Safeguarding Our Water Future

Reinforcing Our Commitment to Sustainable Water and Environmental Services

2023 Integrated Report

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 through 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 of Manila Water operating subsidiaries, namely the Parent Company (East Zone Concession), Manila Water Philippine Ventures (MWPV), and Manila Water Asia Pacific (MWAP).

This report was prepared with reference to the Integrated Report <IR> Framework by the International Integrated Reporting Council (IIRC), Global Reporting Initiative (GRI) Standards, Sustainability Accounting Standards Board (SASB) Standards, and Recommendations of the Task

Force for Climate-related Financial Disclosures (TCFD). The GRI, SASB, and TCFD disclosures that have been referred to are in the Sustainability Content Index. The information contained in this report covers the period from January 1 to December 31, 2023.

On our financial statements

SyCip Gorres Velayo & Co. (SGV & Co.) is the external auditor of the Company's financial statements, with Djole S. Garcia as the lead engagement partner given the required audit partner rotation every five years. More information about our audit process is found on pages 132, while our financial statements are found on pages 138-263.

On our sustainability performance

Senior management appointed SGV & Co., a third-party multi-disciplinary professional services firm, to perform limited assurance on the figures and information pertaining to our sustainability performance. This is the first time we contracted the services of SGV & Co. for this type of engagement.

The Independent Assurance Statement validates that the report is in reference to the GRI and SASB Standards, as well the TCFD Recommendations. It guarantees the shareholders and readers of the reliability of the reviewed data, claims, and information contained in this report.

Feedback

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

About the Cover

Manila Water's Php 8.2 Bn Calawis Water Supply System Project (WSSP) was physically completed in June 2023, and is already supplying clean and potable water to some areas in Antipolo including the Antipolo Government Center.

The Calawis WSSP is expected to provide up to 80-million liters per day (MLD) of additional treated water to 919,784 residents of Antipolo City and nearby towns. To help reach its customers, the system employs an 80 MLD water treatment plant, pumping stations, reservoirs, and a 21-kilometer primary transmission line.

Statement of Responsibility from the Board of Directors

The Board ensures the integrity of the Manila Water 2023 Integrated Report by exercising oversight over 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 party, SyCip Gorres Velayo & Company (SGV & Co.), to validate the financial, environmental, social, and governance disclosures and 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 reference to the <IR> Framewok, GRI and SASB Standards, as well as the TCFD Recommendations.

Enrique K. Razon Jr.
Chairman

Jose Victor Emmanuel A. De Dios
President and CEO, and ESG Committee Chairman

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 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, 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.

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2023
AT A GLANCE

Financial Highlights

Php 30.7 Bn
Operating Revenues

67%
EBITDA Margin

35%
Ave. Tariff Growth

Php 20.5 Bn
EBITDA
(from continuing operations)

Php 9.6 Bn
Core Net Income

Php 21.6 Bn
CAPEX

Sustainability Highlights
Economic

Php 31.0 Bn
Economic Value Generated[1]

[1] Includes interest income and loss on sale of plant, property, and equipment

Php 21.2 Bn
Economic Value Distributed

Php 9.8 Bn
Economic Value Retained

Sustainability Highlights

Environment

11.7%
Enterprise NRW, end-of-year

171,902 Has.
Forest Area Protected

77 Mn m³
Wastewater Treated

4
E-vehicles Acquired

63,391 Tons CO_2e
Carbon Emission Avoided through Wastewater Treatment

8,079 Tons BOD[1]
Organic Pollution Removed through Wastewater Treatment

1,566,569
Trees Nurtured since 2006

2%
Renewable Energy

Social

1,267 Mn m³
Potable Water Delivered

12,773,087
Population Served with Water

121,001
Desludged Septic Tanks

1,209,959
Individuals Reached by MWF[2]

30
Communities Served by MWF

1,321,716
Water Service Connections

303,724
Sewer Connections

100%
Customer Concern Resolution Rate within SLA[3]

89%
East Zone Community Satisfaction Score

2,663
Total Employees

18%
Women representation in the Board

29
Ave. Training Hours

0.46
LTI Rate

Governance

A- Leadership Level
CDP – Water Security

B Management Level
CDP – Climate Change

A-
Refinitiv

22.1Medium Risk
Sustainalytics

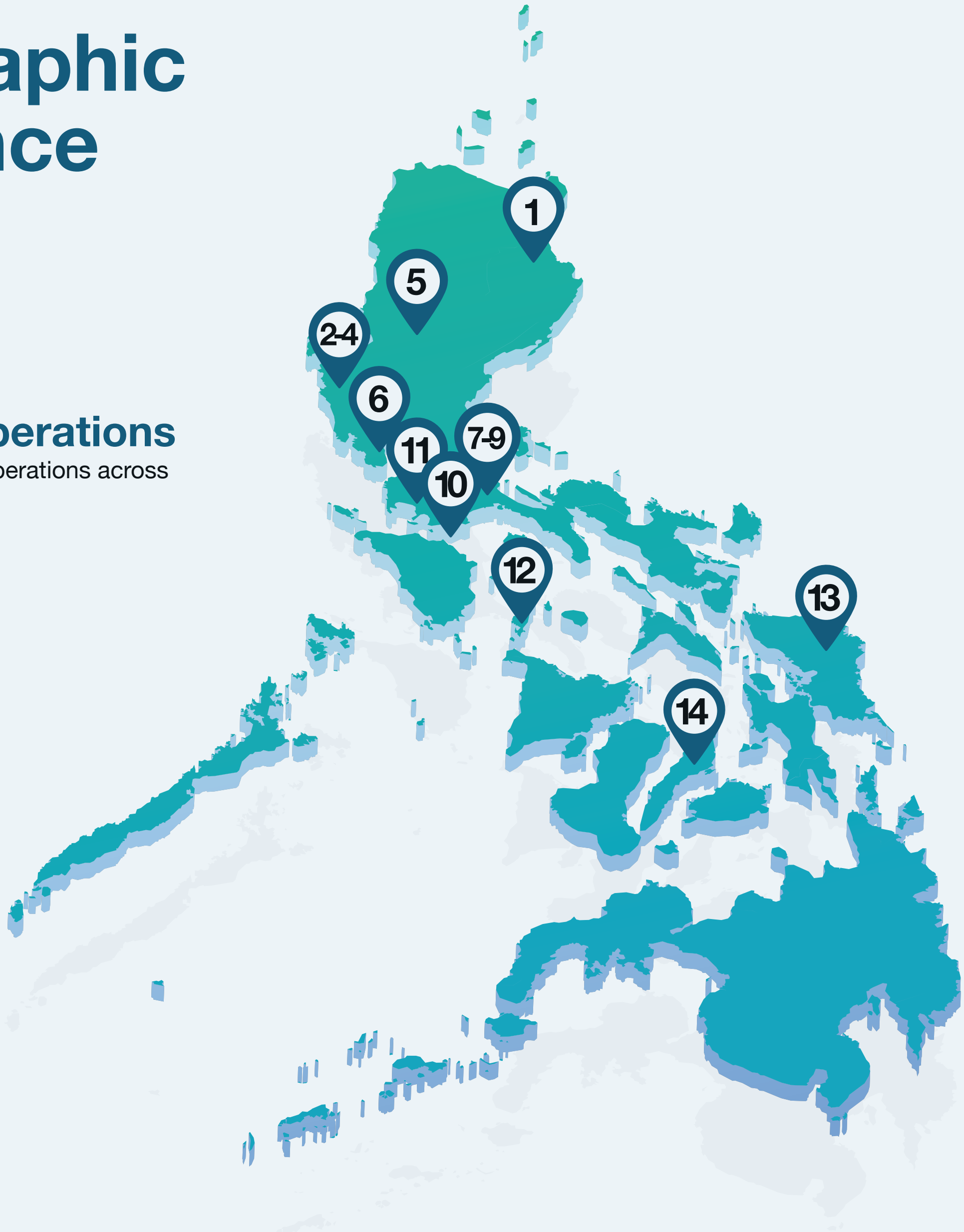
BB Rating
MSCI

[1] Biochemical Oxygen Demand
[2] Manila Water Foundation
[3] Service Level Agreement

Refer to our ESG Performance Data for more details


E
S
G
CO2

Geographic Presence



Philippine Operations

Market presence with operations across the Philippines

EAST ZONE

(7.6 million customers, ~500+ million cubic meters annual water demand)

NORTH LUZON

1. Ilagan (Isabela) Water
2. Calasiao (Pangasinan) Water
3. North Luzon (Pangasinan) Water*
4. Malasiqui (Pangasinan) Water
5. San Jose (Nueva Ecija) Concession

CENTRAL LUZON

6. Clark (Pampanga) Water
7. Obando (Bulacan) Water
8. Bulakan (Bulacan) Water
9. Bulacan (Bulacan) Aqua Estates

SOUTH LUZON

10. Laguna (Laguna) Water
11. South Luzon (Batangas) Water

VISAYAS-MINDANAO

12. Boracay (Aklan) Water
13. Calbayog (Samar) Water
14. Cebu (Cebu) Water
15. Tagum (Davao) Water

OTHERS (B2B)

16. Estate Water
    Partnership with Property Developers
17. Manila Water Infratech Solutions
    EPCM, Product Innovation and Development

International Operations

Present in ASEAN and Kingdom of Saudi Arabia (KSA)

