thu Duc Water at 49.00% contribution (in thousand Php)	**₱315,926**	₱275,830	₱40,096	15%
Revenues (in million VND)	**389,965**	378,550	11,415	3%
COS and Operating Expenses (in million VND)	**136,273**	140,692	(4,419)	-3%
EBITDA (in million VND)	**253,692**	237,858	15,834	7%
Kenh Dong Water				
Billed volume (in million cubic meters)	**68.5**	67.9	0.6	1%
Net income - VAS (in million VND)	**118,947**	100,208	18,739	19%
Kenh Dong Water at 47.35% contribution (in thousand Php)	**₱197,941**	₱165,476	₱32,464	20%
Revenues (in million VND)	**316,568**	301,926	14,642	5%
COS and Operating Expenses (in million VND)	**131,790**	132,412	(622)	0%
EBITDA (in million VND)	**184,779**	169,514	15,265	9%
Saigon Water				
Billed volume (in million cubic meters)	**129.5**	127.7	1.8	1%
Net income (loss) - VAS (in million VND)	**(88,983)**	(75,578)	(13,405)	-18%
Saigon Water at 37.99% contribution (in thousand Php)	**(₱77,586)**	(₱60,787)	(₱16,799)	-28%
Revenues (in million VND)	**295,801**	290,838	4,963	2%
COS and Operating Expenses (in million VND)	**215,110**	186,872	28,238	15%
EBITDA (in million VND)	**80,690**	103,966	(23,276)	-22%
East Water				
Billed volume (in million cubic meters)	**323.7**	361.5	(37.8)	-10%
Net income (in million THB)	**705**	1,060	(355)	-33%
East Water at 18.72% contribution (in thousand Php)	**₱60,478**	₱157,859	(₱97,380)	-62%
Revenues (in million THB)	**3,289**	3,623	(334)	-9%
COS and Operating Expenses (in million THB)	**1,608**	1,682	(74)	-4%
EBITDA (in million THB)	**1,681**	1,941	(260)	-13%
PT STU				
Billed volume (in million cubic meters)	**6.3**	6.1	0.2	3%
Net income (in million IDR)	**3,026**	5,242	(2,216)	-42%
PT STU at 20% contribution (in thousand Php)	**₱0.14**	₱3.03	(₱3)	-95%
Revenues (in million IDR)	**26,879**	25,798	1,081	4%
COS and Operating Expenses (in million IDR)	**21,215**	18,324	2,891	16%
EBITDA (in million IDR)	**5,663**	7,474	(1,811)	-24%
International Water Partners (IWP)				
Billed volume (in million cubic meters)	**-**	-	-	-
Net income (in million SAR)	**9**	10	(1)	-12%
IWP at 20% contribution (in thousand Php)	**₱11,770**	₱28,056	(₱16,286)	-58%
Revenues (in million SAR)	**43**	36	7	19%
COS and Operating Expenses (in million SAR)	**32**	23	8	35%
EBITDA (in million SAR)	**11**	13	(1)	-10%

	For the years ended December 31			
	2022	2021	Increase (Decrease)	%
International Water Partners the Second (IWP2)				
Net income (in million SAR)	**3**	-	3	100%
IWP at 20% contribution (in thousand Php)	**₱11,355**	₱-	₱11,355	100%
Revenues (in million SAR)	**21**	-	21	100%
COS and Operating Expenses (in million SAR)	**17**	-	17	100%
EBITDA (in million SAR)	**4**	-	4	100%

**Billed volume is the amount of water billed to customers, which is measured in million cubic meters (mcm)*

Thu Duc Water sold a total of 109.5 mcm of water for the period ending December 31, 2022. Using Vietnamese Accounting Standards ("VAS"), revenues were 3% higher at VND390 billion. Meanwhile, Thu Duc Water's cost and expenses decreased 3% to VND136 billion due to lower power and repairs and maintenance. As a result, EBITDA for the year increased 7% to VND254 billion. Net income increased to VND171 billion, 19% higher from the same period in 2021 mainly driven by the full impact of the 4% increase in tariff. As Thu Duc conforms to IFRIC-12 guidelines, the PFRS-translated income of Thu Duc in peso terms, expressed as equity share in net income of associates, amounted to ₱316 million in 2022, 15% higher from previous year. This is equivalent to MWAP's 49% stake in Thu Duc Water.

Kenh Dong Water's billed volume increased slightly in 2022 to 68.5 mcm from 67.9 mcm in 2021. Further support lent by a 1% increase in tariff resulted to a 5% increase of revenues to VND317 billion. Correspondingly, cost and expenses were held steady at VND132 billion. This led to an increase in EBITDA by 9% to VND185 billion. Consequently, Kenh Dong Water's net income increased to VND119 billion, 19% higher from the same period in 2021. Like Thu Duc Water, income from Kenh Dong Water is translated into PFRS and is reported as equity share in net income of associates in the consolidated financial statements. In peso terms, the PFRS-translated income of MWAP's 47.35% stake in Kenh Dong Water amounted to ₱198 million as of the end of 2022.

MWAP's investment in Saigon Water, a listed water holding company in Vietnam with seven (7) subsidiaries (i.e. three bulk water operations, two distribution operations, and two service companies) and one (1) equity investment (i.e. bulk water). Saigon Water recorded total consolidated billed volume of 129.5 mcm in 2022, higher by 1% from the previous year due to Cu Chi's higher consumption from its commercial segment and marginal increase in the domestic segment, albeit a slight contraction in the industrial segment. Consequently, Saigon Water's revenue increased 2% to VND296 billion due to higher tariffs for nearly all of its business units. On the other hand, cost and expenses increased by 15% to VND215 billion due to higher direct cost related to higher billed volume and higher spending on general and administrative expenses, as well as bad debt provision. Consequently, EBITDA decreased by 22% to VND81 billion. As a result, Saigon Water posted a net loss of VND89 billion in 2022. The PFRS-translated loss of Manila Water's 37.99% stake in Saigon Water amounted to ₱89 million as of the end of 2022.

East Water, a water supply and environmental services company in Thailand operating for more than 20 years, registered a total of 323.7 mcm in billed volume in 2022, which was lower by 10% versus last year. This was primarily driven by lower revenues from Sriracha and Pattaya customers, in line with the COVID-19 surge during the early part of the year which significantly affected tourism. In addition, some customers have begun utilizing alternative water sources following the onset of heavy rains during second half of 2021. These factors led to a decrease in revenues of 9%. Despite the decrease in billed volume, average cost noted an increase due to an upward movement in electricity cost following the rate hike in Thailand beginning October 2022. As a result, EBITDA was at THB1.7 billion, down 13% versus last year. With higher depreciation expense following the completion of projects in 2021, net income decreased 33% to THB700 million. In peso terms, the income reflected in the consolidated financial statements as equity share in net income of associates amounted to ₱61 million as of the end of 2022, 61% lower than in 2021, equivalent to Manila Water's 18.72% stake in East Water.

For PT STU's, an industrial bulk water operation in Indonesia, billed volume increased by 3% to 6.3 mcm in 2022 from 6.1 mcm in 2021. Consequently, PT STU posted revenues of IDR27 billion and an EBITDA of IDR6 billion. Net income decreased to about IDR3 billion, lower by 42% from the same period in 2021 due to higher cost of sales, higher general and administrative expenses, as well as higher income tax for 2022. Income from PT STU reported as equity share in net income of associates in the consolidated financial statements amounted to ₱0.14 million, representing a 20% stake of Manila Water.

Lastly, the Consortium of Saur SAS, Miahona Company, and the Parent Company in the Kingdom of Saudi Arabia, IWP and IWP2 posted income in the amount of ₱9 million and ₱3 million, respectively. Equity share in net income of associates reported in the consolidated financial statements are representative of a 20% respective stake of Manila Water in both IWP2 and IWP2.

CONSOLIDATED BALANCE SHEET

Total assets increased to ₱195 billion from December 31, 2021. Cash and cash equivalents declined by 34% to ₱8.8 billion driven by additional capital expenditures and payment of debt servicing costs.

The Group's balance sheet remains strong, with the Company compliant with loan covenants. Debt maturity profile is spread out.

(in millions)	**December 31, 2022**	December 31, 2021	Increase (Decrease)	%
Assets	**₱194,804**	₱165,517	29,287	18%
Cash and cash equivalents	**8,812**	13,338	(4,526)	(34%)
*Other assets**	**40,957**	35,794	5,163	14%
*Service concession assets***	**145,035**	116,385	28,650	25%
Liabilities	**₱121,351**	₱97,192	24,159	25%
Equity	**₱73,453**	₱68,325	5,128	8%
Ratios				
Bank debt to equity	**1.01x**	0.86x		
Debt service coverage ratio (DSCR)	**1.37x**	1.92x		
Return on equity (ROE)	**9 %**	6%		

**Other assets are current and non-current*
***Service concession assets (SCA) are the assets used to provide water and used water services to customers. SCA consists of constructed assets, as well as Concession Fees paid to MWSS.*

With regard to liabilities, total debt as of December 31, 2022 increased to ₱84.9 billion from ₱71.4 billion as of December 31, 2021. Bank debt increased due to additional drawdowns and impact of translation of foreign currency denominated loans. Other than debt, the increase in liabilities was also due to increase in trade payables and service concession obligations, specifically the IFRIC 12 impact of Wawa. Consequently, net debt as of December 31, 2022 ended higher at ₱75.9 billion driven by the decline in cash.

Total equity increased by 8% mainly driven by increase in retained earnings as a result of the Group's improved performance in 2022, coupled with increases from hedging reserves and cumulative translation adjustments. This was partially offset by movements in the remeasurement of pension liabilities and other equity reserves.

Bank debt to equity was at 1.01x while DSCR stood at 1.37x. Average cost of debt for the Group was at 5.46%, while ROE was at 9%.

Management does not have knowledge of any material trends, events, or uncertainties outside the normal course of business which it deems will have a material impact on liquidity. Likewise, Management does not have any knowledge of imminent events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

CONSOLIDATED CAPITAL EXPENDITURES

Total capital expenditures for the Group increased by 36% to end at ₱22.42 billion[11] for the period, with ₱20.56 billion or 92% 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.

11 This includes regulatory capital expenditures related to concession assets (which excludes capitalized borrowing costs, among others) and property, plant, and equipment.

The Parent Company will comply with the approved Rate Rebasing Service Improvement Plan for the East Zone. Under this plan, capital expenditures will involve water supply, service reliability, network efficiency and wastewater projects. Said projects will be financed by internally generated funds and debt that are ably supported by the Company's strong balance sheet.

Meanwhile, total capital expenditures of the domestic subsidiaries amounted to ₱1,849 million for the year. Of the total amount, ₱462 million was undertaken by Laguna Water for its water network expansion. Estate Water spent ₱588 million for its greenfield and brownfield projects, while the balance was taken on by the remaining subsidiaries for their various projects.

RECENT MATERIAL EVENTS

Water Franchise Approval

On January 25, 2022, 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 franchise considers MWCI as a public utility. It provides that income taxes due from MWCI cannot be passed on to consumers.

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.

Section 5 of RA No. 11601 provides that the Concession Agreement shall serve as the certificate of public convenience and necessity, license or permit of MWCI for the operation of its waterworks and sewerage system. Under RA 11601, "Concession Agreement" refers to the agreement between the grantee and MWSS on February 21, 1997, including its amendment dated October 26, 2001, and the Memorandum of Agreement and Confirmation dated October 23, 2009, as amended by the Revised Concession Agreement dated March 31, 2021, or as may thereafter be amended.

When public interest for affordable water security requires and upon application by the Parent Company, MWSS is authorized to approve the amendment of the Concession Agreement 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.

On March 2, 2022, the MWSS BOT approved Resolution No. 2022-025-RO, Series 2022 involving the implications of the Legislative Franchises on the VAT and franchise tax of the Concessionaires specifically:

i. The removal of VAT from the customer bills of Manila Water and Maynilad resulting from the grant of the Legislative Franchises to the Concessionaires, subject to the National Internal Revenue Code of 1997, as amended, and the relevant rules of the Bureau of Internal revenues; and
ii. The imposition of Government Taxes in the customers' bills as pass-through costs comprised of a national franchise tax at the rate of 2.00% and actual implemented rates of local franchise tax for each local government unit starting March 21, 2022.

On March 21, 2022, the Parent Company submitted its notice of acceptance of the twenty-five (25)-year legislative franchise to the Committee on Legislative Franchises of the House of Representatives and the Senate Committee on Public Services.

On April 29, 2022, the Parent Company submitted its 1st Annual Report to Congress in compliance with Section 21 of RA No. 11601.

Rate Rebasing Adjustment for Charging Years 2023 to 2027

On March 31, 2022, the Parent Company filed with the MWSS RO its Business Plan for the Rate Rebasing Period for Charging Years 2023-2027. Public Consultation Drives were conducted on July and October 2022 to inform the stakeholders and Local Government Units (LGUs) on the completed and ongoing projects, programs, and plans of Manila Water; solicit valuable inputs from LGUs that may be incorporated in the Business Plans of Manila Water; and provide a venue for discussing and addressing prevailing (gender-related) issues and concerns of stakeholders on water, sewerage, and sanitation services, and for exploring good practices in providing (gender-responsive) services.

On November 10, 2022, the MWSS BOT (MWSS BOT Resolution No. 2022-148-RO) approved the Parent Company's Rebasing Adjustment for the Sixth Rate Rebasing Period (2023 to 2027) as recommended by the MWSS RO (MWSS RO Resolution No. 2012-12-CA). The implementation of Rebasing Adjustment from 2023 to 2027 on a staggered basis is scheduled as follows:

- ₱8.04 on January 1, 2023,
- ₱5.00 on January 1, 2024,
- ₱3.25 on January 1, 2025,
- ₱1.91 to ₱3.00 on January 1, 2026, and
- ₱1.05 to ₱1.08 on January 1, 2027.

The approval also includes an indicative adjustment of about 0.97 to 1.00 or 2.12% in January 1, 2028 due to non-full recovery of the total expenses for the Wawa Bulk Water Supply Project in compliance with MWSS BOT. However, this amount will be subject to the next Rate Rebasing exercise.

Furthermore, the environmental charge will increase from 20% to 25% beginning January 1, 2023, and from 25% to 30% beginning January 1, 2026. Sewer charge will increase from 30% to 32.85% beginning January 1, 2023, subject to Manila Water's attainment of sewer coverage of 30% by the end of 2025.

Notice of the Supreme Court En Banc in "Manila Water Company, Inc. vs. the Secretary of the Department of Environment and Natural Resources, et.al." with G.R. No. 206823

Said 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 (DENR), 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 P921.46 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 P921.46 million fine, the Parent Company shall be fined in the initial amount of P322,102.00 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 25, 2022, the Republic Act (RA) 11601 or "*An Act Granting Manila Water Company, Inc. a Franchise to Establish, Operate, and Maintain a Waterworks System and Sewerage and Sanitation Services in the East Zone Service Area of Metro Manila and Province of Rizal*" took effect. This extends the Parent Company's compliance deadline with Sec. 8 of the Clean Water Act from May 7, 2009 to the year 2037.

On January 26, 2022, the Parent Company filed a Manifestation to inform the Supreme Court of certain developments (i.e., the grant of a legislative franchise to the Parent Company) which it deems relevant in the resolution of its 2019 Motion for Reconsideration.

On October 21, 2022, the Parent Company received a resolution dated July 19, 2022 issued by the Supreme Court which modified the dispositive portion of the Court's August 6, 2019 decision. Accordingly, the Parent Company is liable for fines in violation of Section 8 of the Clean Water Act in the following manner:

The Parent Company shall be jointly and severally liable with MWSS for the total amount of ₱202.26 million covering the period starting from May 7, 2009 until January 21, 2022 (date before the effectivity of RA 11601), to be paid within fifteen (15) days from the receipt of the Resolution.

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 November 2, 2022, the Office of the Solicitor General filed for DENR, a Motion for Partial Reconsideration related to the resolution issued by the Supreme Court dated July 19, 2022.

On January 17, 2023, the Supreme Court denied with finality the Motion for Partial Reconsideration filed by the Office of the Solicitor General for DENR, in relation with the lowering of fines imposed against the Parent Company and MWSS. Supreme Court also rule that no further pleadings or motions will be entertained, and that entry of judgment will be made immediately.

Accordingly, in 2022, the Parent Company recognized a net reduction of prior years' provision for Clean Water Act of ₱450.26 million in Other Income.

On February 9, 2023, the Parent Company has paid the fines in full amounting to ₱202.26 million.

Declaration of Cash Dividends

On November 17, 2022, the Board of Directors during its meeting, approved the declaration of cash dividends amounting to ₱0.379 per share on the outstanding common shares, ₱0.038 per share on the outstanding unlisted participating preferred shares, and accumulated fixed cash dividends of ₱0.01 per share on the outstanding unlisted participating preferred shares.

The record date is December 2, 2022, and payment date is on December 19, 2022.

11 This includes regulatory capital expenditures related to concession assets (which excludes capitalized borrowing costs, among others) and property, plant, and equipment.

Report of the Audit Committee to the Board of Directors

For the year ended December 31, 2022

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) regular meetings with the external and internal auditors and two (2) special meetings;
- The Committee recommended to the Board of Directors the re-appointment of SGV & Co. as independent external auditors for 2022 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, 2022, 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 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 Committee 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, 2022 and the filing thereof with the Securities and Exchange Commission.

February 20, 2023

SHERISA P. NUESA
Chairperson, Audit Committee

CESAR A. BUENAVENTURA
Independent Director

OCTAVIO VICTOR R. ESPIRITU
Vice Chairperson

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, 2022 and 2021 and for the years ended December 31, 2022, 2021, and 2020, 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

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Manila Water Company, Inc.
MWSS Administration Building, 489 Katipunan Road
Balara, Quezon City

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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 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 80% 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 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 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 currently involved in various legal proceedings and exposures in the ordinary conduct of business. 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 periods of the concession agreements and franchise period. 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 and franchise. It considers different factors such as population growth rate, supply and consumption, 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 external specialist and gained an understanding of the methodology and the basis of computing the forecasted billable volume. 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.

Impairment testing of Parent Company's service concession assets and property and equipment

As discussed in Note 3, the Parent Company's market capitalization as of December 31, 2022 is significantly below its net book value. This is an impairment indicator that requires an assessment of the recoverability of the Parent Company's non-financial assets, particularly its service concession assets and property and equipment with carrying amounts of ₱129.58 billion and ₱1.11 billion, respectively, as of December 31, 2022. The determination of the recoverable amounts of these assets requires the use of significant judgment, estimates, and assumptions. The valuation of these assets using fair value less cost to sell requires the assistance of an external appraiser whose calculations also depend on certain assumptions, which have been impacted by the coronavirus pandemic, such as 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, and deductions for physical deterioration and all other relevant forms of obsolescence.

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The disclosures in relation to the above matters are included in Notes 1 and 3 to the consolidated financial statements.

Audit response

We evaluated the methodology and assumptions used in determining the fair values of the service concession assets and property and equipment. For the market approach, the assumptions used include information supporting the comparability of the subject assets with identical or similar properties for which information is available, value of comparable properties and adjustments made to the value of the comparable properties. We made inquiries with the management's specialist who appraised the assets about the methodology and assumptions used in the valuation of the subject assets, taking into consideration the impact associated with coronavirus pandemic, and we evaluated the specialist's competence, capabilities, and objectivity by considering its qualifications, experience and reporting responsibilities.

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, 2022, 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, 2022 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.

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.

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- 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.

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. 97907-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
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, valid until September 15, 2024
PTR No. 9564626, January 3, 2023, Makati City

February 27, 2023

Consolidated Statements of Financial Position

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, and 23)	₱8,811,939,212	₱13,337,711,573
Short-term investments (Notes 5 and 23)	128,417,810	268,516,237
Receivables (Notes 6 and 23)	2,782,499,912	2,703,155,395
Contract assets - current portion (Notes 6, 23 and 29)	934,780,675	822,127,358
Inventories (Note 7)	450,657,769	450,692,516
Other current assets (Note 8)	2,002,445,492	2,067,609,310
Total Current Assets	15,110,740,870	19,649,812,389
Noncurrent Assets		
Property, plant and equipment and software (Notes 9 and 23)	7,163,920,549	6,338,703,883
Service concession assets - net (Notes 10, 23 and 24)	145,065,205,551	116,385,195,772
Right-of-use assets (Note 11)	426,136,195	349,695,765
Contract assets - net of current portion (Notes 6 and 29)	1,729,817,675	1,665,312,397
Investments in associates (Note 12)	15,434,604,040	14,536,285,550
Goodwill (Note 4)	6,247,010	6,247,010
Deferred tax assets - net (Note 20)	635,223,298	1,230,206,887
Other noncurrent assets (Notes 13 and 29)	9,232,277,139	5,355,465,105
Total Noncurrent Assets	179,693,431,457	145,867,112,369
Total Assets	₱194,804,172,327	₱165,516,924,758

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 14 and 23)	₱16,194,519,558	₱13,228,865,224
Short-term debt (Notes 15 and 23)	252,872,324	–
Current portion of:		
Long-term debt (Notes 15 and 23)	6,024,171,860	5,311,356,305
Service concession obligations (Notes 10, 24 and 29)	729,984,535	626,529,444
Lease liabilities (Note 11)	120,860,143	115,016,609
Contract liabilities (Notes 14 and 23)	347,150,494	522,314,528
Income tax payable (Note 20)	415,028,621	131,742,420
Total Current Liabilities	24,084,587,535	19,935,824,530
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Notes 15 and 23)	78,645,612,772	66,077,385,688
Service concession obligations (Notes 10, 24 and 29)	15,313,404,443	8,331,791,889
Lease liabilities (Note 11)	315,487,289	246,701,536
Contract liabilities (Note 14)	590,112,583	151,548,734
Pension liabilities - net (Note 16)	288,213,851	146,931,846
Deferred tax liabilities - net (Note 20)	338,020,390	263,639,020
Provisions (Note 30)	653,750,967	1,166,957,229
Other noncurrent liabilities (Notes 17 and 29)	1,121,724,232	870,980,332
Total Noncurrent Liabilities	97,266,326,527	77,255,936,274
Total Liabilities	121,350,914,062	97,191,760,804

(Forward)

	December 31	
	2022	2021
Equity		
Attributable to common equity holders of Manila Water Company, Inc.		
Capital stock (Note 21):		
Common stock	₱2,884,839,617	₱2,884,839,617
Preferred stock	400,000,000	400,000,000
	3,284,839,617	3,284,839,617
Additional paid-in capital	14,427,621,413	14,417,217,151
Treasury shares (Note 21)	(43,313,195)	–
Subscriptions receivable (Note 1 and 21)	(5,644,968,396)	(5,654,475,773)
Total paid-up capital	12,024,179,439	12,047,580,995
Retained earnings (Note 21):		
Appropriated	40,610,000,000	40,610,000,000
Unappropriated	18,087,151,743	13,448,628,617
Cumulative translation adjustment (Notes 2 and 12)	533,548,708	407,475,855
Hedging reserves (Note 28)	1,310,852,803	422,240,441
Remeasurement loss on defined benefit plans (Note 16)	(167,831,265)	(38,510,424)
Equity in other comprehensive loss of associates (Note 12)	(1,906,738)	(1,906,738)
Other equity reserves (Note 21)	(144,458,138)	54,106,905
	72,251,536,552	66,949,615,651
Noncontrolling interests (Notes 2 and 21)	1,201,721,713	1,375,548,303
Total Equity	73,453,258,265	68,325,163,954
Total Liabilities and Equity	₱194,804,172,327	₱165,516,924,758

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2022	2021	2020
CONTINUING OPERATIONS			
REVENUE FROM CONTRACTS WITH CUSTOMERS			
Water and used water revenues (Notes 23 and 26)	₱20,640,724,233	₱19,287,138,596	₱20,158,392,365
Other operating revenues (Notes 18, 23 and 26)	1,901,722,029	1,005,249,021	966,742,536
FINANCE INCOME FROM CONTRACT ASSETS (Note 6)	256,537,754	237,712,035	291,971,227
	22,798,984,016	20,530,099,652	21,417,106,128
COST OF SERVICES			
Depreciation and amortization (Notes 9, 10 and 11)	2,703,323,804	3,328,979,343	3,003,122,434
Power, light and water (Note 23)	2,203,365,424	1,450,438,453	1,427,167,997
Salaries, wages and employee benefits (Notes 16, 21 and 23)	1,146,524,894	1,259,467,394	1,184,915,942
Contractual services	804,080,940	504,006,045	390,115,686
Repairs and maintenance	660,399,635	529,447,395	418,345,419
Water treatment chemicals	429,804,871	430,600,800	521,533,844
Regulatory costs (Note 1)	331,785,859	273,907,788	237,765,185
Wastewater costs	246,199,021	195,695,652	125,297,898
Amortization of water service connections	204,760,977	142,967,905	103,294,386
Water tankering and bulk water costs	189,237,497	177,007,383	207,594,082
Collection fees	173,759,450	135,772,209	100,912,525
Management, technical and professional fees (Note 23)	41,271,558	338,930,431	135,119,166
Rent (Notes 11 and 25)	5,020,642	3,653,385	2,982,130
Other expenses (Note 18)	424,027,969	170,207,075	107,619,900
	9,563,562,541	8,941,081,258	7,965,786,594
GROSS PROFIT	13,235,421,475	11,589,018,394	13,451,319,534
OPERATING EXPENSES (Notes 18 and 23)	4,279,500,594	3,906,937,740	3,895,407,194
INCOME BEFORE OTHER INCOME (EXPENSES)	8,955,920,881	7,682,080,654	9,555,912,340
OTHER INCOME (EXPENSES)			
Revenue from rehabilitation works (Notes 1, 2, 6 and 10)	23,626,424,275	16,970,072,793	10,976,166,852
Cost of rehabilitation works (Notes 1, 2, 6 and 10)	(23,626,424,275)	(16,970,072,793)	(10,976,166,852)
Interest expense (Notes 10, 11, 15 and 18)	(2,816,244,442)	(2,473,334,462)	(2,260,072,792)
Foreign currency differentials (Notes 1 and 3)	2,532,900,291	433,279,731	(725,815,429)
Foreign exchange gains (losses) - net	(1,870,416,962)	(781,039,952)	215,701,805
Equity share in net income of associates (Note 12)	520,067,157	569,460,003	213,838,618
Interest income (Note 18)	121,758,500	70,548,460	211,220,181
Gains (losses) on disposal of property and equipment - net	2,995,037	(34,110,548)	(1,130,401)
Amortization of deferred credits (Note 17)	13,216,379	16,996,570	15,353,323
Other income (losses) - net (Notes 9, 12 and 18)	700,768,319	(175,485,709)	(561,438,569)
	(794,955,721)	(2,373,685,907)	(2,892,343,264)
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	8,160,965,160	5,308,394,747	6,663,569,076
PROVISION FOR INCOME TAX - NET (Note 20)	2,013,199,468	1,539,293,408	1,748,724,353
NET INCOME FROM CONTINUING OPERATIONS	6,147,765,692	3,769,101,339	4,914,844,723
NET LOSS AFTER TAX FROM DISCONTINUED OPERATIONS (Note 19)	(6,358,029)	(14,962,821)	(369,057,479)
NET INCOME	6,141,407,663	3,754,138,518	4,545,787,244
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)	1,353,851,939	1,522,605,373	–
Costs of hedging (Note 28)	(169,035,456)	(959,618,119)	–
Cumulative translation adjustment (Note 12)	445,649,634	566,135,946	(403,720,614)
Loss on net investment hedge (Note 28)	(466,574,121)	(121,415,238)	–
Income tax effect	(149,206,781)	(140,746,813)	–
	1,014,685,215	866,961,149	(403,720,614)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain (loss) on pension liabilities - net (Note 16)	(172,427,788)	112,819,432	(26,489,272)
Equity share in other comprehensive loss of an associate (Note 12)	–	–	(560,794)
Income tax effect	43,106,947	(35,798,062)	48,179,293
	(129,320,841)	77,021,370	21,129,227
TOTAL COMPREHENSIVE INCOME	₱7,026,772,037	₱4,698,121,037	₱4,163,195,857

(Forward)

	Years Ended December 31		
	2022	2021	2020
Net income attributable to:			
Common equity holders of Manila Water Company, Inc. (Note 19)	₱5,922,776,410	₱3,673,328,608	₱4,500,453,025
Noncontrolling interests (Notes 1 and 19)	218,631,253	80,809,910	45,334,219
	₱6,141,407,663	₱3,754,138,518	₱4,545,787,244
Total comprehensive income attributable to:			
Common equity holders of Manila Water Company, Inc.	₱6,808,140,784	₱4,617,130,349	₱4,117,502,174
Noncontrolling interests (Note 1)	218,631,253	80,990,688	45,693,683
	₱7,026,772,037	₱4,698,121,037	₱4,163,195,857
Earnings per Share before Discontinued Operations (Note 22)			
Net income attributable to common equity holders of Manila Water Company, Inc.:			
Basic	₱1.79	₱1.23	₱1.94
Diluted	₱1.79	₱1.23	₱1.94
Earnings per Share (Note 22)			
Net income attributable to common equity holders of Manila Water Company, Inc.:			
Basic	₱1.79	₱1.23	₱1.81
Diluted	₱1.79	₱1.23	₱1.81

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	December 31, 2022								
			Other Comprehensive Income						
	Paid-in Capital (Note 21)	Retained Earnings (Note 21)	Cumulative nslation 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 (NCI) (Notes 1, 2, and 21)	Total
Balance at beginning 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
Net income	–	5,922,776,410	–	–	–	–	–	218,631,253	6,141,407,663
Other comprehensive income	–	–	126,072,853	888,612,362	(129,320,841)	–	–	–	885,364,374
Total comprehensive income	–	5,922,776,410	126,072,853	888,612,362	(129,320,841)	–	–	218,631,253	7,026,772,037
Movements in NCI	–	–	–	–	–	–	(198,565,043)	(254,369,927)	(452,934,970)
Cost of share-based payment	19,911,639	–	–	–	–	–	–	–	19,911,639
Dividends declared	–	(1,284,253,284)	–	–	–	–	–	(138,087,916)	(1,422,341,200)
Purchase of treasury shares	(49,407,905)	–	–	–	–	–	–	–	(49,407,905)
Reissuance of treasury shares	6,094,710	–	–	–	–	–	–	–	6,094,710
Balance at end of year	₱12,024,179,439	₱58,697,151,743	₱533,548,708	₱1,310,852,803	(₱167,831,265)	(₱1,906,738)	(₱144,458,138)	₱1,201,721,713	₱73,453,258,265

	December 31, 2021								
			Other Comprehensive Income						
	Paid-in Capital (Note 21)	Retained Earnings (Note 21)	Cumulative anslation 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 (NCI) (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
Movements in NCI	–	–	–	–	–	–	–	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								
			Other Comprehensive Income						
	Paid-in Capital (Note 21)l	Retained Earnings (Note 21)	Cumulative ıslation 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 (NCI) (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
Movements in NCI	–	–	–	–	–	–	–	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

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	₱8,160,965,161	₱5,308,394,747	₱6,663,569,076
Loss before income tax from discontinued operations (Note 19)	(6,295,651)	(15,006,292)	(382,876,384)
Income before income tax	8,154,669,510	5,293,388,455	6,280,692,692
Adjustments for:			
Depreciation and amortization (Notes 3, 9, 10 and 11)	3,045,797,752	3,628,406,392	3,554,080,494
Interest expense (Notes 10, 11, 15 and 18)	2,816,244,442	2,473,334,462	2,261,749,072
Equity share in net income of associates (Note 12)	(520,067,157)	(569,460,003)	(213,838,618)
Provision for (reversal of) probable losses and impairment losses (Notes 4, 6, 9, 12 and 18)	(402,271,823)	444,040,940	646,143,493
Interest income (Note 18)	(121,758,500)	(70,548,460)	(211,220,181)
Unrealized foreign exchange loss on non-cash accounts	99,428,585	1,859,372,984	217,786,827
Pension expense, contribution and benefit payment - net (Note 16)	74,330,251	71,860,185	95,071,332
Share-based payments (Note 21)	19,911,639	3,390,655	18,793,326
Amortization of deferred credits (Note 17)	(13,216,379)	(16,996,570)	(15,353,323)
Loss (gain) on disposal of property and equipment - net	(2,995,037)	34,454,367	(19,837,994)
Operating income before changes in operating assets and liabilities	13,150,073,283	13,151,243,407	12,614,067,120
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	(74,826,614)	410,589,161	(789,573,107)
Contract assets	(177,158,594)	23,965,142	(28,193,197)
Inventories	34,747	(125,764,514)	17,511,829
Service concession assets	(21,336,547,720)	(15,352,647,788)	(9,457,216,458)
Other current assets	(32,509,786)	399,251,291	(988,096,451)
Increase in:			
Accounts and other payables	2,205,408,446	2,553,795,411	379,021,625
Contract liabilities	263,399,815	173,477,814	163,106,910
Net cash generated from (used in) operations	(6,002,126,423)	1,233,909,924	1,910,628,271
Income tax paid	(1,069,036,920)	(1,253,803,089)	(2,111,982,733)
Net cash used in operating activities	(7,071,163,343)	(19,893,165)	(201,354,462)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment and software (Note 9)	(1,102,388,720)	(1,519,658,210)	(1,322,511,423)
Investments in associates (Notes 1 and 12)	(2,063,600)	(1,280,802)	–
Dividends received from associates (Note 12)	443,259,393	418,300,404	441,920,121
Interest received	116,696,914	73,117,766	215,072,130
Proceeds from sale of property and equipment	4,948,132	2,988,665	28,282,457
Decrease (increase) in short-term investments (Note 5)	140,098,427	(135,871,114)	(20,031,549)
Increase in other noncurrent assets (Note 13)	(230,206,726)	(2,015,342,546)	(878,685,037)
Net cash used in investing activities	(629,656,180)	(3,177,745,837)	(1,535,953,301)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of (Note 15):			
Long-term debt	14,995,888,934	8,898,721,967	35,045,830,597
Short-term debt	8,699,503,225	–	3,887,967,123
Payments of:			
Short-term debt (Note 15)	(8,455,000,000)	–	(3,900,000,000)
Long-term debt (Note 15)	(5,415,719,209)	(12,365,905,958)	(17,041,375,750)
Service concession obligations (Note 10)	(1,039,219,993)	(925,759,914)	(1,211,982,518)
Principal portion of lease liabilities (Note 11)	(105,995,513)	(141,470,517)	(99,434,114)
Dividends to equity holders of the Parent Company (Note 21)	(1,284,253,284)	(1,863,849,837)	–
Dividends to noncontrolling interests	(138,087,916)	(29,027,433)	(7,356,681)
Interest	(3,517,060,569)	(3,012,274,103)	(2,578,403,389)
Movements in noncontrolling interests (Note 1)	(452,934,970)	3,804,850	4,971,500
Acquisition of treasury shares (Note 21)	(43,313,195)	–	–
Increase (decrease) in provisions and other noncurrent liabilities	20,790,801	(97,609,252)	(528,670,817)
Proceeds from subscription of shares (Note 21)	–	5,341,912,897	–
Net cash provided by (used in) financing activities	3,264,598,311	(4,191,457,300)	13,571,545,951
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,436,221,212)	(7,389,096,302)	11,834,238,188
UNREALIZED FOREIGN EXCHANGE LOSS ON CASH AND CASH EQUIVALENTS	(89,551,149)	(450,148)	(65,223,567)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13,337,711,573	20,727,258,023	8,958,243,402
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	₱8,811,939,212	₱13,337,711,573	₱20,727,258,023

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, 2022 and 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. The ultimate parent of Trident Water is 97.25% owned by Razon & Co., Inc. while Ayala is a publicly listed company which is 47.87% owned by Mermac, Inc. and the rest by the public.

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 As of December 31 2022	2021
Manila Water Infratech Solutions Corp. (MWIS)	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)[5]	-do-	**–**	100.00
Manila Water (Thailand) Co., Ltd. (MWTC)[6]	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-	**100.00**	51.00
Tagum Water Company, Inc. (Tagum Water)[3]	-do-	**90.00**	45.90
Manila Water Consortium, Inc. (MW Consortium)	-do-	**79.63**	57.22
Cebu Manila Water Development, Inc. (Cebu Water)[4]	-do-	**56.21**	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 90.00% and 45.90% by virtue of its 100.00% and 51.00% ownership interest in Davao Water as of December 31, 2022 and 2021, respectively.*
[4]*Cebu Water is 70.58% owned by MW Consortium. MWPVI's effective ownership interest in Cebu Water is 56.21% and 40.39% by virtue of its 79.63% and 57.22% ownership interest in MW Consortium as of December 31, 2022 and 2021, respectively.*
[5]*On July 18, 2022, MWTH was considered officially dissolved in Singapore by the Accounting and Corporate Regulatory Authority.*

[6]On March 18, 2022, ownership of shares in MWTC was transferred to MWAP as sole shareholder of MWTH upon distribution of its surplus funds and assets.

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, 2022 and 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, 3 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.

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.

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.

The Parent Company and MWSS has since executed six (6) amendments to the RCA extending its Effective Date to allow time to complete the remaining condition precedent – the Undertaking Letter from the Republic. The Sixth Amendment executed on May 19, 2022 extended the Effective Date to not later than June 30, 2022.