1. VIETNAM

- **Thu Duc Water**
  (50-year 300 MLD Bulk Water Contract with SAWACO)
- **Kenh Dong Water**
  (20-year 200 MLD Bulk Water Contract with SAWACO, SGW)
- **Saigon Water**
  (38% in a holding company with multiple investments in water value chain)
- **Cu Chi Water**
  (Concession Agreement under Saigon Water)

2. THAILAND

- **East Water**
  (18.72% stake in raw water business in Eastern Economic Corridor, Thailand)

3. INDONESIA

- **PT STU**
  (20% in a Bulk Water supply company in Indonesia)

4. KINGDOM OF SAUDI ARABIA

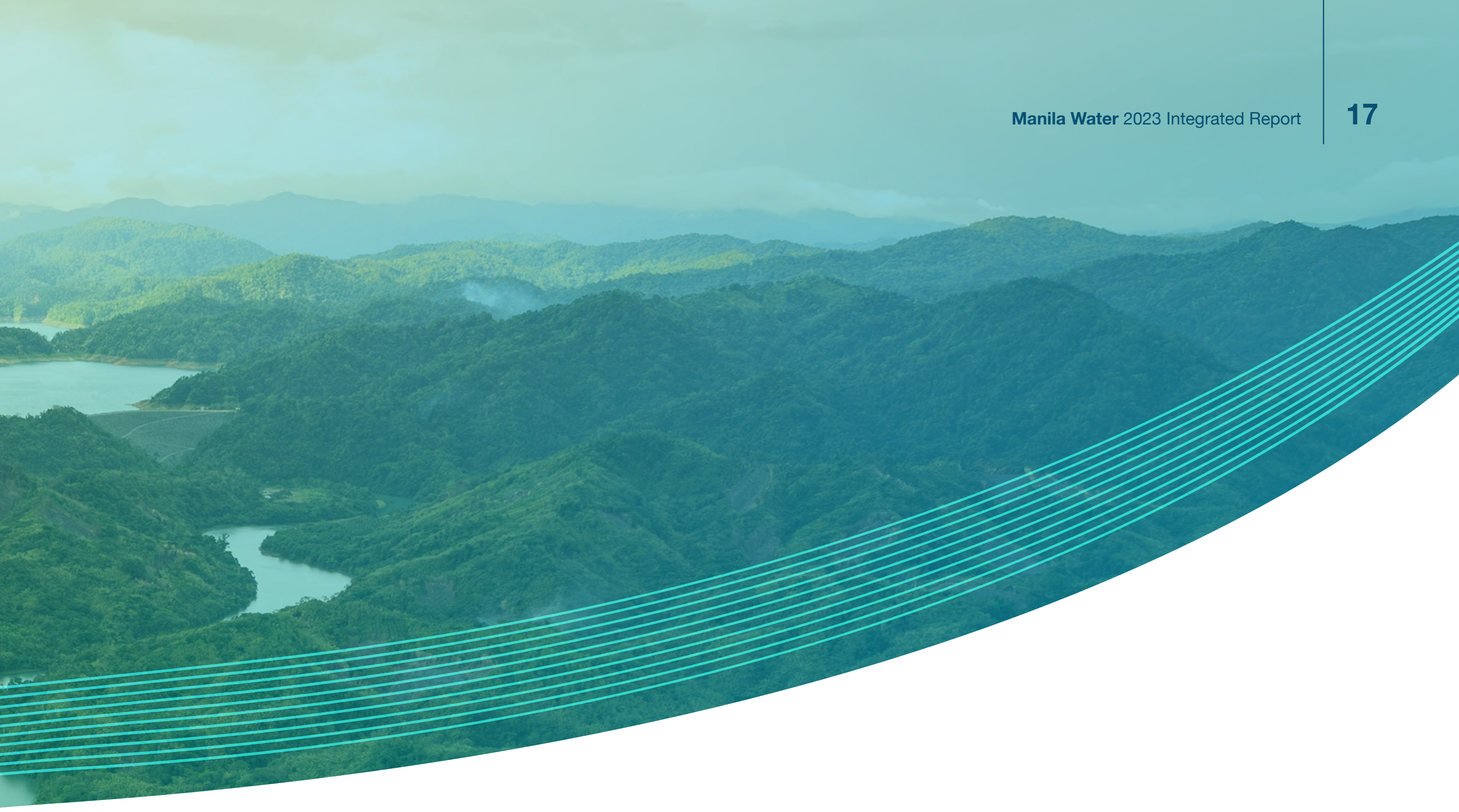
- **Northwest Cluster KSA O&M**
  (1,000 MLD MOM Contract in North West Cluster)
- **Eastern Cluster KSA O&M**
  (1,800 MLD MOM Contract in Eastern Cluster)

EPCM - Engineering, Procurement, Construction and Management
SAWACO - Saigon Water Company
MLD - millions of liter per day
SW – Saigon Water
PT STU – PT. Sarana Tirta Ungaran

OUR LEADERSHIP

Message of the Chairman

> **I thank our Board and leadership for their resolve to uphold our Company's ideals and execute our strategy towards recovery. I thank the rest of our team at Manila Water who have carried us through to this next exciting chapter in our Company's history.**



Fellow stockholders, ladies, and gentlemen,

On behalf of the Board of Directors and Management team of Manila Water, I would like to warmly welcome you to our Annual Stockholders Meeting.

I am glad to report that our ongoing efforts to rebuild and strengthen our business gained ground in 2023, wherein we saw marked progress on several important fronts.

First and foremost were the challenges brought about by climate change, where we made extensive work towards ensuring water security for our customers.

Second, we further cemented regulatory stability in our area of operation through close collaboration and engagement with government.

Third, our objective to promote a culture of discipline, cost efficiency and continuous improvement is now yielding positive results.

I thank our Board and leadership for their resolve to uphold our Company's ideals and execute our strategy towards recovery. I thank the rest of our team at Manila Water who have carried us through to this next exciting chapter in our Company's history.

Lastly, I thank our shareholders who continue to believe in our commitment to provide reliable and efficient service in the communities we serve. You sustain our drive and efforts to safeguard our Water Future.

Enrique K. Razon, Jr.
Chairman

Report of the President & CEO

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

As we marked our 25th anniversary in 2022 prevailing over turbulent headwinds that assaulted your company, I am happy to share that we have followed through with a solid year of business performance in 2023.

Last year, we saw topline growth of 35% with the steady recovery of water demand in our service areas, as economic activity continued its resurgence coming from the challenges posed by COVID restrictions in prior years. This was supported further by the implementation of tariff adjustments in both our East Zone and several of our Non-East Zone Philippines (NEZ PH) businesses.

In the East Zone, the implementation of the first tranche of our approved Rate Rebasing Adjustment in 2023, which amounted to a positive adjustment of over Php8.04 per cubic meter, was the key driver of our 41% growth in revenues to Php24 billion. Another significant catalyst was billed volume, which was up 3% in consolidated terms, as consumption across all segments continued to recover. Additionally, the higher amount of cross border supply to West Zone Concessionaire Maynilad rounded out the key contributors to our East Zone's positive performance. Similarly, in our NEZ-PH business, positive tariff adjustments in several of our business units were main contributors to its 20% increase in revenues. Lastly, for our international operations, the positive performance of our Vietnam bulk water businesses and our operations in the Kingdom of Saudi Arabia were offset by higher interest expenses and a lower contribution from East Water in Thailand.

In 2023, we saw topline growth of 35% with the steady recovery of water demand in our service areas, as economic activity continued its resurgence coming from the challenges posed by COVID restrictions in prior years. This was further supported by the implementation of tariff adjustments in both our East Zone and several of our Non-East Zone Philippines (NEZ PH) businesses

As our topline surged, costs were held steady at Php10.8 billion for the period. Specifically, cost increases driven by a higher level of production and operations, coupled with our completion of new facilities, were offset by non-recurring costs which we recognized in 2022. Cost increases were further tempered by our multiple cost management initiatives and operational efficiencies.

Owing to these efforts, 2023 EBITDA increased by 60% to reach a historic high of Php20.5 billion. EBITDA margin further strengthened by 11 percentage points to 67%.

On the other hand, consistent with our disciplined view on portfolio management, we recognized a one-off provision related to our East Water investment. Specifically, an impairment provision of Php4.1 billion was recognized to reflect current market conditions and outlook. This consequently tapered consolidated net income to Php5.6 billion, with a net income margin settling at 18%. Without non-recurring items, core net income grew by 74% to Php9.6 billion, with core net income margin improving to 31% for the period.

Moving to our capital expenditure program, the 2023 CAPEX for the group reached Php21.6 billion. Our East Zone business accounted for 89% of total CAPEX, as it implemented a total of Php19.2 billion in projects to support our Rate Rebasing Service Improvement Plan. We will continue to implement our water and wastewater projects in line with our commitment to meet service obligations.

Finally, our commitment to follow through on our ESG and sustainability thrusts have continued to bear fruit. Notably, we have seen marked improvement in our ESG ratings under the Carbon Disclosure Project (CDP). For Water Security, to date we are the only Philippine company to attain a Leadership (A-) level. For the Climate category, our improvement from Awareness (C) to Management (B) situates us above regional, and even global, averages. We have likewise seen ratings improvements under other distinguished ESG rating agencies, namely Sustainalytics and MSCI. For Sustainalytics, our improvement to Medium ESG Risk has placed Manila Water among the best in Asia-Pacific. On the other hand, for MSCI, our recent rating upgrade to Average or the (BB) level marks our first improvement since 2019. These achievements speak directly to the commitment and hard work of our teams in the areas of wastewater treatment and biodiversity, climate action and renewable energy transition, as well as in community empowerment.