On June 30, 2022, the RCA did not take effect due to the Republic's failure to submit the prescribed Undertaking Letter. Any changes adopted by the Parent Company in relation to the RCA were reverted to the terms provided in the Original Concession Agreement, except as provided under the franchise (Refer to Note 1, discussion on Parent Company Water Franchise Approval).

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 include a tariff freeze until December 31, 2022.

On November 10, 2022, the MWSS BOT (MWSS BOT Resolution No. 2022-148-RO) approved the Parent Company's Rebasing Adjustment for the Sixth Rate Rebasing Period (2023 to 2027) as recommended by the MWSS RO (MWSS RO Resolution No. 2012-12-CA). The implementation of Rebasing Adjustment from 2023 to 2027 on a staggered basis is scheduled as follows:

- ₱8.04 on January 1, 2023,
- ₱5.00 on January 1, 2024,
- ₱3.25 on January 1, 2025,
- ₱1.91 to ₱3.00 on January 1, 2026, and
- ₱1.05 to ₱1.08 on January 1, 2027.

The approval also includes an indicative adjustment of about 0.97 to 1.00 or 2.12% in January 1, 2028 due to non-full recovery of the total expenses for the Wawa Bulk Water Supply Project in compliance with MWSS BOT. However, this amount will be subject to the next Rate Rebasing exercise.

Furthermore, the environmental charge will increase from 20% to 25% beginning January 1, 2023, and from 25% to 30% beginning January 1, 2026. Sewer charge will increase from 30% to 32.85% beginning January 1, 2023, subject to Manila Water's attainment of sewer coverage of 30% by the end of 2025.

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. However, due to non-effectivity of the RCA on June 30, 2022, the Parent Company has reinstated the original Concession Agreement on July 1, 2022 with the recovery mechanism of the FCDA still in effect.

As of December 31, 2022 and 2021, the Parent Company's deferred FCDA on the consolidated statement of financial position amounted to ₱2,512.71 million and ₱370.82 million, respectively.

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 (DENR), 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 25, 2022, the Republic Act (RA) 11601 or "*An Act Granting Manila Water Company, Inc. a Franchise to Establish, Operate, and Maintain a Waterworks System and Sewerage and Sanitation Services in the East Zone Service Area of Metro Manila and Province of Rizal*" took effect. This extends the Parent Company's compliance deadline with Sec. 8 of the Clean Water Act from May 7, 2009 to the year 2037.

On January 26, 2022, the Parent Company filed a Manifestation to inform the Supreme Court of certain developments (i.e., the grant of a legislative franchise to the Parent Company) which it deems relevant in the resolution of its 2019 Motion for Reconsideration.

On October 21, 2022, the Parent Company received a resolution dated July 19, 2022 issued by the Supreme Court which modified the dispositive portion of the Court's August 6, 2019 decision. Accordingly, the Parent Company is 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 ₱202.26 million covering the period starting from May 7, 2009 until January 21, 2022 (date before the effectivity of RA 11601), to be paid within fifteen (15) days from the receipt of the Resolution.
b. 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 November 2, 2022, the Office of the Solicitor General filed for DENR, a Motion for Partial Reconsideration related to the resolution issued by the Supreme Court dated July 19, 2022.

On January 17, 2023, the Supreme Court denied with finality the Motion for Partial Reconsideration filed by the Office of the Solicitor General for DENR, in relation with the lowering of fines imposed against the Parent Company and MWSS. Supreme Court also rule that no further pleadings or motions will be entertained, and that entry of judgment will be made immediately.

Accordingly, in 2022, the Parent Company recognized a net reduction of prior years' provision for Clean Water Act of ₱450.26 million in Other Income.

On February 9, 2023, the Parent Company has paid the fines in full amounting to ₱202.26 million.

Parent Company's Water Franchise Approval
On January 25, 2022, 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 franchise considers MWCI as a public utility. It provides that income taxes due from MWCI cannot be passed on to consumers.

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.

Section 5 of RA No. 11601 provides that the Concession Agreement shall serve as the certificate of public convenience and necessity, license or permit of MWCI for the operation of its waterworks and sewerage system. Under RA 11601, “Concession Agreement” refers to the agreement between the grantee and MWSS on February 21, 1997, including its amendment dated October 26, 2001, and the Memorandum of Agreement and Confirmation dated October 23, 2009, as amended by the Revised Concession Agreement dated March 31, 2021, or as may thereafter be amended.

When public interest for affordable water security requires and upon application by the Parent Company, MWSS is authorized to approve the amendment of the Concession Agreement 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.

On March 2, 2022, the MWSS BOT approved Resolution No. 2022-025-RO, Series 2022 involving the implications of the Legislative Franchises on the value-added tax (VAT) and franchise tax of the Concessionaires specifically:

i. The removal of VAT from the customer bills of Manila Water and Maynilad resulting from the grant of the Legislative Franchises to the Concessionaires, subject to the National Internal Revenue Code of 1997, as amended, and the relevant rules of the Bureau of Internal revenues; and

ii. The imposition of Government Taxes in the customers’ bills as pass-through costs comprised of a national franchise tax at the rate of 2.00% and actual implemented rates of local franchise tax for each local government unit starting March 21, 2022.

On March 21, 2022, the Parent Company submitted its notice of acceptance of the twenty-five (25)-year legislative franchise to the Committee on Legislative Franchises of the House of Representatives and the Senate Committee on Public Services.

On April 29, 2022, the Parent Company submitted its 1st Annual Report to Congress in compliance with Section 21 of RA No. 11601.

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 (Wawa Bulk Water) Agreement with WawaJVCo, Inc. (the Joint Venture), 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 Wawa Bulk Water Agreement to reflect their agreement on the joint conditions precedent.

On September 28, 2021, the parties executed the Second Supplement to the Wawa Bulk Water Agreement to reflect the impact of the COVID-19 pandemic on the timeline of the project.

The first phase of the agreement will involve supply of 80.00 million liters per day of raw water in October 2022, while the second phase will supply the additional 438.00 million liters per day of raw water by December 31, 2025.

On October 25, 2022, the construction of the Tayabasan Weir was completed, and the Joint Venture commenced the provision of initial 80 million liters per day of raw water to the Parent Company. In 2022, total of 5,100.00 million of raw water was delivered by the joint venture to the Parent Company.

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. 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).

On September 28, 2022, the NWRB issued Resolution No. 13-0922 approving the Certificate of Public Convenience (CPC) of the Company valid for ten years and the rates to be implemented by the Company. Based on the approved CPC, the Company implemented a tariff increase to all its customers except LTI and Pagsanjan which became effective on January 1, 2023. Subsequently, tariff increase for LTI was also implemented and became effective on February 1, 2023. 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, 3 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).

On February 22, 2023, TIEZA approved the new rates of Boracay Water, which is equivalent to an upward adjustment of 14.02% representing the first tranche of rebasing convergence adjustment including 6.4% CPI effective 15 days after the publication to two newspapers of general circulation.

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, 2022, 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.

On February 9, 2023, Clark Water submitted its proposed 2022 rate rebasing plan following the four (4)-year rebasing period stated in its concession agreement.

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. This permit has been extended until February 11, 2023.

On February 7, 2023, Clark Water received a letter from DENR stating that Clark Water may continue providing services and is allowed to operate under its existing discharge permit, until its application made in January 12, 2023 has been granted and a new discharge permit has been issued.

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.

On March 29, 2022, MW Consortium and PGC executed a Settlement Agreement that constitutes the full, final and complete settlement of all claims, complaints, and causes of action of PGC against Cebu Water in relation to the perceived breach of the Joint Investment Agreement between the two parties.

On April 7, 2022, MWPVI secured the approval of its BOD to purchase the 32.6% stake (107,601,639 common shares) of Metro Pacific Water Investment Corporation in MW Consortium for a purchase price of ₱107.60 million. The Share Purchase Agreement and Deed of Absolute Sale were duly signed by the parties on May 12, 2022.

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, 2022, 2021 and 2020 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.

On August 8, 2022, the Arbitral Tribunal under the PDRCI has issued the final decision in favor of Zamboanga Water related to its claims against ZCWD for unpaid fixed fees and performance fees, interest, and other claims. ZCWD was ordered to pay ₱38.72 million for the outstanding fixed fees and performance fees plus interest from the time of the finality of the decision, as well as future performance fees and others as stated in the final decision.

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 was 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 49.00% 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.

On March 8, 2022, MWPVI took full ownership of Davao Water after the acquisition of 735,000 common shares held by iWater Inc. (iWater) for a consideration of ₱345.33 million. Prior to the purchase, MWPVI held 51.00% while iWater held 49.00% equity interest each. Effective March 1, 2022, all the BOD members of the Davao Water are representatives of MWPVI.

The share purchase agreement causes a significant shift in the ownership structure of Davao Water. As of March 15, 2022, Davao Water is a wholly-owned subsidiary of MWPVI.

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).

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, 2022 and 2021, Aqua Centro and MWPVI have eight (8) signed MOAs with the SM Group.

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.

In March 2022, the Municipality of Malasiqui, Pangasinan and Calasiao Water District (CWD) entered into a memorandum of agreement to operate Tourism Water Utility Assistance consisting of seven (7) barangays. As its JV Partner, CWD awarded the operation of the facility to Calasiao Water Company.

MWPVI's Asset Purchase Agreement (APA) with Asian Land Strategies Corporation (Asian Land) and Incorporation of BMDC

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.

Obando Water's Concession Agreement with Obando Water District (OWD)

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 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.

On December 28, 2021, Obando Water through OWD submitted the approved the 10-year Service Delivery Plan (SDP) to LWUA. On August 12, 2022, Obando Water and OWD conducted a Public Hearing and Project Presentation for the proposed 10-year tariff adjustment.

As of December 31, 2022, the proposed 10-year tariff adjustment is currently being reviewed by the LWUA Water Rates Division.

BMDC's APA with Solar Resources, Inc. (Solar Resources)
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.

BMDC's APA with Borland Development Corporation (Borland)
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.

Parent Company's Notice of Award from Leyte Metropolitan Water District (LMWD)
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, 2022, the case remains pending with the Supreme Court.

MWPVI's JVA with Tubig Pilipinas Group, Inc. (TPGI)
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, 2022, MWPVI and TPGI are still in the process of incorporating the joint venture company.

EcoWater's Lease Agreement with the Philippine Economic Zone Authority (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 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.

Ilagan Water's Bulk Water Sales and Purchase Agreement with City of Ilagan Water District (CIWD)
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.

On October 28, 2022, Ilagan Water received the Notice to Proceed for the Construction of Water Treatment Plant (WTP) for the Bulk Water Supply Agreement (BWSPA) from the CIWD. As of December 31, 2022, construction phase of the WTP 1 is on-going.

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 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.

On December 18, 2020, Bulakan Water through BuWD submitted its 10-year Service Delivery Plan (SDP) to LWUA. On April 29, 2021, a Public Hearing and Project Presentation was held to present to the public its proposed water tariff adjustment. On November 11, 2022, the LWUA Board of Trustees has approved and confirmed the proposed water rates per BOT Resolution No. 55, Series of 2022. The approved rate was 42.86% effective December 2022 consumption which will be reflected in the January 2023 billing.

On July 28, 2021, Bulakan Water entered into a Memorandum of Agreement with the Municipality of Bulakan for the provision of septage management program in the service area. On September 1, 2021, actual desludging activity started together with the implementation of the 20% environmental fee in all customers' bills. As of December 31, 2022, 272 households were desludged or 1.6% availment rate.

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 Sta. Barbara, San Fabian, and Manaoag in the province of Pangasinan to North Luzon Water.

As of December 31, 2022, 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.

Laguna Water's JVA with Pagsanjan Water District (PAGWAD)
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.

Parent Company's and MWPVI's JVA with the Tanauan Water District (TnWD)
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.

Parent Company's JVA with Lambunao Water District (LWD)
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, 2022 and 2021, Aqua Centro has been operating 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. San Jose Water commenced its operations on January 1, 2022 under the control of TPGI which holds approximately 98% of shares in the company.

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.

Calbayog Water's water tariff is exclusive of VAT which is charged to the customers for the first three (3) years of the concession agreement. This is based on the LWUA approved tariff of CCWD. Starting in the month of May 2022, Calbayog Water's tariff will be inclusive of VAT.

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.

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, 2022, 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).

MWIS's Integrated Waste Management Facility with the City of Marikina
On July 31, 2019, MWIS 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, MWIS 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 cubic meters (mcm) per month

MWIS' Healthy Family Business Division Closure
On August 26, 2020, MWIS 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. MWIS, 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, MWIS 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.

The permanent closure of the MWIS Healthy Family division resulted to its classification as a discontinued operation (see Note 3). The summary of results of operations and cash flows of MWIS-Healthy Family as of December 31, 2022, 2021 and 2020 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, 2022, 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, was 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 came 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. On April 1, 2022, IWP2 officially commenced the implementation of the MOMC. MWAP subscribed to 150 shares of IWP2 representing 30.00% for SAR0.15 million (₱2.07 million).

MWTH Liquidation
MWTH, one of the intermediate holding companies of MWAP, has completed and finalized its Members' Voluntary Liquidation in Singapore as part of the corporate restructuring initiative of the MWAP Group. On March 18, 2022, the surplus funds and assets of MWTH including the shares in MWTC have been distributed to MWAP as its sole shareholder. On July 18, 2022, MWTH was considered as officially dissolved in Singapore by the Accounting and Corporate Regulatory Authority (ACRA).

Approval for the Issuance of the Consolidated Financial Statements
The BOD of the Parent Company approved and authorized the issuance of the consolidated financial statements on February 27, 2023.

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, 2022 and 2021, and for each of the three (3) years in the period ended December 31, 2022.

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, 2022.

Unless otherwise stated, the new standards and amendments did not have any material impact to the Group.

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 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.

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.

d. Annual Improvements to PFRSs 2018-2020 Cycle

- Amendments to PFRS 1, *First-time Adoption of Philippines 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 in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. 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, *Financial Instruments, 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.

  The Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting year in which the entity first applies the amendment.

Future Changes in Accounting Policies

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, 2023

a. Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

   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. Early application is permitted as long as this fact is disclosed.

b. Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

   The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify 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.

   An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

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).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

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:

- that only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- 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.

b. Amendments to PFRS 16, *Leases Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

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.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

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, 2022 and 2021, 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, 2022 and 2021, 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, short-term debt, 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.

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:

Asset Type	EUL
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
Leasehold improvements	5 years or lease term, whichever is shorter

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. Fully-depreciated and amortized assets are retained as property, plant and equipment until these are no longer in use.

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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.

The useful life and amortization method for software are reviewed at least at each reporting date. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the software is accounted for by changing the useful life and amortization method, as appropriate, and treated as a change in accounting estimates.

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; Wawa Bulk Water Agreement 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. Except for Wawa Bulk Water Agreement, 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. For Wawa Bulk Water Agreement, the sole and exclusive right and discretion during the concession period to manage, occupy, operate, repair, maintain, decommission and refurbish the identified facilities is granted to the joint venture partner.

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.

Starting January 1, 2022, the Parent Company's water and used water assets are amortized using the UOP over the estimated total billable volume until 2047, following the approval of the Parent Company's legislative water franchise and business development plan (see Note 1).

Starting April 1, 2022, the water and used water assets (excluding water meters) of MWPVI, Aqua Centro, EcoWater and BMDC are depreciated using the UOP method over the expected total production volume for the remaining useful life of the assets. Prior to this, straight-line depreciation method over the useful life was applied.

The change in estimates was accounted for prospectively from the date of transaction.

Investments in Associates
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 (losses) - net" 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.

Business Combinations and Goodwill
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 (losses) - net."

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.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

i. the right to obtain substantially all of the economic benefits from the use of the identified assets; and
ii. the right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

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 underlying 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.

  Revenue from supervision fees is recognized over time using the output method. 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.

Contract Balances
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.

Interest Income
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

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: Y1.00, ₱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.

However, due to non-effectivity of the RCA on June 30, 2022, the Parent Company has reinstated the original Concession Agreement on July 1, 2022 with the recovery mechanism of the FCDA still in effect (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, 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 and IWP2 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.

Stock incentive plan (SIP)
Certain qualified officers and employees of the Parent Company receive remuneration for their services in the form of equity shares of the Parent Company.

The cost of SIP with officers and employees is measured by reference to the fair value of the stock at the date on which these are granted. The cost of SIP is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

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 items of equity that were not presented in either retained earnings or other comprehensive income.

<u>Taxes</u>

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.

Due to the effectivity of the Legislative Water Franchise starting March 21, 2022, the Parent Company has removed the output VAT from the customer bills and charge the customers' bills the related franchise tax of 2% instead. Moreover, any input VAT imposed by the Parent Company's suppliers are treated as part of the cost of purchase starting March 21, 2022.

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.

Discontinued Operations
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 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.

Earnings per Share (EPS)
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.

Assets Held in Trust
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).

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 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.

Reclassifications
Certain prior period financial statement amounts have been reclassified by the Group to conform to current period presentation. These reclassifications had no effect on the reported results of operations.

Events after the Reporting Date
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:

Judgments
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, 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 August 6, 2019, the Parent Company, together with MWSS signed the Wawa Bulk Water Agreement with WawaJVCo. Inc. The agreement involves the supply of supply of 518.00 million liters per day of raw water from the Wawa and Tayabasan rivers. The first phase of the agreement will involve supply of 80.00 million liters per day of raw water in October 2022, while the second phase will supply the additional 438.00 million liters per day of raw water by December 31, 2025.

On October 25, 2022, the construction of the Tayabasan Weir was completed, and the joint venture commenced the provision of initial 80 million liters per day of raw water to the Parent Company. In 2022, total of 5,100.00 million of raw water was delivered by the joint venture to the Parent Company.

The Parent Company accounts for the Wawa Bulk Water Agreement 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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, 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, MWIS' 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.

Amortization of water and used water assets
Beginning April 1, 2022, MWPVI , Aqua Centro, EcoWater and BMDC shifted from straight-line method of depreciation of water and used water assets (excluding water meters) to UOP method to better reflect the usage of water and used water facilities which is directly related to expected volume and is aligned with industry practice. This change in method resulted in ₱75.01 million reduction in depreciation expense for the year ended December 31, 2022.

<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 ₱23,626.42 million, ₱16,970.07 million, and ₱10,976.17 million in 2022, 2021 and 2020, 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, 2022 and 2021, allowance for expected credit losses of receivables from customers amounted to ₱1,631.68 million and ₱2,132.85 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 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, whichever is shorter.

Estimatiing net realizable value of inventories
The Group writes down inventories to net realizable value, through the use of an allowance account, whenever the net realizable value of inventories becomes lower than the cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

The estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amounts the inventories are expected to be realized. These estimates take into consideration fluctuations of prices or costs directly relating to events occurring after reporting date to the extent that such events confirm conditions existing at reporting date. The allowance account is reviewed on a regular basis to reflect the accurate valuation in the financial records.

As of December 31, 2022 and 2021, the carrying amount of inventories, at NRV, amounted to ₱450.66 million and ₱450.69 million, respectively (see Note 7).

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).

Estimating useful lives of SCA
Starting January 1, 2022, the Parent Company's water and used water assets are amortized using the UOP over the estimated total billable volume until 2047, following the approval of the Parent Company's legislative water franchise and RR23 business development plan. Previously, the the Parent Company's water and used water assets are amortized using the UOP over the estimated total billable volume until May 6, 2037, which is the end of the original concession agreement with MWSS. This change in EUL resulted in ₱1,090.74 million reduction in the amortization expense for the year ended December 31, 2022.

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.

In 2022, the Group recognized provision for impairment loss on advances to suppliers, contractors and deposits amounting to ₱138.07 million, presented under operating expenses in the consolidated profit or loss (see Notes 8 and 18).

In 2020, the Group recognized an impairment on its investment in Saigon Water amounting to ₱3.97 million due to the decline in market capitalization. No impairment loss on its investment in Saigon Water was recognized for in 2022 and 2021 (see Note 12).

On March 31, 2020, the Group recognized an impairment loss 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). The impairment losses in Saigon Water and Cu Chi Water are presented as part of "Other income (losses) - net" in the consolidated profit or loss (see Note 18).

As of December 31, 2022, East Water's market capitalization is lower compared to its net book value. However, management determined that the recoverable amount of the East Water's nonfinancial assets was higher than its net book value. Accordingly, the Group did not recognize any impairment loss on its investment in East Water in 2022.

In determining the present value of estimated future cash flows expected to be generated from the continued operations of East Water, the Group is required to make professional judgments and estimates that can materially affect the consolidated financial statements. The Group determined the recoverable amounts of investment in East Water based on the higher of fair value less costs of disposal and value in use calculation using zero terminal growth rate and discount rate of 5.40% in 2022.

As of December 31, 2022 and 2021, the Group has not recognized any impairment loss on its investments in Thu Duc Water, Kenh Dong Water, PT STU and IWP. As of December 31, 2022 and 2021, the Group has accumulated allowance for impairment on its investments in Saigon Water, and Cu Chi Water amounting to ₱480.70 million (see Note 12).

As of December 31, 2022, the Parent Company's market capitalization is lower compared to its net book value. However, management determined that the recoverable amount of the Parent Company's nonfinancial assets was higher than its net book value. Accordingly, the Group did not recognize any impairment loss on the Parent Company's nonfinancial assets particularly its property and equipment and SCA amounting to ₱1,105.26 million and ₱129,577.78 million, 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 higher than its net book value.

As of December 31, 2022 and 2021, 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. In 2021, the forecasted 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% in 2021.

The carrying value of goodwill on the acquisition of Clark Water in the consolidated statements of financial position amounted to nil as of December 31, 2022 and 2021 (see Note 4). The Group has recognized full impairment on the goodwill from the Clark Water acquisition under "Other income (losses) - net" amounting to ₱130.32 million in 2021 (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 periods of the concession agreements and franchise period. 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 2022 and 2021, 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, 2022, 2021, and 2020, 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, 2022 and 2021, the Parent Company and Boracay Water's deferred FCDA classified under "Other noncurrent assets" amounted to ₱2,654.59 million and ₱528.69 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 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. However, due to non-effectivity of the RCA on June 30, 2022, the Parent Company has reinstated the original Concession Agreement on July 1, 2022 with the recovery mechanism of the FCDA still in effect.

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).

Starting 2020, the Parent Company used itemized deductions in the calculation of its current income tax. The applicable tax rate of 25.00%, 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 ₱288.21 million and ₱146.93 million as of December 31, 2022 and 2021, 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 ₱436.35 million and ₱361.72 million as of December 31, 2022 and 2021, respectively (see Note 11).

4. Business Combination and Goodwill

As of December 31, 2022 and 2021, the Group's goodwill consists of:

Balance at beginning of the year	₱136,566,475
Less: Accumulated impairment loss (Notes 3 and 18)	130,319,465
	₱6,247,010

As of December 31, 2022 and 2021, goodwill arose from the Group's aquisitions of the following businesses:

Aqua Centro:	
Tahanang Yaman Homes Corporation	₱2,940,210
BMDC:	
San Vicente Homes	1,229,600
Las Palmas Subdivisions Phases 1 to 7	1,206,000
Prosperity Builders Resources Inc.	871,200
	₱6,247,010

In 2021, the Group has recognized full impairment on the goodwill from the Clark Water acquisition under "Other income (losses) - net" amounting to ₱130.32 million (see Note 18).

5. Cash and Cash Equivalents and Short-term Investments

This account consists of:

	2022	2021
Cash on hand and in banks (Note 23)	₱810,243,824	₱3,916,706,359
Cash equivalents (Note 23)	8,001,695,388	9,421,005,214
	₱8,811,939,212	₱13,337,711,573

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 earn interest at the prevailing short-term investment rates. As of December 31, 2022 and 2021, the Group's short-term investments amounted to ₱128.42 million and ₱268.52 million, respectively.

Interest income earned from cash in banks, cash equivalents and short-term investments amounted to ₱120.98 million, ₱70.25 million, and ₱204.39 million in 2022, 2021, and 2020, respectively (see Note 18).

6. **Receivables and Contract Assets**

a. *Receivables*

This account consists of receivables from:

	2022	2021
Customers of:		
Water and used water services:		
Residential	₱2,227,997,941	₱2,909,978,162
Commercial	422,721,776	574,488,437
Semi-business	190,211,986	259,130,712
Industrial	48,331,747	83,583,614
Pipework services	583,659,030	322,348,395
Supervision fees	235,770,406	233,498,974
Distributor's fees	117,204,130	117,713,545
Technical due diligence services	6,204,141	15,750,395
ZCWD	39,509,823	39,509,823
Employees	26,978,065	23,400,262
Interest from banks	12,667,348	8,149,445
Others	502,928,062	248,456,004
	4,414,184,455	4,836,007,768
Less: Allowance for ECLs	1,631,684,543	2,132,852,373
	₱2,782,499,912	₱2,703,155,395

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 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 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 distributors' fees arise from the Exclusive Distributorship Agreement (EDA) entered into by MWIS with distributors of its Healthy Family drinking water and were 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:

	2022					
	Receivable from Customers				Other	
	Residential	Commercial	Semi-business	Industrial	Receivables	Total
Balance at beginning of year	₱1,466,058,531	₱198,580,029	₱87,684,036	₱9,023,151	₱371,506,626	₱2,132,852,373
Provision (Note 18)	172,168,136	5,246,028	38,430,830	766,744	21,180,830	237,792,568
Reversals (Note 18)	(285,459,103)	(41,795,035)	(12,986,569)	(2,175,440)	(30,982,278)	(373,398,425)
Write-off	(249,526,237)	(37,305,382)	(12,110,588)	(1,769,615)	(64,850,151)	(365,561,973)
Balance at end of year	₱1,103,241,327	₱124,725,640	₱101,017,709	₱5,844,840	₱296,855,027	₱1,631,684,543

	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)	(8,963,220)	–	–	(23,299,528)	(32,767,662)
Write-off	(33,426,376)	(1,875,403)	(5,051,491)	(237,302)	–	(40,590,572)
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

b. *Contract assets*

This account consists of:

	2022	2021
Contract assets from:		
Supervision fees	₱559,157,417	₱440,253,955
NRWRSA with ZCWD	285,928,838	285,928,839
Pipeworks and integrated used water services	79,359,867	102,492,769
Bulk water contracts:		
MCWD	186,625,445	186,625,445
TWD	112,751,059	92,755,188
Current portion	1,223,822,626	1,108,056,196
Bulk water contracts:		
TWD	₱818,162,927	₱795,214,695
MCWD	894,496,961	954,876,757
CIWD	109,323,565	9,249,943
Noncurrent portion	1,821,983,453	1,759,341,395
	3,045,806,079	2,867,397,591
Less: Allowance for ECLs	381,207,729	379,957,836
	₱2,664,598,350	₱2,487,439,755

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 MWIS and MWTV.

Contract assets from the NRWRSA with ZCWD were initially recognized for revenue earned arising from construction revenue and performance fees for NRW reduction services. These contract assets were reclassified to "Receivables" upon acceptance of and billing to the customer.

As of December 31, 2022 and 2021, 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 complete all performance obligations under its concession arrangements with MCWD, TWD, and CIWD, respectively.

In 2021 and 2020, Cebu Water invoked the force majeure clause of its Bulk Water Supply Agreement due to high water turbidity which resulted in 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, and ₱23.29 million in 2020 (see Note 18). No impairment loss is recognized by Cebu Water in 2022.

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 ₱1.25 million in 2022, ₱12.26 million in 2021, and ₱12.35 million in 2020 (see Note 18).

The rollforward of Cebu Water, Tagum Water, and Ilagan Water's contract assets follows (Note 27):

	2022	2021
Cost		
Balance at beginning of year	₱2,038,722,026	₱1,975,067,064
Rehabilitation works	99,562,641	61,892,213
Finance income	256,537,754	237,712,035
Service income (Note 18)	193,840,519	138,934,353
Collections	(413,620,704)	(335,643,067)
Reclassification to receivables	(53,682,279)	(39,240,572)
Balance at end of year	2,121,359,957	2,038,722,026
Allowance for ECL		
Balance at beginning of year	94,028,997	51,590,753
Provisions (Note 18)	1,249,894	42,438,244
Balance at end of year	95,278,891	94,028,997
Net book value	₱2,026,081,066	₱1,944,693,029

7. Inventories

This account consists of:

	2022	2021
Water treatment chemicals	₱167,005,058	₱216,025,093
Maintenance materials	135,640,392	131,213,239
Water meters and connection supplies	126,831,505	85,889,946
Spare parts	21,180,814	17,564,238
	₱450,657,769	₱450,692,516

The Group's inventories are carried at NRV. Allowance for obsolescence amounted to ₱36.64 million and ₱11.36 million as of December 31, 2022 and 2021, respectively. Loss from inventory obsolencence is presented under operating expenses in the consolidated profit or loss (see Note 18).

8. Other Current Assets

This account consists of:

	2022	2021
Net input VAT	₱947,226,514	₱950,870,364
Prepaid expenses	554,071,442	565,459,088
Advances to suppliers, contractors, and deposits	639,219,408	551,279,858
	2,140,517,364	2,067,609,310
Provisions	138,071,872	–
	₱2,002,445,492	₱2,067,609,310

In 2022, the Group recognized provision for impairment loss on advances to suppliers, contractors and deposits amounting to ₱138.07 million, presented under operating expenses in the consolidated profit or loss (see Note 18).

Net input VAT pertains to the Group's excess input VAT over output VAT as of the end of the reporting period. Due to the effectivity of the Legislative Water Franchise starting March 21, 2022, the Parent Company has removed the output VAT from the customer bills and charge the customers' bills the related franchise tax of 2% instead. Moreover, any input VAT directly attributable to water business covered by the franchise imposed by the Parent Company's suppliers are treated as part of cost of purchase starting March 21, 2022 (see Note 1). Input VAT attributable to Parent Company amounted to ₱290.90 million as of December 31, 2022.

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.

9. Property, Plant and Equipment and Software

The rollforward analysis of this account follows:

2022	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	₱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
Additions	–	1,185,060,594	5,603,335	105,185,584	12,903,989	70,339,345	10,138,560	1,389,231,407
Transfers	–	2,233,185	541,267	–	12,223,098	(15,002,567)	5,017	–
Disposals	–	(362,704)	(18,041,546)	(3,321,308)	(2,103,003)	–	(3,547,978)	(27,376,539)
Retirement	–	–	(849,371)	–	–	–	(2,572,198)	(3,421,569)
Balance at end of year	226,391,550	6,791,103,102	927,100,180	1,708,997,896	508,062,330	1,439,546,122	1,630,549,552	13,231,750,732
Accumulated depreciation, amortization, and impairment								
Balance at beginning of year	–	1,728,733,050	795,997,397	1,032,380,166	406,332,269	–	1,571,170,668	5,534,613,550
Depreciation and amortization (Note 18)	–	200,586,783	51,066,882	232,030,127	39,568,408	–	38,809,446	562,061,646
Transfers	–	3,483	80,820	(118,662)	29,342	–	5,017	–
Disposals	–	(362,704)	(18,678,494)	–	(2,813,131)	–	(3,569,115)	(25,423,444)
Retirement	–	–	(849,371)	–	–	–	(2,572,198)	(3,421,569)
Balance at end of year	–	1,928,960,612	827,617,234	1,264,291,631	443,116,888	–	1,603,843,818	6,067,830,183
Net book value	₱226,391,550	₱4,862,142,490	₱99,482,946	₱444,706,265	₱64,945,442	₱1,439,546,122	₱26,705,734	₱7,163,920,549

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

As of December 31, 2022 and 2021, noncash acquisitions of property, plant and equipment, amounted to ₱282.31 million and ₱203.81 million, respectively.

The net book value of noncash transfers to property, plant and equipment in 2022 and 2021 amounted to nil and ₱2.14 million, respectively.

On December 29, 2021, MWPVI entered into a Deed of Absolute Sale with Amaia Land Corp. (Amaia) and BellaVita Land Corp. (BellaVita) whereby MWPVI sold, conveyed, transferred, assigned and delivered 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:

	2022	2021
Cost		
Balance at beginning of year	₱150,907,086,582	₱133,865,202,736
Additions:		
Rehabilitation works	23,526,861,634	16,908,180,580
Concession fees	7,109,019,285	42,432,308
Local component cost	454,538,258	93,413,418
Transfers (Note 9)	–	(2,142,460)
Balance at end of year	181,997,505,759	150,907,086,582
Accumulated amortization		
Balance at beginning of year	34,521,890,810	31,593,021,949
Amortization	2,410,409,398	2,928,868,861
Balance at end of year	36,932,300,208	34,521,890,810
Net book value	₱145,065,205,551	₱116,385,195,772

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.

In 2019, MWSS along with the Parent Company signed the thirty (30)-year Wawa Bulk Water Agreement with Wawa JVCo, Inc., which involves supply of 518.00 million liters per day of raw water from the Wawa and Tayabasan Rivers. The first phase of the agreement will involve supply of 80.00 million liters per day of raw water in October 2022, while the second phase will supply the additional 438.00 million liters per day of raw water by December 31, 2025.

On October 25, 2022, the construction of the Tayabasan Weir was completed, and Wawa JVCo., Inc. commenced the provision of initial 80 million liters per day of raw water to the Parent Company. The Parent Company accounts for the Wawa Bulk Water Agreement under the intangible asset model recognizing SCA and SCO amounting to ₱6,762.50 million. The carrying amount of the SCA and SCO as of December 31, 2022 amounted to ₱6,727.39 million and ₱6,744.68 million, respectively.

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 ₱2,148.43 million, ₱1,881.14 million, and ₱1,637.33 million, in 2022, 2021, and 2020, respectively. The capitalization rates used ranged from 0.91% to 3.36% in 2022, 0.87% to 9.37% in 2021, and 6.62% to 11.68% in 2020.

b. *Service concession obligations*

The breakdown of service concession obligations follows:

	2022	2021
Current	₱729,984,535	₱626,529,444
Noncurrent	15,313,404,443	8,331,791,889
	₱16,043,388,978	₱8,958,321,333

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 amounted 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 of the Parent Company follows:

Year	Foreign Currency-Denominated Loans (Translated to US$)	Peso Loans/ Project Local Support	Total Peso Equivalent*
2023	$8,968,459	₱197,857,453	₱895,751,359
2024	8,847,910	395,714,907	889,030,118
2025	8,384,237	395,714,907	863,178,063
2026	7,928,979	395,714,906	837,795,118
2027	9,296,181	395,714,907	914,023,456
2028 onwards	67,306,273	3,561,434,161	7,314,095,389
	$110,732,039	₱5,342,151,241	₱11,713,873,503

**Peso equivalent is translated using the closing rate as of December 31, 2022 amounting to ₱55.7550 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.

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. On October 11, 2021, revenue share was further increased to ₱12.50 million.

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 ₱898.64 million, ₱671.37 million, and ₱712.37 million in 2022, 2021, and 2020, 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 leases range from one year or until the end of the concession period.

The rollforward analysis of the Group's right-of-use assets follows:

	2022			
	Office Space and Parking	Storage and Plant Facilities	Land and Right-of-Way	Total
Cost				
Balance at beginning of year	₱307,868,507	₱204,735,149	₱102,235,248	₱614,838,904
Additions	158,401,269	11,902,417	–	170,303,686
Pre-terminations	(10,087,860)	–	–	(10,087,860)
Balance at end of year	456,181,916	216,637,566	102,235,248	775,054,730
Accumulated amortization				
Balance at beginning of year	159,623,056	86,324,095	19,195,988	265,143,139
Amortization	66,229,007	18,724,503	2,211,627	87,165,137
Pre-terminations	(3,389,741)	–	–	(3,389,741)
Balance at end of year	222,462,322	105,048,598	21,407,615	348,918,535
Net book value	₱233,719,594	₱111,588,968	₱80,827,633	₱426,136,195

	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

In 2022, the Group pre-termninated certain office space and parking lease agreements which resulted to a loss in pre-termination amounting to ₱2.83 million. Loss on pre-terminations is presented under other income (losses) in the consolidated profit or loss (see Note 18).

Amortization of plant facilities used for construction amounting to ₱13.84 million and ₱27.09 million was capitalized in 2022 and 2021, respectively.

The rollforward analysis of the Group's lease liabilities follows:

	2022	2021
Balance at beginning of year	₱361,718,145	₱393,937,309
Additions	170,303,686	89,119,814
Payments	(105,995,513)	(141,470,517)
Accretion	14,192,393	20,131,539
Pre-terminations	(3,871,279)	–
Balance at end of year	₱436,347,432	₱361,718,145
Current portion	₱120,860,143	₱115,016,609
Noncurrent portion	₱315,487,289	₱246,701,536

The maturity analysis of lease liabilities is disclosed in Note 28.

The following are the amounts recognized in profit or loss:

	2022	2021	2020
Depreciation expense of right-of-use assets (Note 18)	₱73,326,708	₱74,941,289	₱69,049,397
Interest expense on lease liabilities (Note 18)	14,192,394	20,131,539	27,973,355
Expenses relating to short-term leases and lease of low-value assets (Note 18)	26,121,109	22,475,227	60,151,042
Loss on pre-termination (Note 18)	2,826,840	–	–
	₱116,467,051	₱117,548,055	₱157,173,794

12. Investments in Associates

This account consists of the following:

	2022	2021
Acquisition cost, net	₱13,031,980,437	₱13,029,916,837
Accumulated equity in net earnings	1,864,920,588	1,788,112,824
Cumulative translation adjustments	539,609,753	(279,837,373)
Accumulated equity in other comprehensive loss	(1,906,738)	(1,906,738)
	₱15,434,604,040	₱14,536,285,550

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, 2022 and 2021 follows:

	2022	2021
Current assets	₱200,235,491	₱155,901,844
Noncurrent assets	4,167,596,264	3,722,525,351
Current liabilities	561,415,752	449,061,340
Noncurrent liabilities	140,207,322	226,209,213
Revenue	995,259,077	897,082,781
Net income	643,406,598	562,918,104

The conversion rates used were ₱0.0024 and ₱0.0022 to VND1.00 as of December 31, 2022 and 2021, respectively.