Equally, I must underscore that these milestones are testament to how we have properly aligned our business goals with our sustainability aspirations. Our work towards water security amidst the threat of climate change and other global issues, further investments in infrastructure consistent with SDG 6, as well as the creation of more advocates and water stewards, do not merely contribute to sustainable development. In truth, these very same efforts are what have enabled us to attain the business and financial recovery we experienced in 2023. In the end, it is this perfect alignment that will help us attain long-term shared value for all our stakeholders.

As I look back at 2023, I am encouraged by the resurgence of our business and the efficiencies gained from of our cost management and efficiency programs. This solid performance was made possible through the women and men of Manila Water who have dedicated themselves to serve our customers and stakeholders. We will build on this stable foundation to further streamline our investments and identify better growth opportunities. These efforts are in line with our continued thrust to improve shareholder value today, and in the years to come.

Jose Victor Emmanuel A. De Dios
President & CEO

Members of the Board of Directors

Name	Position/Board Committee Membership
Enrique K. Razon, Jr.	Chairperson of the Board Chairperson of the Executive Committee
Jose Victor Emmanuel A. de Dios	Member of the Board of Directors Member of the Executive Committee Member of the Talent and Remuneration Committee Chairperson, Environment, Social, and Governance Committee
Donato C. Almeda	Member of the Board of Directors Member of the Executive Committee Member of the Board Risk Oversight Committee Member of the Nomination Committee Chief Regulatory Officer
Antonino T. Aquino	Member of the Board of Directors Member of the Talent and Remuneration Committee
Alberto M. de Larrazabal	Member of the Board of Directors
Sandy A. Alipio, CPA, CIA	Member of the Board of Directors
Katrina Maria S. Razon	Member of the Board of Directors
Sherisa P. Nuesa	Member of the Board of Directors Lead Independent Director Chairperson of the Audit Committee Member of the Board Risk Oversight Committee Member of the Corporate Governance Committee Member of the Nomination Committee Member, Environment, Social, and Governance Committee
Cesar A. Buenaventura, O.B.E.	Member of the Board of Directors Independent Director Chairperson 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, Environment, Social, and Governance Committee
Octavio Victor R. Espiritu	Member of the Board of Directors Independent Director Chairperson of the Nomination Committee Chairperson of the Corporate Governance Committee Chairperson of the Talent and Remuneration Committee Member of the Audit Committee Member of the Related Party Transactions Committee Member, Environment, Social, and Governance Committee
Eric Ramon T. Recto	Member of the Board of Directors Independent Director Chairperson 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, Environment, Social, and Governance Committee

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

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

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

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

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

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

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

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

Prior to this appointment as an Executive Director, President & Chief Executive Officer of Manila Water, Mr. de Dios was Chief Executive Officer of Prime BMD Corporation. He is a member of the boards of publicly listed Oriental Petroleum and Minerals Corp. and Phoenix Petroleum Philippines. He has extensive experience as a corporate chief executive, business leader and attorney.

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

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

Members of the Board of Directors

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

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

Concurrent to his appointment as President and CEO of Manila Water, he also serves as the Chairman of Boracay Island Water Company, Inc., Clark Water Company, Inc., Manila Water Philippine Ventures, Inc., and Manila Water Total Solutions Corp. He is also the President of Manila Water Foundation, Inc., and is the Vice-President of Laguna AAAWater Corporation. He was recently elected as a Director of Manila Water Asia Pacific Pte. Ltd. He is also a Trustee of the Philippine Disaster Resilience Foundation, Inc.

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

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

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

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

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

ANTONINO T. AQUINO
Filipino
Director since April 24, 1998

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

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

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

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

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

ALBERTO M. de LARRAZABAL
Filipino
Director since September 30, 2022

Mr. de Larrazabal is a Senior Managing Director, Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer, and Finance Group Head of Ayala Corporation since 23 April 2021. He is a member of the Ayala Corporation Management Committee and the Ayala Group Management Committee. He is also a Director of Integrated Micro-Electronics, Inc. He is the Chairman, President and CEO of AC Ventures Holdings Corp., Chairman of Darong Agricultural and Development Corporation; President and CEO, AYC Finance Limited, LiveIt Investments Limited, Azalaea International Venture Partners Limited, AC International Finance Limited, PFIL North America, Inc. (PFIL NA), and Bestfull Holdings Limited; Vice Chairman of Lagdigan Land Corporation; President of Liontide Holdings, Inc. and of Philwater Holdings Company, Inc.; Director of Ayala Hotels, Inc., AC Infrastructure Holdings Corporation, Ayala Healthcare Holdings, Inc., AC Energy International, Inc., AC Industrial Technology Holdings, Inc., AC Logistics Holdings Corporation, Affinity Express Holdings Limited, Ayala Aviation Corporation, Asiacom Philippines, Inc., Ayala Group Legal, HealthNow, Inc., Michigan Holdings, Inc., A.C.S.T Business Holdings, Inc., Pioneer Adhesives, Inc., BF Jade E-Services Philippines, Inc., Cartera Interchange Corporation, 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 Al North America, Inc.

Prior to joining Ayala, he was Globe's Chief Commercial Officer ("CCO"). As CCO, Mr. de Larrazabal oversaw the integration and execution of Globe's strategies across all commercial units, including marketing, sales and channels, and product development for all segments of business. He joined Globe in June 2006 as Head of the Treasury Division. He became Globe's Chief Finance Officer in April 2010 then Chief Commercial Officer in November 2015. He has over two 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 Globe, he held such positions as Vice President and CFO of Marsman Drysdale Corp., Vice President and Head of the Consumer Sector of JP Morgan, Hong Kong, and Senior Vice President and CFO of San Miguel Corporation.

Mr. de Larrazabal holds a Bachelor of Science degree in Industrial Management Engineering from De La Salle University.

Members of the Board of Directors

SANDY A. ALIPIO, CPA, CIA
Filipino
Director since 2023

Mr. Alipio is a senior Accounting, Financial, Audit and Risk Management Executive with 30 years of work experience in his field.

He was a member of the Senior Management Executive Team in International Container Terminal Services Inc. (ICTSI). He served as Senior Vice President – Global Financial Controller and Chief Risk Officer in ICTSI. He has served as a member of the board of directors of various local and foreign subsidiaries and affiliates of ICTSI. He was recently elected as the Treasurer and Chief Financial Officer of Prime Infrastructure Capital Inc.

Prior to his work at ICTSI, he spent a decade working for the San Francisco-based Elan Pharmaceuticals and held several positions including Vice President of BioNeurology Finance and Vice President of Internal Audit & SOX.

From 2000 to 2004, Mr. Alipio was a Senior Manager for Audits and Business Advisory at KPMG LLP in San Francisco. He was with Makati-based SGV and Co. from 1994 and was seconded in Chicago back in 1997. He was also a Manager for Assurance and Business Advisory Services in 2000.

Mr. Alipio is a Certified Public Accountant (CPA) in the Philippines and in the State of California, USA. He is also a Certified Internal Auditor by the Institute of Internal Auditors.

Mr. Alipio graduated with a degree of Bachelor of Science in Business Administration and Accountancy from the University of the Philippines (U.P.) College of Business Administration in Diliman in 1993. He placed 13th in the May 1993 CPA board exams among over 8,000 examinees.

KATRINA MARIA S. RAZON
Filipino
Director since 2023

An advocate of sustainability, Ms. Razon is the Chief Executive Officer and founder of KSR Ventures, a company which invests on net positive companies. She also serves as a director of Scratch First Co., Ltd., the creators of Wonderfruit and Wonderfruit Festival, which has an investment in Rimba Raya Biodiversity Reserve. She is also a director of various subsidiaries of Prime Infrastructure Capital, Inc. which contribute to sustainability goals: Solar Tanauan Corporation, Prime Integrated Waste Solutions, Inc., Prime Waste Solutions Cebu, Inc., Prime Waste Solutions Cavite, Inc., and Prime Waste Solutions Pampanga, Inc.

Also an artist herself, Ms. Razon supports arts and music through creative and marketing strategies as managing partner and creative director of CC: Concepts and public relations coordinator and event coordinator of Solaire Resort & Casino.

Ms. Razon obtained her Bachelor's Degree in Communication and Media Studies from Northeastern University in 2014.