The share of the Group in the net income of Thu Duc Water for the years ended December 31, 2022, 2021 and 2020 amounted to ₱315.27 million, ₱275.83 million, and ₱266.71 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, 2022 and 2021 follows:

	2022	2021
Current assets	₱609,273,010	₱401,733,323
Noncurrent assets	2,544,866,686	2,396,171,907
Current liabilities	60,049,879	59,354,923
Noncurrent liabilities	45,895,206	60,850,233
Revenue	745,097,402	654,546,245
Net income	416,892,457	349,474,774

The conversion rates used were ₱0.0024 and ₱0.0022 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, 2022, 2021, and 2020 amounted to ₱197.40 million, ₱165.48 million, and ₱164.30 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.

<u>Saigon Water</u>
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).

MWSAH recognized impairment loss on its investment in Saigon Water ₱3.97 million in 2020 due to 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 (see Note 18).

As of December 31, 2022 and 2021, MWSAH's allowance for impairment on investment in Saigon Water amounted to ₱144.03 million.

The financial information of Saigon Water as of and for the years ended December 31, 2022 and 2021 follows:

	2022	2021
Current assets	₱323,460,628	₱256,189,029
Noncurrent assets	3,643,025,519	3,676,562,180
Current liabilities	1,057,488,309	1,033,425,310
Noncurrent liabilities	1,145,408,657	1,165,015,858
Revenue	349,762,328	613,462,756
Net loss	(207,000,473)	(160,006,705)

The conversion rates used were ₱0.0024 and ₱0.0022 to VND1.00 as of December 31, 2022 and 2021, respectively.

The share of the Group in the consolidated net loss of Saigon Water for the years ended December 31, 2022, 2021 and 2020 amounted to ₱78.64 million, ₱60.78 million and ₱37.41 million, respectively. The closing share price of Saigon Water as of December 31, 2022 and December 31, 2021 were VND15,000 per share and VND16,250 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, 2022, 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, 2022 and 2021, 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, 2022 and 2021 follows:

	2022	2021
Current assets	₱93,056	₱104,859
Noncurrent assets	1,486,493,136	1,407,735,887
Current liabilities	259,513	234,596

The conversion rates used were ₱0.0024 and ₱0.0022 to VND1.00 as of December 31, 2022 and 2021, respectively.

PT. Sarana Tirta Ungaran (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, 2022 and 2021 follows:

	2022	2021
Current assets	₱70,045,408	₱62,758,176
Noncurrent assets	127,298,312	141,219,958
Current liabilities	6,019,333	6,560,034
Revenue	98,803,572	88,841,528
Net income	714,458	15,130,315

The conversion rates used were ₱0.0036 to IDR1.00 as of December 31, 2022 and 2021.

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, 2022, 2021 and 2020 amounted to ₱0.14 million, ₱3.02 million and (₱0.70 million), respectively.

Eastern Water Resources Development and Management Public Company Limited (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, 2022 and 2021 and follows:

	2022	2021
Current assets	₱927,064,222	₱1,040,481,650
Noncurrent assets	60,669,069,265	56,138,786,968
Current liabilities	4,807,208,348	4,415,645,975
Noncurrent liabilities	20,900,091,064	18,010,456,003
Revenue	5,068,442,282	5,579,666,018
Net income	321,619,039	843,262,095
Other comprehensive loss	–	(5,214,841)

The conversion rates used was ₱1.6052 and ₱1.5277 to THB1.00 as of December 31, 2022 and 2021, respectively.

The acquisition cost of the investment amounted to ₱8,834.04 million (THB5.29 billion). As of December 31, 2022 and 2021, the investment in associate account includes a notional goodwill amounting to ₱1,304.47 million and ₱1,298.10 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, 2022, 2021 and 2020, amounted to ₱63.22 million, ₱157.86 million, and (₱179.06 million), respectively. The closing share price of East Water as of December 29, 2022 and December 31, 2021 was THB5.30 per share and THB9.30 per share, respectively.

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 years ended December 31, 2022 and 2021 follows:

	2022	2021
Current assets	₱328,597,147	₱619,349,328
Noncurrent assets	5,436,295	5,659,914
Current liabilities	57,222,927	425,951,211
Noncurrent liabilities	69,316,728	62,250,517
Revenue	625,996,738	476,039,353
Net income	56,624,357	140,278,233

The conversion rate used was ₱14.93 and ₱13.60 to SAR1.00 as of December 31, 2022 and 2021, respectively.

The share of the Group in the net income of IWP for the years ended December 31, 2022, 2021 and 2020, amounted to ₱11.32 million, ₱28.05 million and nil, respectively.

IWP2
On January 27, ,2022, IWP2 was incorporated with MWAP, Saur, and Miahona owning 30.00%, 35.00%, and 35.00%, respectively. On April 1, 2022, IWP2 officially commenced the implementation of the MOMC.

The financial information of IWP as of and for the years ended December 31, 2022 follows:

Current assets	₱375,459,625
Noncurrent assets	886,920
Current liabilities	290,690,839
Noncurrent liabilities	39,500,135
Revenue	300,399,990
Net income	37,850,126

The conversion rate used was ₱14.93 as of December 31, 2022.

The share of the Group in the net income of IWP for the year ended December 31, 2022 amounted to ₱11.36 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, 2022					
Associate	Net Assets of Associate*	Proportionate Ownership Interest	Share in Net Identifiable Assets	Notional Goodwill (Impairment)	Carrying Values
Thu Duc Water	₱3,666,208,681	49.00%	₱1,796,442,254	₱1,646,813,416	₱3,443,255,670
Kenh Dong Water	3,048,194,611	47.35%	1,443,320,148	1,535,482,703	2,978,802,851
Saigon Water	1,763,589,182	37.99%	669,987,530	225,034,900	895,022,430
Cu Chi Water	1,486,326,679	24.50%	364,150,036	(364,150,036)	–
PT STU	191,324,387	20.00%	38,264,877	1,056,541	39,321,418
East Water	35,888,834,075	18.72%	6,718,389,739	1,304,466,504	8,022,856,243
IWP	207,493,786	20.00%	41,498,757	–	41,498,757
IWP2	46,155,571	30.00%	13,846,671	–	13,846,671
Total	₱46,298,126,972		₱11,085,900,012	₱4,348,704,028	₱15,434,604,040

Attributable to common shareholders.

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.

The rollforward of acquisition cost follows:

	2022	2021
Balance at beginning of year	₱13,029,916,837	₱13,028,636,035
Additions	2,063,600	1,280,802
Balance at end of year	₱13,031,980,437	₱13,029,916,837

The rollforward of accumulated equity in net earnings follow:

	2022	2021
Balance at beginning of year	₱1,788,112,824	₱1,636,953,225
Equity in net earnings	520,067,157	569,460,003
Dividend income	(443,259,393)	(418,300,404)
Balance at end of year	₱1,864,920,588	₱1,788,112,824

13. Other Noncurrent Assets

This account consists of:

	2022	2021
Advances to contractors	₱3,104,429,504	₱3,328,138,442
Deferred FCDA	2,654,588,708	528,692,315
Derivative assets	2,295,669,766	386,711,746
Deposits	475,376,668	437,630,739
Escrow fund	300,000,000	225,000,000
Water rights	192,802,742	182,247,140
Net input VAT	161,742,070	163,079,120
Receivable from Ayala Multi-Purpose Cooperative (AMPC)	43,272,975	37,554,385
Miscellaneous	4,394,706	66,411,218
	₱9,232,277,139	₱5,355,465,105

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, 2022 and 2021, Cebu Water's water right amounted to ₱45.00 million.

MWPVI incurred costs to acquire conditional water permits from the NWRB amounting to ₱10.56 million in 2022, nil in 2021 and ₱137.25 million in 2020. 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, 2022, all requirements for the conversion of the conditional water permit in Cagayan River were submitted to NWRB.

On February 11, 2022, NWRB approved and issued the final water permit in Cagayan River.

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:

	2022	2021
Trade payables	₱10,521,893,884	₱8,921,860,881
Accrued expenses:		
Utilities	655,013,864	145,575,816
Repairs and maintenance	507,490,577	293,060,967
Salaries, wages, and employee benefits	501,246,227	572,704,952
Management and professional fees	486,183,203	365,556,799
Contractual services	339,257,679	274,996,395
Occupancy costs (Note 25)	109,915,745	113,449,983
Wastewater costs	103,739,716	56,938,898
Water service connections	80,605,111	44,845,013
Collection fees	39,894,188	35,709,263
Water tankering and bulk water costs	14,670,656	17,099,667
Water treatment chemicals	13,707,201	68,494,495
Printing and communication	12,509,368	15,262,637
Rental of equipment	2,943,196	5,586,558
Miscellaneous	152,853,334	98,736,431
Contractors' payable	1,311,654,342	1,016,752,846
Interest payable (Note 15)	1,208,142,266	971,665,069
Others	132,799,001	210,568,554
	₱16,194,519,558	₱13,228,865,224

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.

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.

Interest payable pertains to the unpaid portion of interest arising from the long-term debts of the Group.

Other payables are non-interest bearing and are normally settled within one (1) year.

b. Contract liabilities

This account consists of:

	2022	2021
Supervision fees	₱345,644,195	₱521,261,203
Connection fees - current	1,506,299	1,053,325
Current portion	347,150,494	522,314,528
Supervision fees	₱391,034,621	₱–
Connection fees	199,077,962	151,548,734
Noncurrent portion	590,112,583	151,548,734
	₱937,263,077	₱673,863,262

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*

Parent Company Short-Term Loans

₱1.00 billion Security Bank Corporation (SBC) Short-term Loan
On March 29, 2022, the Parent Company availed a short-term loan amounting to ₱1.00 billion under its Omnibus Credit Facility with SBC to be used as a bridge loan to finance various capital expenditures of East Zone projects. Interest is payable upon maturity of the Note and principal payment is due on or before August 26, 2022. The loan can be extended up to a maximum of one (1) year. The loan was fully paid as of December 31, 2022.

₱4.95 billion Philippine National Bank (PNB) Short-term Loan
The Parent Company availed short-term loans amounting to ₱950.00 million, ₱2.00 billion, and ₱2.00 billion on April 26, 2022, July 13, 2022 and August 15, 2022, respectively, under its Omnibus Credit Facility with PNB to be used as a bridge loan to finance various capital expenditures of East Zone projects. Interest is payable upon maturity of the loan and principal payments were due on or before September 14, 2022. The loans can be extended up to a maximum of one (1) year. The loans were fully paid as of December 31, 2022.

₱1.00 billion Rizal Commercial Banking Corporation (RCBC) Short-term Loan
On April 26, 2022, the Parent Company availed a short-term loan amounting to ₱1.00 billion under its Omnibus Credit Facility with RCBC to be used as a bridge loan to finance various capital expenditures of East Zone projects. Interest is payable upon maturity of the Note and principal payment is due on or before September 14, 2022. The loan can be extended up to a maximum of one (1) year. The loan was fully paid as of December 31, 2022.

Domestic Subsidiaries Short-Term Loans

Clark Water Short-term Loan
On April 25, 2022, Clark Water was granted a ₱140.00 million credit facility by Bank of the Philippine Islands (BPI) to finance and refinance its capital expenditure projects. The first drawdown of Clark Water amounting to ₱40.00 million was made on May 30, 2022 and proceeds from the loan were used to finance capital expenditure projects. The second drawdown was made on November 16, 2023 amounting to ₱100.00 million and proceeds from the loan were used to finance additional capital expenditure projects. As of December 31, 2022, the carrying value of the loan amounted to ₱140.00 million.

Bulakan Water Short-term Loan
On May 30, 2022, Bulakan Water drew a 150-day short-term loan with BPI amounting to ₱10.00 million. The proceeds were used for capital expenditures and its working capital requirements. As of December 31, 2022, the carrying value of the loan amounted to ₱9.87 million.

MWPVI Short-term Loan
On June 27, 2022, MWPVI availed of a 60-day short-term loan amounting to ₱275.00 million with SBC to finance its working capital requirement and for general corporate purposes. In August 2022, MWPVI paid the loan made in June and availed additional short-term loan amounting to ₱220.00 million. MWPVI paid the remaining loan in November 2022.

Calasiao Water Short-term Loan
In August 2022, Calasiao Water drew ₱63.00 million 150-day short-term loan with BPIto finance its expenditures and its working capital requirements. This was rolled-over in December 2022.Moreover, in December 2022, Calasiao Water drew additional short-term loan amounting to ₱40.00 million for capital expenditure requirements. As of December 31, 2022, carrying value of the loan amounted to ₱103.00 million.

b. *Long-term debt*

This account consists of:

	2022	2021
Parent Company loans:		
USD bonds:		
US$500.00 million sustainability bonds	₱27,365,197,059	₱24,988,118,390
USD loans:		
MWMP Loan	6,200,997,558	6,061,670,460
European (EUR) loan:		
EUR250.00 million Loan	7,089,211,523	6,792,854,823
PHP loans:		
₱5.00 billion PNB Loan	2,861,810,699	3,357,204,155
₱5.00 billion BDO Loan	4,975,375,676	4,980,395,314
₱11.50 billion Chinabank Loan	11,415,727,234	–
Japanese Yen (JP¥) loans:		
JP¥40.00 billion Loan	–	1,495,423,436
MTSP Loan	–	74,158,057
Subsidiaries' loans:		
Thailand Baht (THB) loan:		
THB5.30 billion MWTC Loan	8,494,487,213	8,074,043,037
Canadian Dollar (CAD) loan:		
CAD0.87 million Laguna Water Loan	36,002,957	34,792,542
PHP loans:		
₱0.50 billion Laguna Water DBP Loan	315,673,454	344,999,590
₱0.83 billion Laguna Water DBP Loan	541,838,041	592,174,094
₱2.50 billion Laguna Water SBC Loan	1,531,643,700	1,722,318,958
₱2.50 billion Laguna Water BPI Loan	1,204,874,998	1,291,374,036
₱0.50 billion Boracay Water DBP-SBC Loan	292,310,605	292,041,983
₱0.50 billion Boracay Water DBP-SBC Loan	312,749,030	312,447,740
₱0.65 billion Boracay Water DBP-SBC Loan	537,678,258	537,048,270
₱2.40 billion Boracay Water BPI Loan	1,509,874,155	1,409,578,349
₱1.15 billion Clark Water RCBC Loan	739,198,655	834,170,452
₱0.54 billion Clark Water DBP Loan	498,459,351	531,361,311
₱0.80 billion Cebu Water DBP Loan	481,599,335	525,120,750
₱7.00 billion MWPVI Loan	7,326,693,405	6,361,442,784
₱0.45 billion Tagum Water PNB Loan	326,704,807	360,079,276
₱0.15 billion Tagum Water PNB Loan	126,917,482	139,659,451
₱0.23 billion Aqua Centro BPI Loan	166,969,467	106,264,735
₱0.47 billion South Luzon Water BPI Loan	168,914,970	100,000,000
₱0.39 billion Calbayog Water BPI Loan	148,875,000	70,000,000
	84,669,784,632	71,388,741,993
Less current portion	6,024,171,860	5,311,356,305
	₱78,645,612,772	₱66,077,385,688

Unamortized debt discounts and issuance costs of the Group's long-term debt are as follows:

	2022	2021
USD loans	₱548,979,418	₱549,106,279
EUR loan	57,328,477	108,549,177
THB loan	13,192,692	22,733,766
PHP loans	222,179,220	132,219,202
JPY loans	–	4,126,240
	₱841,679,807	₱816,734,664

The rollforward analysis of unamortized debt discounts and issuance costs of long-term debt follows:

	2022	2021
Balance at beginning of year	₱816,734,664	₱874,398,471
Additions	123,482,841	149,881,490
Amortization (Note 18)	(159,968,195)	(234,425,142)
Foreign exchange adjustments	61,430,497	26,879,845
Balance at end of year	₱841,679,807	₱816,734,664

Interest expense on short and long-term debt amounted to ₱1,566.88 million, ₱1,620.83 million, and ₱1,417.87 million in 2022, 2021, and 2020, 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 arrears, 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, 2022 and 2021 amounted to US$490.81 million and US$489.97 million, respectively.

<u>Parent Company Loans</u>

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, 2022 and 2021 amounted to US$111.22 million and US$118.86 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 amounted JP¥3,388.68 million. The loan was fully paid as of December 31, 2022.

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, the outstanding balance of the MTSP loan amounted to JP¥168.04 million. The loan was fully paid as of December 31, 2022.

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, 2022 and 2021 amounted to €119.04 million and €118.11 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, 2022 and 2021 amounted to ₱2,861.81 million and ₱3,357.20 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. On December 19, 2022, the Parent Company re-availed ₱2,000.00 million portion of the loan facility, payable at bullet after sixty (60) months. The carrying value of the loan as of December 31, 2022 and 2021 amounted to ₱4,975.38 million and ₱4,980.40 million, respectively.

₱15.00 billion China Banking Corporation (CBC) Loan
On September 12, 2022, the Parent Company entered into a loan agreement with CBC for a 10-year term loan amounting to ₱15.00 billion to be used to finance various capital expenditures of East Zone projects. The Parent Company has made drawdowns amounting to ₱7.50 billion and ₱4.00 billion in September 13, 2023 and December 15, 2023, respectively. Interest and principal payments are payable semi-annually. Principal payment is due beginning March 13, 2026. As of December 31, 2022, carrying value of the loan amounted to ₱11,415.73 million.

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, 2022 and 2021 amounted to THB5,291.78 million and THB5,285.12 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, 2022 and 2021 amounted to nil.

Laguna Water Loans
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, 2022 and 2021 amounted to ₱315.67 million and ₱345.00 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 ₱541.84 million and ₱592.17 million as of December 31, 2022 and 2021, 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 ₱1,531.64 million and ₱1,722.32 million as of December 31, 2022 and 2021, 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, 2022 and 2021, 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 ₱1,204.87 million and ₱1,291.37 million as of December 31, 2022 and 2021, 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, 2022 and 2021 amounted to ₱292.31 million and ₱292.04 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 nil and ₱0.35 million as of December 31, 2022 and 2021, 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 ₱312.75 million and ₱312.45 million as of December 31, 2022 and 2021, 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 ₱537.68 million and ₱537.05 million as of December 31, 2022 and 2021, 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. On January 21, 2022, another drawdown was made amounting to ₱100.00 million.