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

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

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

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

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

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

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

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

Members of the Board of Directors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Senior Leadership Team

Amabelle C. Asuncion
Chief Legal Officer and Chief Compliance Officer

Donato C. Almeda
Chief Regulatory Officer

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

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

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

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

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

CREATING SHARED VALUE


LAGUNA WATER
A MANILA WATER

Value Creation Framework

Capitals	Input
Financial We leverage cost-effective financial capital, including equity, debt, reinvestment, and other instruments.	▼ CAPEX: Php 21.6 Bn Sustainability Bond Proceeds: USD 500 Mn ▼ Shareholder's Equity: Php 70.1 Bn
Manufactured We invest in acquiring, developing, and maintaining property, plant, and equipment to optimize production capacities, enhance productivity, and ensure efficient water delivery to customers.	▲ Length of Main Waterlines: 8,231 kms. ▲ Length of Sewer Lines: 648 kms. Water and wastewater treatment facilities, reservoirs, deepwells, pumping stations, and desludging trucks.
Intellectual Our procedures, processes, and know-how are tailored to consistently deliver exceptional results to the communities we serve.	# of Innovation Projects Pursued: 6 Specialists on non-revenue water, wastewater treatment, and community engagement.
Human We are dedicated to fostering an inclusive, diverse, and safe work environment. Our priority is the well-being, skills, knowledge, and expertise of our employees.	▲ Total # of Katubig Employees: 2,663 ▲ Training + Dev't Cost: Php 16.1 Mn ▲ Training Hours: 73,178
Social + Relationship We endeavor to create value for stakeholders by actively engaging with and building strong relationships.	▲ Employee Volunteer Hours: 1,891 ▲ Vendors Engaged: 775 ▼ Community investment: Php 0.05 Bn
Natural Our commitment to achieve resource efficiency in the consumption of natural resources and materials essential for our business model.	▲ Water Withdrawal: 947 Mn m^3 ▲ Energy Consumed within the Organization: 1.1 Mn GJ Watershed Management Report

Key Drivers

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 the communities we serve, through sustainable solutions and purpose-driven, empowered, innovative teams

Core Values

Care
Excellence
Tenacity
Collaboration
Integrity
Pioneering

Enterprise Risks Management
Effectively managing risks is an integral aspect of our value creation process. We recognize that having a comprehensive understanding of potential challenges is crucial for our sustained success. By identifying, assessing, and mitigating risks, we can proactively navigate uncertainties, safeguard our financial health, and fortify our operations. This proactive approach not only ensures our resilience but also establishes a foundation for long-term value creation.

For a more in-depth exploration of our risk landscape, please refer to Enterprise Risk Management in Manila Water.

Stakeholder Concerns And Material Issues
Recognizing the importance of understanding and responding to the expectations of our diverse stakeholders, we prioritize a comprehensive assessment of their concerns and the identification of material issues. By doing so, we not only enhance our transparency and accountability but also foster a foundation for sustainable and responsible business practices.

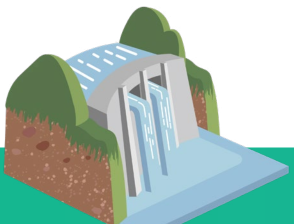
For a more thorough exploration of our approach to stakeholder engagement and materiality, please refer to page 45.

ESG Target

Infrastructure Development	Biodiversity
Occupational Health and Safety	Resource Efficiency
Water Security	Carbon Reduction and Avoidance
Water Quality	

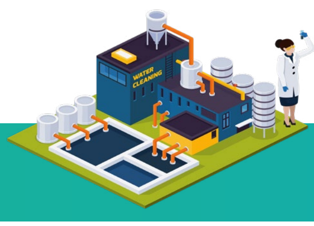
For more information on our ESG Target, refer to our ESG Performance Data.

Implementation Thru Our Value Chain



Water source development + management

Raw water transmission



Water treatment

Please refer to our ESG Performance Data for more information.

Output + Impact

1,267 Mn m^3
Potable Water Delivered

77 Mn m^3
Wastewater Treated

20,234 tons
Waste Generated

246,438 tons CO_2e
Scope 1+2 GHG Emissions

Outcome

Financial

- ▲ Revenue: Php 30.7 Bn
- ▲ Core Net Income: Php 9.6 Bn
- ▲ Economic Value Distributed: Php 21.2 Bn
- ▲ Economic Value Retained: Php 9.8 Bn

8 DECENT WORK AND ECONOMIC GROWTH

Manufactured

- ▲ Water service connections: 1.3 Mn
- ▲ Sewer connections: 303,724
- ▲ Desludged Septic Tank: 121,001

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 11 SUSTAINABLE CITIES AND COMMUNITIES

Intellectual

- ▲ Enterprise NRW, end-of-period: 11.7%
- ▼ East Zone Customer Satisfaction Score: 89%
- ▲ Customer Resolution Rate: 99.6%

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Human

- ▲ Average Training Hours/ Employee: 29
- ▲ Lost-time Incident Rate: 0.46
- ▲ Incident of discrimination: 0

5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH

Social + Relationship

- ▲ Population served with water: 13 Mn
- ▲ MWF Individuals Reached: 2.3 Mn
- ▲ Improved ESG Ratings: Sustainalytics, MSCI, and CDP

  Geographical Presence across the Philippines, Southeast Asia and Kingdom of Saudi Arabia

1 NO POVERTY | 6 CLEAN WATER AND SANITATION | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 11 SUSTAINABLE CITIES AND COMMUNITIES

Natural

- ▲ Incidents of Water + Effluent Quality Violation: 0
- ▲ Trees Planted and Nurtured since 2006: 1,566,569
- ▲ Watershed Protected: 171,902 has.
- ▲ Organic Pollutants Removed thru Wastewater Treatment: 8,079 tons BOD
- ▲ CO_2 Avoided due to Wastewater Treatment: 63,391 tons CO_2e

6 CLEAN WATER AND SANITATION | 11 SUSTAINABLE CITIES AND COMMUNITIES | 13 CLIMATE ACTION | 14 LIFE BELOW WATER | 15 LIFE ON LAND

Water distribution

Wastewater treatment

Community Engagement

Outlook and Strategy

Purpose and Aspiration
In the past 26 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 mission and vision has continually propelled us into an exceptional performance in 2023 anchored on our drive to exude our corporate values.

Growth and Geography
As we go about our day-to-day operations, we will embrace our aspiration of becoming a value-creating 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 as well as other emerging markets globally. For the East

Zone, we will continue to protect our core and increase the value of the business through effective regulatory management and sustained 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 pursuing profitable growth 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, will enable us to achieve our aspirations.

26 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 six years later, we continue to improve on our record. Moreover, we will strive to provide our customers across the globe with worldclass water and wastewater services, while protecting the environment and promoting sustainability.

ERM in Manila Water

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.

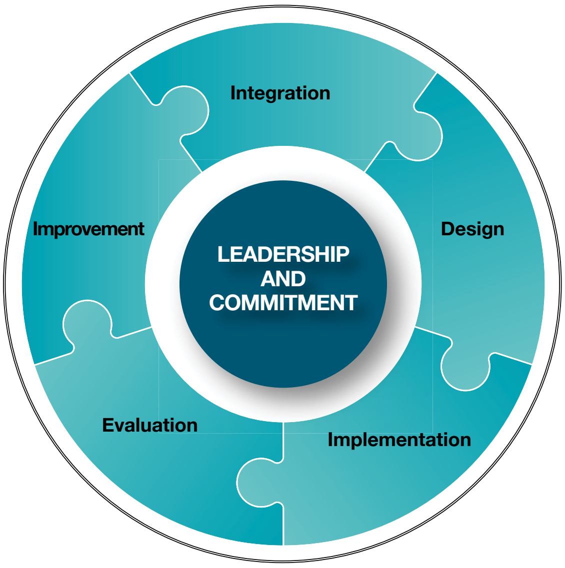
We continue to implement the Enterprise Risk Management (ERM) Program based on a globally accepted approach, the ISO 31000:2018, which has been cascaded across the

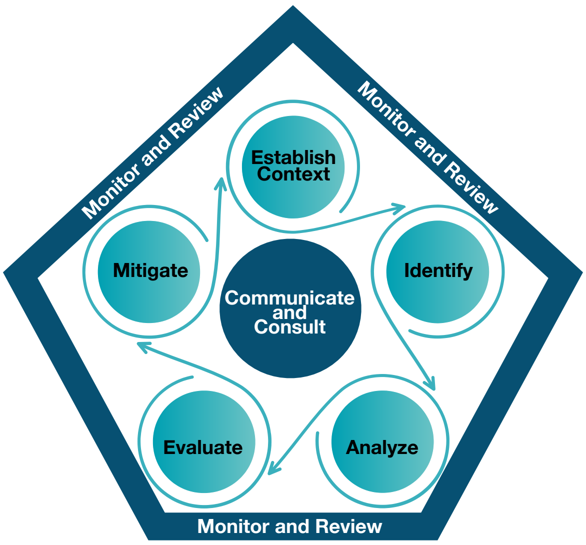
Company including subsidiaries in the Non-East Zone Philippines and International businesses to ensure the attainment of our objectives.

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.

ERM in Manila Water

Framework and Process





In its Report to the BOD for the year ended December 31, 2023, 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, as well as a 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).