On October 7, 2021, BPI approved the amendment of the repayment structure from 40 equal quarterly installments to sculpted quarterly installments payable in 41 quarters to commence on the 5th anniversary from initial drawdown date. The change in payment terms did not result to debt modification.

The carrying value of loan amounted to ₱1,509.87 million and ₱1,409.58 million as of December 31, 2022 and 2021, 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 ₱739.20 million and ₱834.17 million as of December 31, 2022 and 2021, 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 ₱498.46 million and ₱531.36 million as of December 31, 2022 and 2021, 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, 2022 and 2021 amounted to ₱481.60 million and ₱525.12 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.

On December 21, 2022, MWPVI signed a bilateral ten (10)-year fixed rate term loan facility for the Third OLSA amounting to ₱3.00 billion with SBC. The proceeds of the loan will be used to finance the Company's capital expenditures, fund existing projects of subsidiaries or Equity Investments, and other general corporate requirements.

On December 23, 2022, the Company made its first drawdown on its loan facility amounting to ₱700.00 million.

The carrying value of the loan as of December 31, 2022 and 2021 amounted to ₱7,326.69 million and ₱6,361.44 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, 2022 and 2021 amounted to ₱326.70 million and ₱360.08 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, 2022 and 2021 amounted to ₱126.92 million and ₱139.66 million, respectively.

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. On June 14, 2022, Aqua Centro made its third drawdown amounting to ₱61.00 million.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, 2022 and 2021 amounted to ₱166.97 million and ₱106.26 million, respectively.

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.

On April 25, 2022, South Luzon Water made the third drawdown amounting to ₱70.00 million, with a term of ten (10) years. Quarterly interest payments will start on May 25, 2022 while principal repayments will start on May 25, 2024.

The carrying value of the loan as of December 31, 2022 and 2021 amounted to ₱168.91 million and ₱100.00 million, respectively.

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. On July 26, 2022, Calbayog Water made the second drawdown amounting to ₱80.00 million. The carrying value of the loan as of December 31, 2022 and 2021 amounted to ₱148.88 million and ₱70.00 million, respectively.

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, 2022 and 2021.

Parent Company ₱3.00 Billion Term-Loan with BPI
On February 20, 2022, the Parent signed a ₱3.00 billion ten (10)-year term loan facility with the Land Bank of the Philippines. The loan will be used to partially finance the Parent Company's general corporate requirements, including capital expenditures.

Compliance with loan covenants
All these loan agreements provide for certain covenants that 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, 2022 and 2021, 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 MWIS, 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, 2022.

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:

	2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance at beginning of year	₱959,734,122	₱812,802,276	₱146,931,846
Net benefit costs in profit or loss before capitalized costs:			
Current service cost	95,479,076	–	95,479,076
Net interest (Note 18)	39,600,139	39,483,927	116,212
	135,079,215	39,483,927	95,595,288
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in interest)	–	(65,288,732)	65,288,732
Actuarial changes arising from:			
Experience adjustments	50,032,011	–	50,032,011
Changes in financial assumptions	1,805,579	–	1,805,579
	51,837,590	(65,288,732)	117,126,322
Benefits paid from retirement funds	(125,553,541)	(125,553,541)	–
Contributions	–	68,950,000	(68,950,000)
Transfers	(2,313,648)	–	(2,313,648)
Benefits paid from operating funds	(175,957)	–	(175,957)
Balance at end of year	₱1,018,607,781	₱730,393,930	₱288,213,851

	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

The components of the fair value of plan assets are as follows:

	2022	2021
Assets:		
Cash and cash equivalents	₱2,159,453	₱3,635,181
Debt investments - domestic	650,675,326	628,622,969
Equity investments - domestic	75,331,623	197,659,965
Interest receivable	1,603,816	2,782,036
Other receivable	3,670,948	14,241,213
	733,441,166	846,941,364
Liabilities:		
Accrued trust fees	–	436,201
Other payables	3,047,236	33,702,887
	3,047,236	34,139,088
Fair value of plan assets	₱730,393,930	₱812,802,276

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:

	2022	2021	2020
Discount rate	7.33%	4.97% to 5.26%	3.88% to 4.11%
Salary increase rate	7.00%	3.50% to 5.00%	4.00% to 5.00%

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)	2022	2021
Discount rate	1.00%	(₱72,255,090)	(₱84,230,745)
	(1.00%)	86,150,262	100,722,871
Salary increase rate	1.00%	89,497,390	100,168,951
	(1.00%)	(76,348,900)	(85,298,507)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2022	2021
Less than 1 year	₱151,764,958	₱157,367,092
More than 1 year and up to 5 years	374,493,462	375,288,239
More than 5 years and up to 10 years	357,966,685	332,799,892
	₱884,225,105	₱865,455,223

The average duration of the defined benefit obligation at the end of the reporting period is 14.46 years and 13.57 years as of December 31, 2022 and 2021, respectively.

The asset allocation of the plan is set and reviewed from time to time by the Committees 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 Committees 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 expects to make an additional contribution in 2023 amounting to ₱128.76 million while MWPVI, Boracay Water, Clark Water and Laguna Water have no expected contributions to their respective defined benefit pension plans in 2023.

As of December 31, 2022 and 2021, the plan assets include shares of stock of Ayala, ALI, BPI, Globe Telecom, Inc. (Globe), Bloomberry Corporation and International Container Terminal Services, Inc. (ICTSI) with a total fair value of ₱36.13 million and ₱29.06 million, respectively. As of December 31, 2022 and 2021, the plan assets include debt securities of Ayala and ALI with a total fair value of ₱13.29 million and ₱22.68 million, respectively.

17. Other Noncurrent Liabilities

Other noncurrent liabilities consist of:

	2022	2021
Deferred credits	₱610,566,545	₱446,422,967
Customers' guaranty deposits and other deposits	327,019,932	424,557,365
Long-term sick leave and vacation leave (SLVL) liability	184,137,755	–
	₱1,121,724,232	₱870,980,332

Deferred credits pertain to the unamortized discounts of the customers' guaranty deposits. The rollforward analysis of the deferred credits follows:

	2022	2021
Balance at beginning of year	₱446,422,967	₱445,365,847
Additions	177,359,957	18,053,690
Amortization (Note 18)	(13,216,379)	(16,996,570)
Balance at end of year	₱610,566,545	₱446,422,967

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. The latest actuarial valuations were made on December 31, 2022.

Long-term SLVL liability pertains to sick leave and vacation leave encashments entitled to the employees of the Parent Company that are expected to be availed of after more than one (1) year. In 2022, the Parent Company recognized expenses related to long-term SLVL amounting ₱130.07 million.

As of December 31, 2022, actuarial gain amounting to ₱40.55 million, net of tax, is recognized by the Parent Company in other comprehensive income.

18. Other Operating Revenue, Operating Expenses, Interest Income and Expense, and Other Income and Losses

Other operating revenue consists of:

	2022	2021	2020
Pipeworks and integrated used water services	₱476,849,463	₱153,271,806	₱95,283,072
Connection fees from water and service connections	354,716,825	226,256,231	149,680,291
Supervision fees (Note 23)	337,762,316	231,481,724	324,114,028
Cross-border billing	273,651,813	–	56,939,641
Service income from bulk water contracts (Note 6)	193,840,519	138,934,353	120,809,411
Operations and maintenance services	112,278,840	88,422,873	95,200,999
Reconnection fee	73,345,301	34,987,702	15,571,079
Income from customer late payments	38,485,674	31,663,719	14,020,420
Septic sludge disposal and bacteriological water analysis	33,588,860	36,505,204	27,966,849
Miscellaneous	7,202,418	63,725,409	67,156,746
	₱1,901,722,029	₱1,005,249,021	₱966,742,536

Miscellaneous includes income from water tankering, rental of equipment, and due diligence.

Other expense under cost of services mainly pertains to communications, fuel and transportation expenses, insurance and supplies, among others.

Operating expenses consist of:

	2022	2021	2020
Salaries, wages and employee benefits (Notes 16 and 23)	₱1,324,237,409	₱1,206,524,894	₱1,082,641,100
Management, technical and professional fees (Note 23)	1,090,704,265	407,637,105	246,701,830
Repairs and maintenance	487,047,917	214,817,910	208,910,986
Contractual services	364,920,241	321,837,888	316,395,147
Depreciation and amortization (Notes 9, 10 and 11)	342,473,948	299,262,704	519,862,875
Taxes and licenses	233,377,072	346,562,423	271,744,789
Insurance	153,373,132	129,551,490	123,031,928
Provision for (reversal of) ECL on receivables and contract assets (Note 6)	(134,355,963)	466,813,300	458,828,593
Donations	54,695,557	20,095,710	21,319,444
Provisions and penalty (Notes 1 and 30)	47,991,394	313,721,475	305,498,400
Transportation and travel	27,557,794	11,856,956	13,029,038
Business meetings and representation	25,833,248	24,156,613	16,326,304
Rent (Notes 11, 23 and 25)	21,100,467	18,821,842	15,877,898
Printing and communication (Note 23)	17,201,108	24,618,310	87,887,253
Advertising	13,477,054	8,731,869	16,753,201
Other expenses	209,865,951	91,927,251	190,598,408
	₱4,279,500,594	₱3,906,937,740	₱3,895,407,194

Other expenses include expenses incurred for provision for inventory obsolescense, bank charges, equipment rental and other rentals, among others.

Interest income consists of:

	2022	2021	2020
Interest income on:			
Cash and cash equivalents and short-term investments (Note 5)	₱120,982,688	₱70,247,390	₱204,394,982
Receivable from BWC	–	–	5,348,329
Others	775,812	301,070	1,476,870
	₱121,758,500	₱70,548,460	₱211,220,181

In 2022, finance income from contracts assets were presented as part of the Group's revenue. Consequently, balances in 2021 and 2020 were reclassified to conform with the 2022 presentation.

Interest expense consists of:

	2022	2021	2020
Interest expense on:			
Service concession obligations (Note 10)	₱898,636,458	₱671,367,228	₱712,367,803
Long-term debt (Note 15):			
Coupon interest	1,406,910,162	1,386,407,037	1,256,149,606
Amortization of debt discount, issuance costs and premium	159,968,195	234,425,142	161,721,539
Lease liabilities (Note 11)	14,192,394	20,131,539	27,973,355
Long-term SL and VL liability	11,268,149	–	–
Pension liabilities (Note 16)	2,818,156	7,124,733	9,698,076
Other financing charges (Notes 15 and 17)	322,450,928	153,878,783	92,162,413
	₱2,816,244,442	₱2,473,334,462	₱2,260,072,792

Other financing charges consist of hedging costs, hedging ineffectiveness, amortization of guaranty deposits, and loan pre-termination fees.

Other income (losses) - net consists of:

	2022	2021	2020
Gain from reversal of provision for CWA (Note 1)	₱450,263,217	₱–	₱–
Provision for impairment losses (Notes 4 and 12)	–	(130,319,465)	(₱340,645,093)
Others - net	250,505,102	(45,166,244)	(220,793,476)
	₱700,768,319	(₱175,485,709)	(₱561,438,569)

Others - net include reversals of long-outstanding accounts, gain on sale of scrap materials, input VAT adjustments, loss on pre-terminations of leases and gain on insurance claims, among others.

19. Discontinued Operations

MWIS Healthy Family
On August 26, 2020, MWIS 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 MWIS Healthy Family division as a discontinued operation for the years ended December 31, 2022, 2021 and 2020.

The results of operations of MWIS Healthy Family division in 2020 follows:

Revenue from contracts with customers	₱78,674,895
Cost of services and operating expenses	167,952,026
Operating loss	(89,277,131)
Interest income - net	4,969
Other income (loss) - net	34,045,886
Loss before income tax	(55,226,276)
Benefit from income tax	(3,937,260)
Net loss from discontinued operations	(₱51,289,016)

The net cash flows of MWIS Healthy Family division are as follows:

	2022	2021	2020
Operating	₱555,982	₱12,972,690	(₱11,160,539)
Investing	–	–	26,268,591
Financing	–	–	(11,819,105)
Net increase in cash and cash equivalents	₱555,982	₱12,972,690	₱3,288,947

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:

	2022	2021	2020
Revenue from contracts with customers	₱85,411	₱191,475	₱4,995,680
Cost of services and operating expenses	6,485,540	14,854,583	335,509,004
Operating loss	(6,400,129)	(14,663,108)	(330,513,324)
Interest income (expense) - net	791	634	(44,195)
Other income (loss) - net	103,687	(343,820)	2,907,411
Loss before income tax	(6,295,651)	(15,006,294)	(327,650,108)
Provision for (benefit from) income tax	62,378	(43,473)	(9,881,645)
Loss from discontinued operations	(₱6,358,029)	(₱14,962,821)	(₱317,768,463)

The net cash flows of Zamboanga Water are as follows:

	2022	2021	2020
Operating	₱1,590,214	(₱4,426,586)	(₱19,114,415)
Investing	–	904,827	(4,034,566)
Financing	791	3,500,000	13,589,430
Net increase (decrease) in cash and cash equivalents	₱1,591,005	(₱21,759)	(₱9,559,551)

The net income attributable to the owners of the Parent Company and noncontrolling interest from continuing and discontinued operations are as follows:

	2022	2021	2020
Net income (loss) attributable to:			
Equity holders of Manila Water Company, Inc.			
Continuing operations	₱5,927,227,030	₱3,683,802,583	₱4,769,320,763
Discontinued operations	(4,450,620)	(10,473,975)	(268,867,738)
	₱5,922,776,410	₱3,673,328,608	₱4,500,453,025
Noncontrolling interests			
Continuing operations	₱220,538,662	₱85,298,756	₱145,523,960
Discontinued operations	(1,907,409)	(4,488,846)	(100,189,741)
	₱218,631,253	₱80,809,910	₱45,334,219
EPS			
Basic, net loss from discontinued operations	₱–	₱–	(₱0.13)
Diluted, net loss from discontinued operations	₱–	₱–	(₱0.13)

20. Income Tax

Provision for (benefit from) income tax consists of:

	2022	2021	2020
Current	₱1,443,529,558	₱1,317,513,163	₱1,993,760,367
Final	6,530,722	2,047,364	77,225,700
Deferred	563,139,188	219,732,881	(322,261,714)
	₱2,013,199,468	₱1,539,293,408	₱1,748,724,353

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2022	2021	2020
Statutory income tax rate	25.00%	25.00%	30.00%
Tax effects of:			
Retrospective effect of the change in tax rate	–	0.77	–
Change in unrecognized deferred tax	0.20	1.54	(15.22)
Excess of 40% Optional Standard Deduction (OSD) against allowable deductions	–	–	(0.07)
Interest income subjected to final tax	(0.37)	(0.33)	(0.84)
Nontaxable equity in net earnings of associates	(1.59)	(2.68)	(0.96)
Nondeductible expense	76.05	78.52	64.45
Income exempt from tax	(79.98)	(76.46)	(51.09)
Others – net	5.36	2.64	(0.03)
Effective income tax rate	24.67%	29.00%	26.24%

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, Former 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:

	2022	2021
Deferred tax assets:		
Service concession obligations - net	₱1,701,746,289	₱1,720,907,947
Provisions and accruals	747,465,680	539,941,653
Unrealized foreign exchange losses	36,485,519	164,409,426
NOLCO and MCIT	170,118,456	141,464,697
Allowance for ECL	293,444,327	111,441,555
Interest payable	77,108,886	59,819,144
Pension liabilities	59,749,118	27,911,178
Others	145,567,154	20,405,540
	3,231,685,429	2,786,301,140
Deferred tax liabilities:		
Difference between amortization expense of SCA per straight line method and per UOP	(2,079,151,939)	(1,324,896,862)
Derivatives (Note 28)	(436,950,934)	(140,746,814)
Bond discounts	(72,014,498)	(71,266,284)
Right-of-use assets - net	(8,344,760)	(8,658,121)
Others	–	(10,526,172)
	(2,596,462,131)	(1,556,094,253)
	₱635,223,298	₱1,230,206,887

The components of the net deferred tax liabilities of the Group represent the deferred income tax effects of the following:

	2022	2021
Deferred tax liabilities:		
Difference between amortization expense of SCA per straight-line method and per UOP	₱123,770,136	₱170,151,426
Contract assets from bulk water arrangements	227,654,901	110,032,005
Unrealized gain on bargain purchase	8,485,054	11,633,709
Contract assets	12,787,643	11,879,944
Others	17,528,085	87,744,525
	390,225,819	391,441,609
Deferred tax assets:		
Provisions and accruals	(29,439,926)	(15,411,592)
Pension liabilities	(12,304,345)	(11,401,978)
NOLCO and MCIT	(9,461,454)	(11,884,242)
Allowance for ECL	(999,704)	(89,104,777)
	(52,205,429)	(127,802,589)
	₱338,020,390	₱263,639,020

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 2021, deferred tax asset amounting to ₱312.35 million on allowance for ECL was not recognized by the Parent Company. As of December 31, 2022, the Parent Company has assessed that sufficient future taxable income will be available against which the benefit of deferred taxes on allowance for ECL can be utilized. Consequently, the Parent Company recognized deferred tax asset on allowance for ECL amounting to and ₱201.99 million.

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.

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, Calbayog Water , Leyte Water, Metro Ilagan and Zamboanga Water have total NOLCO amounting to ₱743.50 million and ₱679.30 million as of December 31, 2022 and 2021, 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, 2022 and 2021, the unrecognized deferred tax assets on NOLCO amounted to ₱185.88 million and ₱169.83 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, 2022, 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
2019	2020 to 2022	₱304,488,340	₱304,488,340	₱–
2022	2023 to 2025	249,952,281	–	249,952,281
		₱554,440,621	304,488,340	₱249,952,281

As of December 31, 2022, the Group has incurred NOLCO in taxable year 2021 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	₱645,969,122	₱–	₱645,969,122
2021	2022 to 2026	541,390,729	–	541,390,729
		₱1,187,359,851	₱–	₱1,187,359,851

MCIT
The movements of the Group's MCIT as of December 31, 2022 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	₱3,169,888	₱3,169,888	₱–	2022
2020	9,997,719	–	9,997,719	2023
2021	8,500,891	–	8,500,891	2024
2022	11,899,263	–	11,899,263	2025
	₱33,567,761	₱3,169,888	₱30,397,873	

21. Equity

Paid-in capital
The Parent Company's capital stock consists of:

	2022		2021	
	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	2,882,040,808	2,882,040,808	2,884,839,617	2,884,839,617
Issued and outstanding	2,044,098,916	2,044,098,916	2,043,237,036	2,043,237,036
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 948 and 954 existing certificated shareholders as of December 31, 2022 and 2021, 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:

	2022	2021
Number of shares at beginning of year	2,043,237,036	2,041,814,326
Additions	861,880	1,422,710
Number of shares at end of year	2,044,098,916	2,043,237,036

The movement of the Parent Company's paid-in capital for the years ended December 31, 2022, 2021, and 2020 follows:

	2022						
	Common Stock	Subscribed Common Stock	Preferred Stock	Additional Paid-in Capital	Subscription Receivable	Treasury Shares	Paid-in Capital
Balance at beginning of year	₱2,043,237,036	₱841,602,581	₱400,000,000	₱14,417,217,151	(₱5,654,475,773)	₱–	₱12,047,580,995
Issuance of shares	861,880	(861,880)	–	–	–	–	–
Cost of share-based payment	–	–	–	10,404,262	9,507,377	–	19,911,639
Purchase of treasury shares	–	–	–	–	–	(49,407,905)	(49,407,905)
Reissuance of treasury shares	–	–	–	–	–	6,094,710	6,094,710
Balance at end of year	₱2,044,098,916	₱840,740,701	₱400,000,000	₱14,427,621,413	(₱5,644,968,396)	(₱43,313,195)	₱12,024,179,439

	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

Retained earnings

The movement of the Group's retained earnings follows:

	2022		
	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Retained Earnings
Balance at beginning of year	₱13,448,628,617	₱40,610,000,000	₱54,058,628,617
Net income	5,922,776,410	–	5,922,776,410
Dividends declared	(1,284,253,284)	–	(1,284,253,284)
Balance at end of year	₱18,087,151,743	₱40,610,000,000	₱58,697,151,743

	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

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, the Parent Company's BOD approved the appropriation of ₱5,115.00 million 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, 2022 and 2021.

Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries and associates accounted for under the equity method amounting to ₱3,942.56 million and ₱3,463.78 million as of December 31, 2022 and 2021, 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, 2022 and 2021 amounted to ₱11,199.37 million and ₱7,410.83 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, 2022:

		Amount Per Share		
Declaration Date	Record Date	Common Shares	Participating Preferred Shares	Payment Date
November 18, 2021	December 3, 2021	0.5310	0.05310	December 16, 2021
November 18, 2021	December 3, 2021	–	0.03000	December 16, 2021
November 17, 2022	December 2, 2022	0.3796	0.04800	December 19, 2022

Dividends in arrears of the Parent Company amounted to ₱80.00 million as of December 31, 2020 (nil as of December 31, 2022 and 2021).

Treasury Shares
In September 2022, the Parent Company's BOD approved a buy-back program in relation to the Stock Incentive Plan (SIP) for its senior leaders and officers. The Parent Company acquired 3,200,000 treasury shares for a total amount of ₱49.41 million.

On November 30, 2022 and December 31, 2022, the Parent Company reissued 295,170 shares and 105,841 shares, respectively, in relation to the SIP amounting to ₱6.10 million. As of December 31, 2022, total number of treasury shares amounted to 2,798,809 shares.

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 2022 and 2021. Total cost arising from equity-settled share-based payment transactions amounted to nil, ₱3.39 million, and ₱18.79 million in 2022, 2021 and 2020, 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.

On April 22, 2022, the BOD granted total number of shares amounting to 3,218,130, with a fair value per share of ₱19.20. The granted shares were adjusted by dividend reinvestment plan with additional 60,545 shares. As of December 31, 2022, total number of granted shares amounted to 3,278,675.

Total share-based payment cost arising from SIP amounted to ₱26.08 million in 2022.

Other equity reserves
On March 8, 2022, MWPVI increased its ownership interest in Davao Water from 51.00% to 100.00% through the purchase of iWater's 49.00% ownership interest in Davao Water. The Group recognized a loss on the dilution of noncontrolling interest amounting to ₱272.94 million and presented this as part of "Other equity reserves” in the statement of financial position.

On April 7, 2022, MWPVI secured the approval of its BOD to purchase the 32.6% stake (107,601,639 common shares) of Metro Pacific Water Investment Corporation (MWIC) in MW Consortium for a purchase price of ₱107.60 million. The Group recognized a gain on the dilution of noncontrolling interest amounting to ₱74.37 million and presented this as part of "Other equity reserves" in the statement 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, 2022, 2021, and 2020 were computed as follows:

	2022	2021	2020
Net income (loss) attributable to common equity holders of the Parent Company			
Continuing operations	₱5,927,227,031	₱3,683,802,583	₱4,769,320,763
Discontinued operations	(4,450,620)	(10,473,975)	(268,867,738)
Dividends on preferred shares*	(756,574,986)	(543,764,840)	(763,852,861)
Net income attributable to common shareholders for basic and diluted earnings per share	₱5,166,201,425	₱3,129,563,768	₱3,736,600,164
Weighted average number of common shares for basic earnings per share	2,883,830,801	2,543,172,950	2,064,839,617
Dilutive common shares arising from stock options	–	–	–
Adjusted weighted average number of common stocks for diluted earnings per share	2,883,830,801	2,543,172,950	2,064,839,617
EPS before discontinued operations			
Basic earnings per share	₱1.79	₱1.23	₱1.94
Diluted earnings per share	₱1.79	₱1.23	₱1.94
EPS			
Basic earnings per share	₱1.79	₱1.23	₱1.81
Diluted earnings per share	₱1.79	₱1.23	₱1.81

**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 ₱21.82 million, ₱84.91 million, and ₱133.30 million in 2022, 2021 and 2020, respectively. Total outstanding payables amounted to nil as of December 31, 2022 and 2021 (see Note 14).

b. The Parent Company entered into a Consultancy Agreement with Prime Infrastructure Capital Holdings, Inc. (PICI), an affiliate of Trident Water effective June 3, 2021. Under the agreement, PICI shall provide strategic advice and assistance, for which the Parent Company and its subsidiaries shall pay PICI 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 ₱689.44 million, ₱254.72 million and nil in 2022, 2021 and 2020, respectively. Total outstanding payables amounted to ₱180.95 million and ₱98.52 million as of December 31, 2022 and 2021, 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)	
	2022	2021	2022	2021
Shareholder:				
Ayala	₱–	₱–	₱542,587	₱69,512
Affiliates:				
Trident Inc	–	–	5,330,000,000	–
ALI and subsidiaries			305,264,854	294,141,068
Globe and subsidiaries	–	–	139,704	37,929
Sureste Properties Inc.			25,781	–
AC Industrial Technology Holdings, Inc. (AITHI) and subsidiaries	–	–	4,870	4,021
BPI and subsidiaries	305,312,644	5,176,834,102	2,592,322	1,482,261
	305,312,644	5,176,834,102	5,638,027,531	295,665,279
	₱305,312,644	₱5,176,834,102	₱5,638,570,118	₱295,734,791

**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.

	Payables and Contract Liablities* (Note 14)		Long-term Debt (Note 15)	
	2022	2021	2022	2021
Shareholder:				
PICI	₱180,953,011	₱98,523,347	₱–	₱–
Affiliates:				
ALI and subsidiaries	267,096,095	354,923,436	–	–
Prime Metro BMD	61,898,362	–	–	–
Globe and subsidiaries	2,955,045	5,750,586	–	–
HCX Technology Partners, Inc.	1,781,164	981,740	–	–
BPI and subsidiaries	819,283	796,220	1,825,718,622	2,977,217,120
Bestfull Holdings, Inc. and subsidiaries	344,173	–	–	–
	334,894,122	362,451,982	1,825,718,622	2,977,217,120
	₱515,847,133	₱460,975,329	₱1,825,718,622	₱2,977,217,120

**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		
	2022	2021	2020	2022	2021	2020
Shareholders:						
PICI	₱–	₱–	₱–	₱689,443,859	₱254,720,321	₱–
Ayala	4,530,470	3,895,104	5,061,894	21,823,200	114,664,008	178,492,976
	4,530,470	3,895,104	5,061,894	711,267,059	369,384,329	178,492,976
Affiliates:						
ALI and subsidiaries	740,211,689	495,254,953	515,293,654	38,079,208	27,650,260	284,481,160
IMI and subsidiaries	57,716,421	44,998,517	51,271,558	–	–	–
BPI and subsidiaries	21,912,761	3,393,774	7,264,119	73,737,733	3,541,225	42,310,291
AITHI and subsidiaries	6,771,342	4,696,832	5,428,333	–	1,505,839,469	41,499,053
Sureste Properties, Inc.	3,790,000	–	–	1,107,752	500,080	–
Globe and subsidiaries	1,072,639	1,354,227	1,622,556	54,675,771	45,843,681	56,011,412
HCX Technology Partners, Inc.	–	–	–	11,911,868	7,288,146	7,663,220
Bestfull Holdings, Inc. and subsidiaries	–	–	–	158,019	–	209,288
WawaJVCo, Inc.	–	–	–	134,357,841	–	–
AC Energy	–	–	–	–	346,483,882	668,653,577
Ayala Healthcare Holdings, Inc.	–	–	–	–	547,163	9,653,347
	831,474,852	549,698,303	580,880,220	314,028,192	1,937,693,906	1,110,481,348
	₱836,005,322	₱553,593,407	₱585,942,114	₱1,025,295,251	₱2,307,078,235	₱1,288,974,324

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 PICI 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.
- WawaJVCo, Inc. for the for the supply of raw water

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. Regulatory fees to PGL amounted to ₱88.87 million and ₱73.19 million in 2022 and 2021, 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 ₱28.39 million and ₱15.97 million in 2022 and 2021, 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 ₱242.32 million, ₱187.67 million, and ₱219.23 million in 2022, 2021 and 2020, 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 ₱26.11 million, ₱11.71 million, and ₱29.70 million in 2022, 2021 and 2020, 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 was used to finance the general corporate and capital expenditures requirements of Boracay Water. The carrying value of loan as of December 31, 2022 and 2021 amounted to ₱1,509.87 million and ₱1,409.58 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 ₱1,204.87 million and ₱1,291.37 million as of December 31, 2022 and 2021, 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, 2022 and 2021, the Group has no guaranty deposits with AC Energy.

k. On August 6, 2019, MWSS along with the Parent Company signed a thirty (30)-year Wawa Bulk Water 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 Wawa Bulk Water Agreement to reflect their agreement on the joint conditions precedent. On September 28, 2021, the parties executed the Second Supplement to the Wawa Bulk Water Agreement to reflect the impact of the COVID-19 pandemic on the timeline of the project.

   On October 25, 2022, the construction of the Tayabasan Weir was completed, and Wawa JVCo., Inc. commenced the provision of initial 80 million liters per day of raw water to the Parent Company. The Parent Company accounts for the Wawa Bulk Water Agreement under the intangible asset model recognizing SCA and SCO amounting to ₱6,762.50 million. The carrying amount of the SCA and SCO as of December 31, 2022 amounted to ₱6,727.39 million and ₱6,744.68 million, respectively.

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. 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, 2022 and 2021, carrying value of the loan amounted to ₱166.97 million and ₱106.26 million, respectively.

o. On April 25, 2022, Clark Water was granted a ₱140.00 million credit facility by BPI to finance and refinance its capital expenditure projects. As of December 31, 2022, the carrying value of the loan amounted to ₱140.00 million.

p. On May 30, 2022, Bulakan Water drew a 150-day short-term loan with BPI amounting to ₱10.00 million. The capital expenditures and its working capital requirements. As of December 31, 2022, the carrying value of the loan amounted to ₱9.87 million.

q. In August 2022, Calasiao Water drew ₱63.00 million 150-day short-term loan with BPI to finance its expenditures and its working capital requirements. This was rolled-over in December 2022.Moreover, in December 2022, Calasiao Water drew additional short-term loan amounting to ₱40.00 million for capital expenditure requirements. As of December 31, 2022, carrying value of the loan amounted to ₱103.00 million.

r. 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.

s. 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.

t. 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, 2022 and 2021 amounted to ₱168.91 million and ₱100.00 million, respectively.

u. 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, 2022 and 2021 amounted to ₱148.88 million and ₱70.00 million, respectively.

v. 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. In 2022, total purchases by Parent Company related to the project amounted to ₱751.79 million.

w. 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 ₱504.94 million and ₱522.31 million as of December 31, 2022 and 2021, respectively (see Note 16). As of December 31, 2022 and 2021, the plan assets include shares of stock of Ayala, ALI, BPI, Globe, Bloomberry Corporation and ICTSI with a total fair value of ₱36.13 million and ₱29.06 million, respectively. As of December 31, 2022 and 2021, the plan assets include debt securities of Ayala and ALI with a total fair value of ₱13.29 million and ₱22.68 million, respectively.

x. Compensation of key management personnel of the Group by benefit type, included as part of “Salaries, wages and employee benefits,” are as follows:

	2022	2021	2020
Short-term employee benefits	₱750,307,855	₱617,990,169	₱530,425,483
Post-employment and long-term employee benefits	28,185,877	29,630,420	26,604,271
Share-based payments	26,082,254	3,390,655	18,793,326
	₱804,575,986	₱651,011,244	₱575,823,080

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.

e. In 2022, the Parent Company and Maynilad entered into a Bulk Water Sale and Purchase Agreement wherein the Parent Company will supply raw and treated water to Maynilad to provide adequate service to the customers of Maynilad in the West Zone. In 2022, total cross-border billings to Maynilad amounted to ₱273.65 million (see Note 18).

25. Assets Held in Trust

<u>MWSS</u>
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 ₱40.37 million, ₱33.37 million, and ₱36.40 million was recorded in 2022, 2021 and 2020, 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 monitor 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 MWIS, 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, 2022, 2021, and 2020 are as follows:

	2022				
	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Consolidation Adjustments	Consolidated
			(In Thousands)		
Revenue					
Sales to external customers	₱17,625,349	₱5,870,739	₱24,710	(₱978,352)	₱22,542,446
Finance income from contract assets	–	256,538	–	–	256,538
Operating expenses (excluding depreciation and amortization)	7,157,034	3,719,348	252,315	(331,648)	10,797,049
Depreciation and amortization	2,284,402	774,855	1,489	(14,732)	3,046,014
Equity share in net income of associates	–	–	520,067	–	520,067
Other income (expenses) - net	(684,973)	(465,062)	558,165	(723,152)	(1,315,022)
Income (loss) before income tax	7,498,940	1,168,012	849,138	(1,355,124)	8,160,966
Provision for income tax	1,508,217	286,854	1,320	216,809	2,013,200
Net income (loss) from continuing operations	5,990,723	881,158	847,818	(1,571,933)	6,147,766
Net loss from discontinued operations	–	(602)	–	(5,756)	(6,358)
Net income (loss)	₱5,990,723	₱880,556	₱847,818	(₱1,577,689)	₱6,141,408
Other information					
Segment assets, exclusive of investments in associates and derivnote ative assets	₱154,542,694	₱38,689,442	₱6,889,045	(23,047,191)	₱177,073,990
Investments in associates	–	–	14,287,220	1,147,293	15,434,513
Derivative assets	2,295,670	–	–	–	2,295,670
	₱156,838,364	₱38,689,442	₱21,176,265	(₱21,899,898)	₱194,804,173
Segment liabilities	₱88,885,291	₱25,668,359	₱8,674,622	(₱1,877,358)	₱121,350,914

	2021				
	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Consolidation Adjustments	Consolidated
			(In Thousands)		
Revenue					
Sales to external customers	₱16,084,110	₱4,533,820	₱20,799	(₱346,342)	₱20,292,387
Finance income from contract assets	–	237,712	–	–	237,712
Operating expenses (excluding depreciation and amortization)	6,130,908	3,191,390	136,831	(239,352)	9,219,777
Depreciation and amortization	2,930,272	726,868	1,410	(30,308)	3,628,242
Equity share in net income of associates	–	–	569,460	–	569,460
Other income (expenses) - net	(1,950,377)	(781,848)	572,882	(783,802)	(2,943,145)
Income (loss) before income tax	5,072,553	71,426	1,024,900	(860,484)	5,308,395
Provision for income tax	1,445,916	93,537	69	(229)	1,539,293
Net income (loss) from continuing operations	3,626,637	(22,111)	1,024,831	(860,255)	3,769,102
Net loss from discontinued operations	–	(13,761)	–	(1,202)	(14,963)
Net income (loss)	₱3,626,637	(₱35,872)	₱1,024,831	(₱861,457)	₱3,754,139
Other information					
Segment assets, exclusive of investments in associates and derivative assets	₱129,534,313	₱35,955,806	₱6,459,251	(₱21,355,443)	₱150,593,927
Investments in associates	–	–	13,282,212	1,254,074	14,536,286
Derivative assets	386,712	–	–	–	386,712
	₱129,921,025	₱35,955,806	₱19,741,463	(₱20,101,369)	₱165,516,925
Segment liabilities	₱66,962,840	₱23,700,990	₱8,215,738	(₱1,687,807)	₱97,191,761

	2020				
	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Consolidation Adjustments	Consolidated
		(In Thousands)			
Revenue					
Sales to external customers	₱17,103,950	₱4,471,230	₱6,248	(₱456,293)	₱21,125,135
Finance income from contract assets	–	291,971	–	–	291,971
Operating expenses (excluding depreciation and amortization)	5,434,843	3,383,074	84,991	(564,699)	8,338,209
Depreciation and amortization	2,848,360	699,749	1,356	(26,479)	3,522,986
Equity share in net income of associates	–	–	213,839	–	213,839
Other income (expenses) - net	(2,431,898)	(675,506)	(605,869)	607,091	(3,106,182)
Income (loss) before income tax	6,388,849	4,872	(472,129)	741,976	6,663,568
Provision for income tax	1,533,461	231,685	202	(16,624)	1,748,724
Net income (loss) from continuing operations	4,855,388	(226,813)	(472,331)	758,600	4,914,844
Net loss from discontinued operations	–	(399,356)	–	30,299	(369,057)
Net income (loss)	₱4,855,388	(₱626,169)	(₱472,331)	₱788,899	₱4,545,787
Other information					
Segment assets, exclusive of investments in associates and derivative assets	₱123,651,541	₱31,929,711	₱6,017,124	(₱19,355,645)	₱142,242,731
Investments in associates	–	–	13,417,451	866,382	14,283,833
Derivative assets	–	–	–	–	–
	₱123,651,541	₱31,929,711	₱19,434,575	(₱18,489,263)	₱156,526,564
Segment liabilities	₱68,094,434	₱21,589,194	₱8,568,352	(₱1,888,870)	₱96,363,110

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, 2022, 2021 and 2020:

	2022			
	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Total
	(In Thousands)			
Revenue from contracts with customers:				
Water and used water revenues	₱16,434,860	₱4,205,864	₱–	₱20,640,724
Other operating income	626,850	1,253,171	21,701	1,901,722
	₱17,061,710	₱5,459,035	₱21,701	₱22,542,446
Timing of revenue recognition:				
Revenue recognized over time	₱16,982,447	₱5,405,602	₱21,701	₱22,409,750
Revenue recognized at a point in time	79,263	53,433	–	132,696
	₱17,061,710	₱5,459,035	₱21,701	₱22,542,446

	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

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, 2022 and 2021:

	2022			
	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	₱2,295,670	₱–	₱–	₱2,295,670
Financial assets at amortized cost				
Contract assets from MCWD, TWD and CIWD	2,026,081	–	–	4,416,000
	₱4,321,751	₱–	₱–	₱6,711,670
Other financial liabilities				
Long-term debt	₱84,669,785	₱24,487,789	₱–	₱55,556,685
Service concession obligations	16,043,389	–	–	16,074,992
Customers' guaranty deposits and other deposits	327,020	–	–	90,626
	₱101,040,194	₱24,487,789	₱–	₱71,722,303

	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

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 of derivative assets, specifically forward contracts, are calculated using valuation techniques with inputs and assumptions that are based on market unobservable data and conditions. The fair values of the US dollar-denominated bonds are based on quoted prices. The fair vales of financial assets at amortized cost, and other financial liabilities 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 0.5% to 7.35% in 2022 and 0.37% to 10.18% in 2021 while the discount rates used for foreign currency-denominated loans ranged from 6.97% to 9.00% in 2022 and 1.09% to 6.88% in 2021.