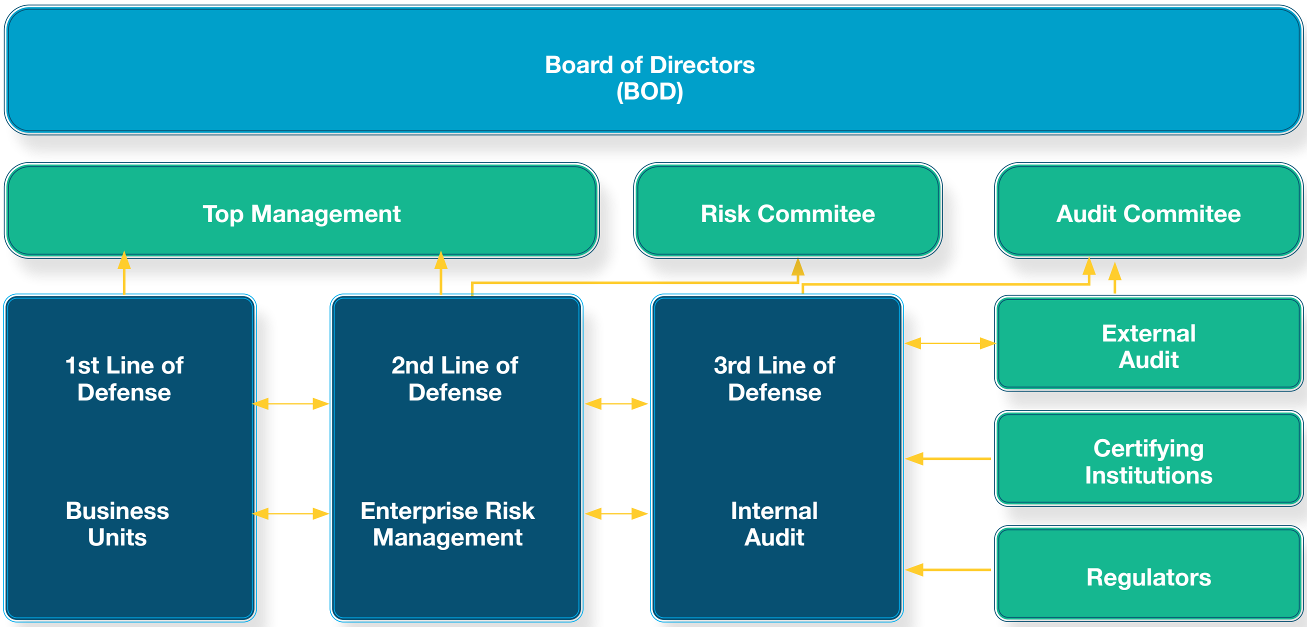
The ERMEC was established to oversee and ensure the efficient and effective management of our enterprise risks while the leadership team of each strategic business unit (SBUs) provides oversight and input to the President and to the Board on all relevant information regarding risks. This is to enable 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 ERM Framework is centered on a strong and sustained commitment by the Company's 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.

ERM Structure



Management of Top Enterprise Risks

The ERMEC determines the most significant risks facing the Company. The Senior Leadership Team (SLT) together with the CRO convene as the ERMEC. The SLT consists of: 1) President and CEO; 2) Chief Administrative Officer and Chief Operating Officer (COO) for Non-East Zone (NEZ) International Business; 3) Chief Regulatory Officer; 4) COO for East Zone (EZ); 5) COO for NEZ in the Philippines; 6) Chief Finance Officer and 7) Chief Legal Counsel and Chief Compliance Officer.

For both Manila Water EZ and NEZ businesses, risks are being managed by the strategic business units' (SBUs) respective Leadership Teams (LT), 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 is cascaded down to the department level and delegated to 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 the respective SBU LTs. Finally, the findings are reported to the BROC.

2023 Risk Assessment

Risk Assessment was conducted using top-down and bottom-up approaches to produce this year's top enterprise risks. A year-end reassessment was also implemented to gauge the effectiveness of our mitigation methods and strategies.

Top Risks Discussion (Risks and Mitigating Measures)

2023 TOP RISKS	MITIGATION STRATEGIES & UPDATES
Government/Regulatory Failure to align, plan, meet obligations, requirements and terms called for by the prevailing Concession Agreements which may result in payment of fines/ penalties, clawback in tariff rates, damage in reputation, and termination of said agreements. Failure to secure regulatory approvals on tariff adjustments to ensure full cost recovery with the targeted rate of return.	We continued to implement the approved 5-Year Rate Rebasing Service Improvement Plan to meet the Service Obligation committed therein. Rehabilitation of existing facilities, implementation of operational adjustments and including the new general effluent standards in future sewage treatment facility designs were conducted during the year. Tariff adjustments were implemented by MWC and certain subsidiaries in 2023 as approved by respective regulators.
Water Supply Failure to maintain or prepare sufficient sources of raw water to meet the production plan and customer demand at any time for the duration of concession or PPP agreement. Inability to manage commercial and physical water losses and maintain non-revenue water (NRW) at acceptable level.	To ensure adequate raw water supply, we continue to implement short and medium-term water source development projects such as Wawa-Calawis and Laguna Lake East Bay sources. We continue to repair and replace damaged network and implement pressure management initiatives to reduce NRW.
Commercial Operations Failure to meet growth in both demand and revenue. Inability to manage unfavorable fluctuations in prices of commodities (raw materials, fuels, chemicals, energy).	We established billed volume recovery initiatives from a cross functional group assessment together with other programs such as meter replacement, promotions aimed at new connections and reconnections. Key account development plans were also prepared and implemented. We established framework agreements and negotiated contract terms with major industry providers and explored alternative materials and vendors.
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 continued to establish new and increase existing credit lines with banks for both EZ and NEZ to fund capital expenditures and operating requirements. We proactively engaged with bank relationship managers to assess the market for new structures and other opportunities.
Cybersecurity Failure to protect critical company data, information and systems from internal and external threats.	We continued to improve its security and resiliency based on a zero-trust principle to protect our Information Technology (IT) and Operational Technology (OT) environment from cyberattacks. Our security awareness culture improved through mandatory training courses and regular campaigns. Processes and capability were also improved in relation to patch and asset management.

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

For the year ended December 31, 2023

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 2023 with the following attendance rate:

Director	Meeting 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	4/4	100%

- The Committee discussed with Management significant risk exposures, the related risk-mitigation efforts and initiatives, and the status of the mitigation plans.
- The review was undertaken in the context that Management is primarily responsible for the risk management process.
- The Committee reviewed the Enterprise Risk Management Process in Manila Water Company, Inc. and is satisfied that sufficient risk management systems are in place.
- 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.

CESAR A. BUENAVENTURA
Chairperson, Board Risk Oversight Committee

DONATO C. ALMEDA
Director

SHERISA P. NUESA
Independent Director

ERIC RAMON O. RECTO
Independent Director

Sustainability Agenda

Our Sustainability Approach

At Manila Water, we always say that Sustainability is integrated in everything we do – from the source to the tap, and to wastewater services. Our approach revolves around three key pillars:

Helping Communities Thrive remains our core commitment as we strive to provide the most basic human need through our water and wastewater service. We believe that by ensuring water accessibility and water affordability, we help uplift lives, and build sustainable communities while contributing to economic growth and resilience.

Protecting the Environment is the nature of our business. We understand the urgent need to address global issues on environmental degradation, climate change and biodiversity loss. We do this primarily through our wastewater treatment, watershed management, and by weaving sustainability practices and innovation into our strategies.

Building a Culture of Trust and Care is essential for us and is our foundation. We believe that genuine service can only be anchored on ethical business practices, and transparent and accountable corporate governance. We strive to build strong relationships with our stakeholders based on mutual trust and respect, a concern for health and wellbeing, and a common advocacy for a sustainable future.

Sustainability Agenda

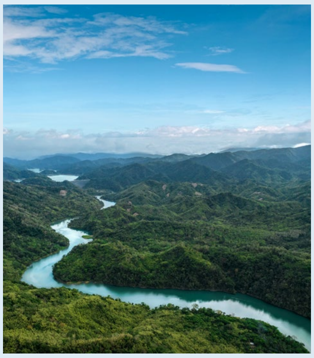
ESG Commitments to 2025

Environment

Water Security

Target: At least 15% raw water supply buffer

Progress: Achieved 24% water buffer, ensuring ample raw water for all business units



Environment

Climate Change | GHG Reduction

Target: 60% reduction and avoidance through renewable energy and wastewater treatment

Progress: Achieved a 42% reduction and avoidance in Scope 1 and 2 GHG Emissions compared to BAU[1]

Social

Economic Contribution

Target: Building infrastructure sufficient to satisfy service commitments and improvements

Progress: Successfully met service obligations with a Php 20 Bn capex investment in concession businesses

Social Environment

Resource Efficiency

Target: < 15% NRW level for East Zone Concession

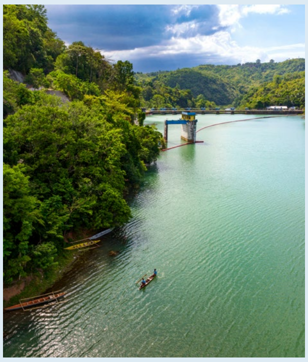
Progress: Achieved an end-of-period NRW level at 13.5%

Environment

Biodiversity

Target: 1,000 has. of watershed area reforested

Progress: Reforested approximately 680 has. of watershed area since 2022



Environment

Biodiversity

Target: 580,000 trees planted and nurtured

Progress: Planted nearly 310,000 trees since 2022

Social

Water Quality

Target: 100% compliance to national drinking water standards

Progress: Consistently maintained 100% compliance with national drinking water standards

Social

Health & Safety

Target: Zero Lost Time Injury Rate

Progress: Maintained a below-industry LTI rate average at 0.46

1 Business-as-usual

What our Stakeholders Consider Important

As we pursue our business objectives and sustainability agenda, we recognize that these goals cannot be achieved on our own. The full engagement of our customers and stakeholders are of paramount importance as they are our partners in progress.

Through various channels of engagement embedded in our daily work, we stop, listen to what they have to say, and consider our plans and programs from their point of view. We process their issues and concerns, and their thoughts form part of our material issues and forward plans.

Stakeholder/ Partner And why they are important to us	**Engagement Channels**	**Issues and Concerns**	**Our Response**
Community/Customers *Serving the communities with clean water and sanitation services is our very purpose. Our customers are our strong partners and help us generate financial capital, while leveraging on social and relationship capital.*	▪ Community dialogues called “Kasangga Day” ▪ Customer Service Hotline ▪ Public consultations ▪ Traditional and social media releases ▪ Flyers, bulletins, texts, surveys ▪ Manila Water App ▪ Events and Information and Education Campaigns (IECs)	▪ 24/7 water availability ▪ Other services availability ▪ Adequate and timely advisories ▪ Quality of customer service ▪ Environmental issues such as conservation of natural resources and climate change ▪ Impact of programs and projects	▪ Service Improvement Projects ▪ Advisories via media and local authorities i.e. planned service interruption for maintenance and repairs, desludging schedules, etc. ▪ Various customer service channels to lodge their concerns – Manila Water Hotline, social media, Manila Water App, walk-in. ▪ Customer Handling protocols and feedback mechanisms ▪ Opportunity to be involve in environmental advocacies
Employees *Our human and intellectual capital, whose contribution in terms of performance and expertise enable us to deliver our services, remain competitive and position to grow as an organization.*	▪ Meetings and Dialogues ▪ Employee onboarding ▪ Employee Feedback Surveys ▪ Employee Townhalls ▪ BOW (Balita on Wednesdays or News on Wednesdays) ▪ E-Agos Newsletter	▪ Work-life balance ▪ Compensation and Benefits ▪ Growth and stability ▪ Talent development ▪ Health and Safety ▪ Mental health	Programs in place specific to: ▪ Employee health ▪ Mental wellbeing ▪ Talent development ▪ Employee engagement are discussed at <ins>**Empowering Water Stewards**</ins>
Regulators *Our partners to advance water and wastewater services in the country. Through regulation, policies, and oversight, they set the service standards for our sector.*	▪ Regular meetings ▪ Reports submission ▪ Public consultation ▪ Events, seminars, and conferences ▪ Surveys	▪ 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 update on various projects and operational concerns ▪ Compliance to reporting obligations

Sustainability Agenda

Stakeholder/ Partner And why they are important to us	**Engagement Channels**	**Issues and Concerns**	**Our Response**
Investors and the financial community *Our advocates in advancing progress in the industry and our partners in raising financial capital. We ensure that the resource they provide is used in the most effective and efficient way to serve today and future generations.*	▪ Annual Integrated Report ▪ Annual Stockholders' Meeting ▪ Quarterly Analysts' Briefings ▪ Company website ▪ Traditional and social media releases ▪ Investor Roadshows ▪ Investor Dialogues ▪ Company Website	▪ Emissions and Climate Change ▪ Economic contribution, which covers the implementation of the CAPEX Program, and the Service Improvement Plan ▪ Strategy, risks, and governance ▪ Financial and Operating Performance	▪ Investing in project to address climate concerns, water security and other material ESG topics ▪ Dialogues and immediate response to investor queries ▪ Timely disclosures to regulatory agencies and investing community More information on relevant infrastructure project at **Investing in Nature and in Future Infrastructure**
Government *Our partners in serving the communities. Through its plans, laws and enforcement policies, we share the same vision of benefitting our customers – the people in their jurisdiction.*	▪ Regular meetings ▪ Reports submission ▪ Briefings and public consultations ▪ Events, seminars, and conferences ▪ Advocacy programs	▪ Compliance with laws, regulation, and other requirements ▪ Participation in advocacies and initiatives ▪ Implementation of infrastructure projects ▪ Health and Safety ▪ Timely advisories and resolution of concerns of their constituents	▪ 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, watershed management, disaster resilience ▪ Submission of position papers and various documents ▪ Regular communication of advisories via social media or through local officials
Vendors, Suppliers and Contractors *Services cannot be delivered to customers without them. They are our critical partners in building, maintaining our infrastructure and are highly involved in the day-to-day operations.*	▪ Vendors' Forum ▪ Vendor 360 Degree Feedback ▪ Vendor Counselling ▪ Company presentations ▪ Events, seminars, and conferences	▪ Project opportunities ▪ Performance, feedback mechanism and process ▪ Health and safety	▪ Communication of project pipeline during Vendor Forums ▪ Feedback and counseling sessions ▪ Health and Safety program
Media *The media helps us reach our communities regarding announcements on our services as well as spread awareness on our projects and programs.*	▪ Press conferences and interviews ▪ Traditional and social media releases ▪ Company Website	▪ Updated information on the programs of the company; e.g. service and service disruption, project status, company performance, events and advocacies	▪ Press briefing and media engagements when needed ▪ Relevant information posted on digital and social media platforms ▪ Media visits of major projects and facilities

Materiality Assessment Process

Every two 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 our opportunities. Through our materiality process, we consider the changes in the social, economic, and business landscape that shape what our stakeholders consider critical.

Our materiality assessment process aligns to the GRI. We also considered the top company risks, as identified through the ERM system. To do so, we conduct the following steps to reach our most significant material issues:

Step 1 – Define purpose and identify potential topics

In this activity, we consider the context of our organization – our purpose, vision, and mission, our core processes, and activities, including capitals and outcomes, as reflected in the Value Creation Framework. We defined the purpose of the materiality assessment, determined our stakeholders, and revisited our engagement with them.

We also reviewed our past materiality assessment, taking stock of the changes in our internal and external environment to gauge the topic significance in the current context and to what extent we have been able to address our material issues.

Step 2 – Categorize material topics and gather information

Following that, we identified and asked our stakeholders through various engagement channels to identify the economic, social, environmental, and governance topics that they find important. In the last materiality process, we went the extra mile by running a focused survey questionnaire for more comprehensive feedback.

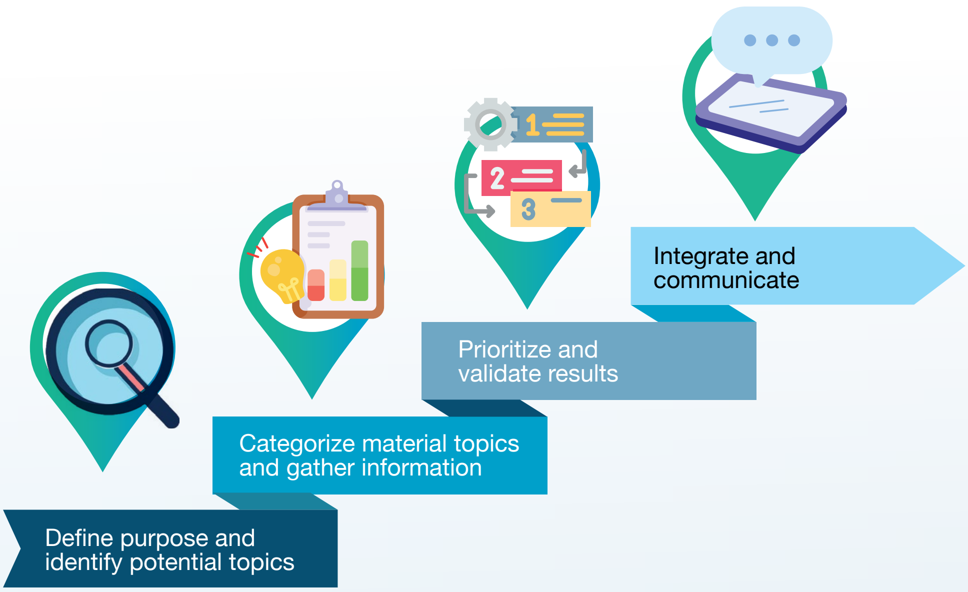
With the magnitude of information gained, we clustered the topics into a select number of high-level topics. In the 2022 assessment, we also considered enterprise risks and redefined past material topics to ensure consistency. Topics touched on issues on water security, community relations, human rights (particularly that of the indigenous people in the watershed area), health and safety, climate, and nature, among other things. For a complete list and definition of material topics, refer to Sustainability Content Index.

Step 3 – Prioritize and validate results

Step 3 involves assessing the actual and potential economic, social, and environmental impacts of each topic to understand the impacts using Manila Water's bespoke materiality scoring mechanism. We rate each topic based on its business impact and relevance to stakeholders, which is then taken up as an ESG committee agenda for validation. This process aligns with GRI recommendations to identify actual and potential impacts, rate topics accordingly based on impact and likelihood, and prioritize the most significant topics for resolution.

Step 4 - Integrate and communicate

Finally, beyond the materiality assessment process, our intent is to ensure that we integrate the material issues into our overall corporate strategy with narrative and actionable goals. We address resolution and progress on the material topics determined in the last assessment, specifically the 8 most significant topics, throughout the integrated report.



Our 2022-2023 Material Issues

In 2022, we conducted our materiality assessment and heard from more than 1000 respondents within and outside the organization. Coming from the pandemic and its subsequent socio-economic repercussions, the findings of top priority to our stakeholders revolved around strategy, governance, and management to navigate a challenging yet recovering economic situation. Social and environmental factors come next with stakeholders being more aware of issues of global concern, such as climate change, biodiversity, energy, and waste, among others.