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, 2022 and 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.

Fair Value Hierarchy
During the periods ended December 31, 2022 and 2021, 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, 2022 and 2021, the Group's mix of fixed interest and floating interest rate of long-term debt are 57% to 43% and 65% to 35%, respectively. Floating interest rates are based on 6-month LIBOR, EURIBOR or BIBOR plus margin as of December 31, 2022 and 2021. As of December 31, 2022 and 2021 the Group's average cost of debt is 5.46% and 4.45% respectively.

The following tables summarize the maturity profile of the Group's long-term debt based on contractual undiscounted principal payments:

	2022*											
	Due in 2023	Due in 2024	Due in 2025	Due in 2026	Due in 2027	Due after 2028	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	₱375,000,000	₱2,875,000,000	¥–	$–	€–	THB–	₱2,875,000,000
₱5.00 billion BDO Loan	₱–	₱1,800,000,000	₱–	₱–	₱–	₱–	₱1,800,000,000	¥–	$–	€–	THB–	₱1,800,000,000
US$500.00 million sustainability bonds	$–	$–	$–	$–	$–	$500,000,000	₱–	¥–	$500,000,000	€–	THB–	₱27,877,500,000
Floating Rate (exposed to cash flow risk)												
MWMP Loan	$7,721,832	$7,721,832	$7,721,832	$7,721,832	$7,721,832	$73,267,336	₱–	¥–	$111,876,496	€–	THB–	₱6,237,674,034
₱5.00 billion BDO Loan	₱–	₱–	₱1,200,000,000	₱–	₱2,000,000,000	₱–	₱3,200,000,000	¥–	$–	€–	THB–	₱3,200,000,000
EUR250.00 million Loan	€62,500,000	€57,500,000	€–	€–	€–	€–	₱–	¥–	$–	€120,000,000	THB–	₱7,146,540,000
PHP Chinabank Loan	₱–	₱–	₱–	₱1,646,800,000	₱1,642,200,000	₱8,211,000,000	₱11,500,000,000	¥–	$–	€–	THB–	₱11,500,000,000
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	₱263,541,668	₱742,708,333	¥–	$–	€–	THB–	₱742,708,333
₱0.80 billion Cebu Water DBP Loan	₱22,104,902	₱44,209,804	₱44,209,804	₱44,209,804	₱44,209,804	₱298,416,176	₱497,360,294	¥–	$–	€–	THB–	₱497,360,294
₱0.50 billion Laguna Water DBP Loan	₱36,674,712	₱29,334,190	₱29,340,136	₱29,346,319	₱29,352,973	₱162,128,140	₱316,176,470	¥–	$–	€–	THB–	₱316,176,470
₱0.83 billion Laguna Water DBP Loan	₱62,961,887	₱50,350,048	₱50,360,379	₱50,371,124	₱50,382,686	₱278,285,997	₱542,712,121	¥–	$–	€–	THB–	₱542,712,121
₱2.50 billion Laguna Water SBC Loan	₱218,408,764	₱163,239,574	₱191,064,496	₱191,238,474	₱191,466,576	₱583,043,655	₱1,538,461,539	¥–	$–	€–	THB–	₱1,538,461,539
₱2.50 billion Laguna Water BPI Loan	₱201,819,520	₱177,963,553	₱178,189,762	₱178,418,906	₱178,654,920	₱295,298,167	₱1,210,344,828	¥–	$–	€–	THB–	₱1,210,344,828
₱0.50 billion Boracay Water DBP-SBC Loan	₱–	₱8,558,961	₱31,660,189	₱31,660,189	₱31,660,189	₱118,725,707	₱222,265,235	¥–	$–	€–	THB–	₱222,265,235
₱0.50 billion Boracay Water DBP-SBC Loan	₱–	₱11,240,434	₱44,961,735	₱44,961,735	₱44,961,735	₱168,606,504	₱314,732,143	¥–	$–	€–	THB–	₱314,732,143
₱0.65 billion Boracay Water DBP-SBC Loan	₱–	₱19,345,238	₱77,380,952	₱77,380,952	₱77,380,952	₱290,178,573	₱541,666,667	¥–	$–	€–	THB–	₱541,666,667
₱2.40 billion Boracay Water BPI Loan	₱15,650,000	₱24,200,000	₱77,450,000	₱137,800,000	₱185,228,000	₱1,079,672,000	₱1,520,000,000	¥–	$–	€–	THB–	₱1,520,000,000
₱0.45 billion Tagum Water PNB Loan	₱33,399,479	₱33,415,537	₱33,439,143	₱33,463,678	₱33,489,955	₱161,042,208	₱328,250,000	¥–	$–	€–	THB–	₱328,250,000
₱0.15 billion Tagum Water PNB Loan	₱12,793,331	₱12,827,863	₱12,877,325	₱12,928,277	₱12,982,301	₱65,590,903	₱130,000,000	¥–	$–	€–	THB–	₱130,000,000
₱7.00 billion MWPVI Loan	₱667,800,000	₱667,100,000	₱754,900,000	₱753,900,000	₱753,900,000	₱3,768,500,000	₱7,366,100,000	¥–	$–	€–	THB–	₱7,366,100,000
₱0.39 billion Calbayog Water BPI Loan	₱–	₱9,338,000	₱9,338,000	₱20,010,000	₱20,010,000	₱90,179,000	₱148,875,000	¥–	$–	€–	THB–	₱148,875,000
₱0.23 billion Aqua Centro BPI Loan	₱–	₱17,075,200	₱22,411,200	₱22,411,200	₱22,411,200	₱83,691,200	₱168,000,000	¥–	$–	€–	THB–	₱168,000,000
₱0.47 billion South Luzon Water BPI Loan	₱–	₱–	₱11,339,000	₱22,678,000	₱22,678,000	₱113,305,000	₱170,000,000	¥–	$–	€–	THB–	₱170,000,000
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	₱44,583,333	₱278,645,835	₱501,562,500	¥–	$–	€–	THB–	₱501,562,500
₱0.12 billion Boracay Water DBP-SBC Loan	₱–	₱1,945,241	₱10,356,618	₱10,356,618	₱10,356,618	₱38,837,317	₱71,852,412	¥–	$–	€–	THB–	₱71,852,412
THB5.30 billion Loan	THB–	THB5,300,000,000	THB–	THB–	THB–	THB–	₱–	¥–	$–	€–	THB5,300,000,000	₱8,507,679,906
Total in Original Currency							₱35,706,067,542	¥–	$611,876,496	€120,000,000	THB5,300,000,000	₱85,475,461,482
Total in PHP	₱6,064,716,255	₱16,073,154,707	₱3,850,226,150	₱4,378,882,686	₱6,422,273,318	₱48,686,208,366	₱35,706,067,542	₱–	₱34,115,174,034	₱7,146,540,000	₱8,507,679,906	₱85,475,461,482

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 ₱0.4174 to JP¥1, ₱55.7550 to US$1, ₱59.5545 to EUR1, and ₱1.6052 to THB1 in 2022.
**Excludes the CAD0.87 million Laguna Water loan whose repayment date is related to the completion of the funded project*

	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*

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, 2022 and 2021, with all variables held constant (through the impact on floating rate borrowings).

		2022	2021
	Changes in Basis Points	Effect on Income Before Income Tax	Effect on Income Before Income Tax
		(In Thousands)	
Floating rate borrowings	100	(₱257,652)	(₱252,444)
	(100)	257,652	252,444

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 58% and 66.57% of debt, including bonds payable, as of December 31, 2022 and 2021, 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, 2022 and 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, 2022 and 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:

	2022		2021	
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
	(In Thousands)		(In Thousands)	
Assets				
Cash and cash equivalents:				
THB	THB275,988	₱443,022	THB87,532	₱133,722
USD	USD6,486	361,619	USD120,378	6,139,174
VND	VND3,790,926	8,944	VND4,182,432	9,345
IDR	IDR547,212	1,957	IDR2,389,115	8,534
SGD	SGD5	215	SGD3	104
JP¥	JP¥556	232	JP¥–	–
Short-term investments:				
USD	USD50,730	2,828,470	USD-	–
THB	THB73	117	THB140,000	213,877
IDR	IDR1,589,000	5,682	–	–
Accounts receivable:				
USD	USD1,944	108,411	USD55	2,798
IDR	IDR1,967,958	7,037	IDR244,558	874
SAR	SAR–	–	SAR6,160	83,321
VND	VND–	–	VND1,191,300	2,662
Other current assets:				
THB	THB24,416	39,193	THB41,332	63,142
VND	VND677,878	1,599	VND1,031,358	2,304
GBP	GBP20	1,338	GBP17	1,197

(Forward)

	2022		2021	
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
IDR	IDR135,064	₱483	IDR179,062	₱640
USD	USD23	1,259	USD3	146
Other noncurrent assets:				
USD	USD1,079	60,127	USD622	31,702
IDR	IDR62,826	225	IDR75,169	268
VND	VND73,577	173	VND–	–
		3,870,103		6,693,810
Liabilities				
Accounts payable:				
THB	THB29,783	47,809	THB23,153	35,371
USD	USD495	27,575	USD188	9,589
VND	VND1,303,910	3,076	VND1,310,757	2,929
SGD	SGD76	3,175	SGD67	2,521
EUR	EUR–	–	EUR1	44
IDR	(IDR92,282)	(330)	IDR–	–
PKR	PKR5,585	1,384	PKR–	–
Long-term debt:				
USD	USD602,030	33,566,195	USD608,831	31,049,789
THB	THB5,291,781	8,494,487	THB5,285,119	8,074,043
EUR	EUR119,037	7,089,212	EUR118,113	6,792,855
JP¥	JP¥–	–	JP¥3,556,722	1,569,581
CAD	CAD873	36,003	CAD873	34,793
Service concession obligations:				
USD	USD250,254	13,952,914	USD72,991	3,722,452
JP¥	JP¥208,674	87,100	JP¥276,831	122,165
		63,308,600		51,416,132
Net foreign currency-denominated liabilities		(₱59,438,497)		(₱44,722,322)

The closing exchange rates used were ₱55.7550 to US$1, ₱41.2405 to CAD1, ₱59.5545 to EUR1, ₱67.4394 to GBP1, ₱0.0036 to IDR1, ₱0.4174 to JP¥1, ₱0.0262 to MMK1, ₱14.9335 to SAR1, ₱41.5796 to SGD1, ₱1.6052 to THB1, 0.0024 to VND1 and ₱0.2478 to PKR1 in 2022; and ₱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, 0.0022 to VND1 in 2021.

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).

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. However, due to non-effectivity of the RCA on June 30, 2022, the Parent Company has reinstated the original Concession Agreement on July 1, 2022 with the recovery mechanism of the FCDA still in effect. The total impact of FCDA in the balances of the Parent Company amounted to ₱2,635.01 million.

- *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, 2022 and 2021, an unrealized loss of ₱709.81 million and ₱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, 2022 and 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, 2022 and 2021, a gain of ₱466.33 million and ₱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, 2022 and 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, 2022 and 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, 2022 and 2021 follows:

2022	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	₱2,109,677,185	Other noncurrent assets	₱1,099,350,013
USD100 Mn Bonds - Currency Option Transaction	$100,000,000	185,992,581	Other noncurrent assets	(221,856,130)
USD100 Mn Bonds - Net Investment Hedge	$100,000,000	–	–	(319,576,781)
		₱2,295,669,766		₱557,917,102

2021	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, 2022 and 2021 follows:

2022	Notional amount	Change in fair value *	Cash flow hedge reserve*	Cost of hedging reserve*
EUR120 Mn Loan - Principal only swap	€120,000,000	₱1,099,350,013	₱955,879,341	₱143,470,672
USD100 Mn Bonds – Currency Option Transaction	$100,000,000	(210,737,651)	70,628,092	(281,365,743)
USD100 Mn Bonds - Net Investment Hedge	$100,000,000	(319,576,781)	–	–
		₱569,035,581	₱1,026,507,433	(₱137,895,071)

2021	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:

2022	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	₱1,099,350,013	₱–	Interest expense	₱243,475,878	Foreign exchange gains (losses)
USD100 Mn Bonds – Currency Option Transaction	(210,737,651)	14,332,130	Interest expense	466,333,529	Foreign exchange gains (losses)
USD100 Mn Bonds - Net Investment Hedge	(319,576,781)	–	–	466,333,529	Foreign exchange gains (losses)
	₱569,035,581	₱14,332,130		₱1,176,142,936	

2021	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, 2022						
	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	₱1,130,525	₱534,753	₱209,975	₱103,149	₱349,145	₱1,504,554	₱3,832,101
Employees	24,910	–	–	–	–	2,068	26,978
Interest from banks	12,667	–	–	–	–	–	12,667
Others	417,375	–	–	–	–	125,063	542,438
	1,585,477	534,753	209,975	103,149	349,145	1,631,685	4,414,184
Contract assets	2,664,598	–	–	–	–	381,208	3,045,806
	₱4,250,075	₱534,753	₱209,975	₱103,149	₱349,145	₱2,012,893	₱7,459,990

	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

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, 2022			
	Within 1 year	1 to 5 years	More than 5 years	Total - Gross
Assets:				
Cash and cash equivalents	₱8,811,939,212	₱–	₱–	₱8,811,939,212
Short-term investments	128,417,810	–	–	128,417,810
Receivables:				
Customers	3,832,101,157	–	–	3,832,101,157
Employees	26,978,065	–	–	26,978,065
Interest from banks	12,667,348	–	–	12,667,348
ZCWD	39,509,823	–	–	39,509,823
Others	502,928,062	–	–	502,928,062
Contract assets from MCWD, TWD, and CIWD	1,084,389,202	687,076,060	1,140,359,028	2,911,824,290
	₱14,438,930,679	₱687,076,060	₱1,140,359,028	₱16,266,365,767

	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

The Group's financial liabilities based on contractual undiscounted payments:

	December 31, 2022			
	Within 1 year	1 to 5 years	More than 5 years	Total - Gross
Liabilities:				
Accounts and other payables	₱16,194,519,558	₱–	₱–	₱16,194,519,558
Short-term debt	252,872,324	–	–	252,872,324
Long-term debt*	9,514,087,649	44,154,430,392	59,020,882,967	112,689,401,008
Service concession obligation*	1,589,712,846	7,532,585,818	21,492,068,526	30,614,367,190
Lease liabilities*	66,340,471	158,770,345	191,104,585	416,215,401
Other noncurrent liabilities	–	–	1,121,724,232	1,121,724,232
	₱27,617,532,848	₱51,845,786,555	₱81,825,780,310	₱161,289,099,713

Includes contractual interest cash flows

	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

Changes in liabilities arising from financing activities:

	December 31, 2022					
	Short-term Debt	Long-term Debt	Service Concession Obligations	Lease Liabilities	Interest Payable	Total
Balance at beginning of year	₱–	₱71,388,741,993	₱8,958,321,333	₱361,718,145	₱971,665,069	₱81,680,446,540
Cash flows – net	244,503,225	9,580,169,725	(1,039,219,993)	(105,995,513)	(3,517,060,569)	5,162,396,875
Accretion	8,369,099	151,471,419	671,759,945	14,192,394	–	845,792,857
Interest	–	–		–	3,753,537,766	3,753,537,766
Concession fees	–	–	7,109,019,285	–	–	7,109,019,285
Additions – net	–	–	23,662,478	170,303,686	–	193,966,164
Foreign exchange losses (gains) - net	–	3,549,401,495	319,845,930	–	–	3,869,247,425
Others	–	–	–	(3,871,280)	–	(3,871,280)
	₱252,872,324	₱84,669,784,632	₱16,043,388,978	₱436,347,432	₱1,208,142,266	₱102,610,535,632

	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

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, 2022 and 2021, 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. However, as of December 31, 2022, the Parent Company's market capitalization was lower than its net book value.

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.

<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.

<u>Boracay Water's Concession Agreement</u>
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.

Clark Water's Concession Agreement
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. On February 9, 2023, Clark Water submitted its proposed 2022 rate rebasing plan following the four (4)-year rebasing period stated in its concession agreement.

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.

Ilagan Water's Interim Bulk Water Supply with CIWD

a. To construct and maintain interim bulk water facilities for production of raw water for 2 years

b. Provision of minimum guaranteed volume of three (3) million liters of raw water per day of the operations of the interim bulk water facilities.

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.

Aqua Centro's JVA with LWD
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.

Tagum Water's Bulk Water Supply and Purchase Agreement
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.

Cebu Water's Bulk Water Supply Agreement
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.

MWPVI's MOA with ALI
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.

MWPVI's Deed of Accession with Orion Land, Inc. (OLI)
On July 1, 2022, MWPVI entered into a Deed of Accession (Agreement) with OLI for provision of used water services, and operation and management of the Used Water Facilities of SouthPark Center.

MWPVI's MOA with ROHM Electronics Philippines Inc. (REPI)
On November 03, 2022, MWPVI entered into a MOA with REPI for the rehabilitation, operation, and management of the existing water system of REPI and to supply a guaranteed volume of 13,200.00 million cubic per month for twenty-five (25) years.

MWPVI's MOA with Damosa Land Inc. (DLI)
On October 20, 2022, MWPVI and DLI signed a term of reference for the commercial term of the partnership between MWPVI and DLI. On February 6, 2023, MWPVI and DLI signed a 25-year partnership for the development, construction and operation, and management of the water system of Anflo Industrial Estate (AIE). In the partnership, MWPVI will invest at least PhP150M for the additional water facilities which will be integrated into the existing system to meet AIE's projected demand of 2.6 million liters of water per day.

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.

MWPV's JVA with *San Jose City Water District (SJCWD)*
On January 14, 2021, the consortium of the MWPV, MWCI, 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.

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, 2022 and 2021, 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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