The table below indicates the prioritization of the materials issues. We do not report any significant change on the order of priority from 2022 but it is our intention to conduct a materiality assessment 2024, considering the changes in the social, economic, and environmental landscape trough the voice of our stakeholders.

Highly Significant	Significant	Moderately Significant
Strategy and Risk Corporate Governance Community Relations Water and Effluents Climate Change Economic Contribution Business Continuity Cybersecurity	Human Capital Energy Biodiversity Labor Practices Occupational Health and Safety Customer Service Waste	Supply Chain Emissions Materials

For definition of material topics, refer to **Sustainability Content Index**

Management Approach

We continue to address our material issues in a multitude of ways – from tried and tested formulas to innovative approaches. Our initiatives and programs are outlined in a way that discusses how we:

- Secure water amidst climate change,
- Invest in nature and future infrastructure, and
- Empower water stewards

MANILA WATER
CARE IN EVERY DROP

Material Issues	Securing Water Amidst Climate Change	Investing in Nature and in Future Infrastructure	Empowering Water Stewards
Strategy and Risk	💧	💧	💧
Corporate Governance			💧
Community Relations		💧	💧
Water and Effluents	💧	💧	
Climate Change	💧		
Economic Contribution		💧	
Business Continuity	💧	💧	
Cybersecurity			💧
Human Capital			💧
Energy	💧		
Biodiversity	💧	💧	
Labour Practices			💧
Occupational Health and Safety			💧
Customer Service		💧	💧
Waste	💧		
Supply Chain		💧	
Emissions	💧		
Materials	💧		

Securing Water Amidst Climate Change

Sustainability Agenda	Capitals	Material Topics
• Protecting the Environment • Helping Communities Thrive	• Natural • Manufactured	• Strategy and Risk • Climate Change • Business Continuity • Energy • Emissions

Inputs	Outputs	Value Created
• Water Sources • Energy	• Water Source Development • Approach to Climate Change • Climate Strategy	• Water Security • GHG emissions reduction

Securing reliable water and providing wastewater services remains our foremost commitment to our customers. To achieve this goal, we meticulously design water and wastewater masterplans tailored to address the evolving of our customer base. These plans are developed considering both present-day challenges and future scenarios to enhance the resilience of our infrastructure and services in the face of climate change.

Water Source Development

In response to escalating water demand, population growth, and the increasing threats posed by climate change and natural calamities, we have crafted comprehensive water security plans spanning short, medium, and long-term horizons across all our business units. In 2023, we were able to secure a 24% raw water buffer, meeting our service obligations to our customers and regulators.

For the Manila Water East Zone concession, where water demand projections are rising, our regulator approved a Four Water System Masterplan. This masterplan for water sourcing encompasses the following key components: (1) Angat-La Mesa, (2) Antipolo, (3) Laguna Lake, and (4) East Sources Water Systems.

4-Water System Master Plan

4-Water System Master Plan

Angat-La Mesa Water System

Angat
(46 CMS) - operational

Laguna Lake Water System

Cardona WTP (100 MLD) - operational

East Bay Water Source
Phase 1 **(50 MLD)** - completed
Phase 2 **(200 MLD)** - ongoing construction

ANTIPOLO WATER SYSTEM

Wawa **(438 MLD)** - ongoing construction

Calawis **(80MLD)** - operational

EAST SOURCES WATER SYSTEM

Kaliwa **(300 MLD)** - ongoing construction

Long-Term East Source **(1,900 MLD)** - future projects

Securing Water Amidst Climate Change

The East Bay Water Treatment Plant is our second facility that abstracts raw water from Laguna Lake, providing additional water to the East Zone.

As part of the masterplan, two critical water security projects were completed in 2023, resulting to increased diversity in our water sources. These projects are the 80 million liters per day (MLD) Calawis Water Treatment Plant, which draws water from the Tayabasan River in Antipolo, Rizal, and the 50 MLD East Bay Phase 1 that sources water from Laguna Lake.

Several other water security projects are expected to be completed in the next few years. These are:

- East Bay Project Phase 2 (200 MLD) targeted for completion by 2024
- Sumag River Diversion Project (86 MLD) set to be completed by 2024
- Wawa Water Supply System Project (438 MLD) targeted for completion by 2026
- Kaliwa Water Source Project (300 MLD) slated for completion by 2028

In the 2023 Service Improvement Plan, we have earmarked Php 67 billion for water security, service continuity, and water accessibility projects for the years 2023 to 2027. Additionally, there is a planned allocation of Php 124 billion from 2028-2047. This significant investment underscores our commitment to ensuring a sustainable and reliable water supply infrastructure in the concession area.

The same intention to secure the continuous supply of water is present in the other subsidiaries. New deep well infrastructure have been built in Clark Water (Pampanga) and Calbayog Water (Leyte), while Laguna Water has been actively expanding its water services to previously unserved areas such as Cabuyao City. In the northern part of the country, a project to construct a water treatment plant is also underway for Ilagan Water (Isabela).

While infrastructure development to increase capacity is the main strategy to ensure water security, we also consider other ways to be more sustainable in these efforts.

To augment our raw water requirements and optimize the use of water resources, we are maximizing our backwash reuse and are exploring water reuse for non-potable and industrial use. This is also in line with our continual implementation of our non-revenue water reduction program to further reduce operational inefficiencies and save water lost in our distribution networks.

Another way is through the adoption of nature-based solutions such as watershed management. Ensuring water the quality and quality of our raw water sources entails a comprehensive and integrated watershed management program in our key watersheds.

Approach to Climate Change

At Manila Water, we continue to face the challenge of providing critical water services not just for the present but for future generations of Filipinos. In partnership with the government, our regulators, and various stakeholders, we tackle the pressing issues of raw water availability and the looming concern over the effects of climate change, while considering population growth, supporting economic development post the COVID-19 pandemic, and being mindful of sustaining our resources for the future.

Plans and roadmaps are in place and are continually recalibrated through the setting of short, mid long term strategies. However, we believe that plans can only be effective once put into solid action. And over the last few years, we have been doubling efforts and working with our partners to secure and develop new and alternative water sources in the areas we are mandated to serve.

As an organization highly adapted to impacts of the natural calamities prevalent in the Philippines, we need to anticipate the effects of climate change that may aggravate the environment in which we operate. As temperatures increase and precipitation patterns shift, our management incorporates climate scenario assessments, considers risks and opportunities assessments, and explores how our actions, as members of society, can contribute to mitigating the climate crisis in our long-term plans.

Climate Oversight

Our Board holds overall responsibility for the company's response to climate change, overseeing the identification, assessment, and management of associated risks and opportunities. On the current setup, two board committees have strategic oversight and advisory over climate-related matters – these are the Board Risk Oversight Committee (BROC) and the Environment, Social, and Governance (ESG) Committee.

Through Resolution No. A-2021-005, approved and ratified by the Manila Water Board in 2021, BROC was given oversight over Climate-Related Risk and Opportunities. This resolution underscores our commitment to systematically address the risks and impacts of climate change. In 2023, the BROC continued to oversee the company's ERM process where threats on water security and natural disasters aggravated by the effects of climate change were discussed.

In addition to the BROC, the ESG Committee, formed in 2022, also engages in quarterly board-level discussions on sustainability risks and opportunities including climate-related matters focused on metrics, targets and performance. In 2023, updates on the Net Zero project were discussed, leading to the recommendation of the ESG committee to prioritize GHG reduction for scopes 1 and 2.

Within the company, our President, who also chairs the ESG Committee, guides the implementation of the company's strategies, including programs on water security and climate actions to ensure the sustainability of the business amid the changing environment.

Securing Water Amidst Climate Change

He is supported by the Chief Risk Officer (CRO) and the Head of Sustainability. Following the TCFD framework over the past two years, both roles managed and collaborated to set-up the Manila Water organization to be responsive to the challenges of water security and climate change. The CRO, and the Enterprise Risk Management Committee (ERMEC) takes the lead in exercising oversight, and risk and opportunities identification and management.

For climate-related strategies, metrics and targets, the Sustainability Head, working with the President and Chief Administrative Officer, exercises oversight over our mitigation and adaptation efforts. Through the Sustainability team, he ensures that a decarbonization roadmap and business continuity efforts are present and implemented in response to climate-related risks. This effort includes working with the various sectors of the organization to drive initiatives that will contribute to emissions reduction and support units in charge of safety, and disaster, and risk mitigation.

Climate Risk Assessment

In 2022, we commissioned an external expert to conduct a comprehensive climate scenario assessment and align our efforts with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

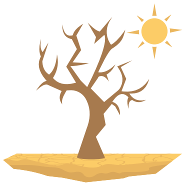
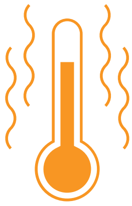
The study, using the Climanomics Platform determined two key climate scenarios covering 70 years from 2020 to 2090, with special focus on year 2030.

- RCP 8.5 - Earth warms by about 4.3°C with steadily rising greenhouse gas (GHG) emissions.
- RCP 4.5 - Earth warms by about 2.4°C with GHG emissions gradually declining.

For thoroughness, over 600 company assets across the country were assessed for risks and impact over varying time horizons. Physical and transition risks and their financial implications are as follows:

2030 Projected Financial Impact of Climate-related Risks

Risk Type/ Business & Financial Impact	Php <50M	Php 50-<200	Php 200-500M	Php >500M
Physical Risk	Fluvial Flooding Water Stress Drought Wildfire Tropical Cyclone	Temperature Extremes	Coastal Flooding	
Transition Risk	Technology Reputation Market Carbon Pricing* Litigation			


There is no pricing mechanism yet in the Philippines.

The climate scenario simulation identified coastal flooding as the primary physical risk with the highest financial impact, followed by temperature extremes under the two climate scenarios. Other physical risks and the identified transition risks pose low risks and financial impacts to the company.

On the other hand, climate change presents opportunities for our company, including:

- Developing and expanding products and service
- Adopting clean energy sources
- Implementing resource efficiency initiatives
- Incorporating resilience strategies, and
- Expanding into new markets and businesses

Climate Strategy

Since our adoption of a Climate Change Policy in 2007, our approach has evolved in response to our climate-related risks and opportunities, emerging trends, scientific advancements, and regulatory changes. Our strategy, outlined in the **Climate Change Policy**, centers on three key pillars: adaptation, mitigation, and leadership.

Adaptation

We prioritize climate adaptation to ensure that we continuously provide excellent services to our customers amidst natural disasters and extreme weather conditions. We do this by:

- Prioritizing water security with efforts focused on developing alternative water sources.
- Addressing raw water quality risks through nature-based solutions. For more information, refer to **Investing in Nature and in Future Infrastructure, page 60-63**
- Sustaining NRW management and leakage reduction programs.
- Building climate-resilient facilities based on comprehensive Resiliency and Business Interruption Studies, anticipating events such as 220 kph sustained winds, 180-year rainfall, and El Niño occurrences.
- Establishing a Business Continuity Plan to ensure the prompt recovery of critical services, minimizing interruptions, and safeguarding continuous service for customers and stakeholders.

Building Climate-Resilient Assets

We regularly commission studies to assess the potential impacts of climate change, earthquakes, and other disasters. The latest Resiliency and Business Interruption Studies consider predefined risk events, guiding strategies for asset resilience, business continuity, and insurance. The results and recommendations of the studies influence our Service Improvement Plans, which includes the design and construction of new facilities, and the upgrade and maintenance of existing assets.

Examples of these efforts are:

(1) **Rehabilitation of the La Mesa Dam**. This project included the rehabilitation of the dam's spillway, extension of its retaining wall, and upgrade in the facility's instrumentation. The La Mesa Dam is a strategic reserve facility and its rehabilitation initiative strengthened it structure, mitigated risks of flooding, and improved monitoring systems, particularly turbidity detection.

(2) **Construction of additional storm drains in East Zone facilities**. The intent of this project is to flood-proof facilities, particularly those located in low lying areas.

(3) **Operational controls and redundant systems**. Instituting protocols are also part of climate resilience in facility operations. This include configuring bypass systems, conduct of asset integrity audit and inspection, automation, and building of underground emergency reservoirs.

Ensuring Business Continuity

We have established a **Business Continuity Policy** and framework focused on prompt recovery of critical operations and the minimizing of service disruptions, ensuring stability for customers and stakeholders. Our Disaster Risk Reduction and Management Program prepares the company, employees, and stakeholders through training, awareness campaigns, drills, and emergency response infrastructure.

Securing Water Amidst Climate Change

To ensure readiness for potential disasters, we regularly participate in nationwide drills on disaster response. In 2023, all employees participated in joint drills aimed at preparing for the Big One, a high-magnitude earthquake that could potentially impact Metro Manila. In addition to these large-scale drills, we conducted drills within our facilities throughout the year, simulating emergency scenarios such as earthquakes, fires, explosions, typhoons, flooding, and chemical spills or leaks.

In disasters, trained first responders deploy equipment for rescue operations, repairs, and temporary relief to affected communities. To augment corporate efforts, the Manila Water Foundation, our corporate social responsibility arm, also extends support to affected employees and communities through the Agapay Program (Agapay means "support").

Mitigation

Our evolving mitigation programs align with sustainability goals and demonstrate our commitment to environmental responsibility. We contribute to climate change mitigation through:

- Reducing and avoiding greenhouse gas emissions through energy efficiency initiatives, renewable energy projects, resource recovery measures, and the expansion of water services
- Development of a Climate Change Mitigation Roadmap

We are equipped with emergency and disaster response equipment to provide assistance to employees, communities, and the government in case of earthquakes, typhoons, flooding and other disasters across the country.

Manila Water signed a contract for a 15-year solar facility power purchase agreement to supply 2.5-megawatt RE for three East Zone water supply facilities.

Enhancing Energy Efficiency

Energy efficiency is a priority program across all business units as it not only directly reduces greenhouse gas emissions, it also drives significant cost savings. Guided by ISO 50001 Energy Management standards and strict adherence to the Energy Efficiency and Conservation Act (Republic Act No. 11285), our commitment to efficiency remains unwavering.

Certified energy managers and conservation officers conduct routine audits, identifying opportunities to reduce energy consumption and promote efficiency within our facilities.

Approximately 3.75 MkWh was saved in 2023 compared to 2021 baseline in our East Zone concession. The results are due to consolidated efforts to optimize water distribution processes and upgrade asset and instrumentation. Examples include pressure management, pump and blower upgrading, and implementation various other programs to conserve electricity use.

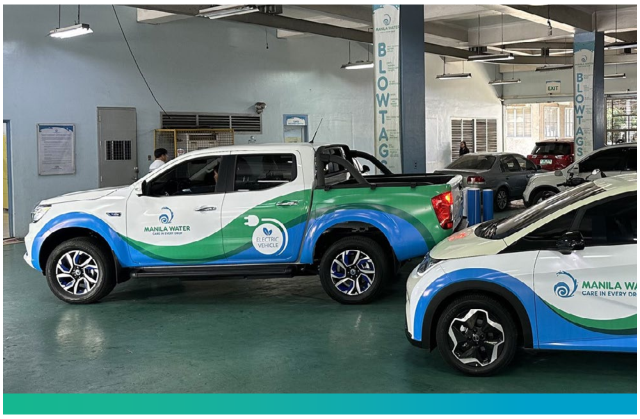
In addition, programs that promote fuel efficiency are also practiced, including the promotion of eco-driving procedures, GPS-monitoring of fleet activities, and the timely preventive vehicle maintenance.

3.75 million kWh saved

2,670 tons CO_2e avoided

PhP 34 million
avoided cost from our energy efficiency initiatives in 2023 with a baseline year of 2021

Securing Water Amidst Climate Change



The Company procured four e-vehicles to kickstart our vehicle electrification program

Advancing Renewable Energy

In 2023, our existing solar facilities and purchase of renewable energy collectively contributed 6.1 MkWh of clean energy towards our electricity consumption. This is equivalent to a GHG reduction of 4,126 tons CO_2e. Our thrust is to transition to low carbon operations, continually reducing overall emissions.

Several initiatives were advanced in 2023, which include the installation of additional solar panels to produce energy onsite, incorporating e-vehicles in our fleet, and the procurement of renewable energy for our facilities. While these advancements were impeded by challenges on market availability of renewable energy in the country, we pushed forward in aligning the company plans to the Philippine's renewable energy plan, as well as to other advocacies to address the global climate crisis.

Development of a Climate Change Mitigation Roadmap

In 2022, we disclosed a 2025 target of 60% GHG reduction and avoidance compared to business as usual. In 2023, we achieved 42% GHG reduction and avoidance, contributed by our energy efficiency and renewable energy program, and avoidance of methane in septic tanks by treating wastewater in our centralized aerobic facilities.

We engaged an expert consultant in 2022 to account for GHG emissions and strategize on how we can further contribute to climate change mitigation in line with climate science and worldwide efforts to keep the global temperature rise to 1.5°C. A full greenhouse gas

2023 GHG Emissions, Tons Co_2e

	2023	Reason
Scope 1	31,608	• New off-grid facilities of East Zone in 2022 are already connected to the grid, reducing the use of generator sets • Lower fuel consumption of vehicles and use of refrigerants • Lower process and fugitive emissions of wastewater
Scope 2 (location-based) (market-based	 217,822 214,830	• Higher electricity consumption due to higher water production and wastewater treated • Open access contract with renewable energy component ended in 2023
Scope 3	538,502	• Accounted additional Scope 3 categories

The newly installed 95 kWp solar panels in Laguna Water STP adds more clean energy to our operations.

accounting was completed and includes all relevant Scope 1, 2, and 3 emissions across the enterprise. Further, an intervention assessment and strategy was put forward leading to management directive to prioritize reducing scopes 1 and 2 emissions..

We have refined our GHG emissions accounting to include wastewater process and fugitive emissions for Scope 1, and major Scope 3 categories. Please refer to the ESG Performance Data - GHG Emissions for the breakdown of our Scope 1, 2, and 3 emissions and GHG intensities.

Leadership

We maintain a leadership role in climate action, reflecting our ongoing commitment to responsible business practices. In 2021, we signified our support to TCFD, and adopted the recommended disclosures since then. In January 2024, we registered as an early adopter of the Task Force on Nature-related Financial Disclosures (TNFD), committing to integrate TNFD-recommended disclosures in our 2025 Integrated Report. We continuously align our strategies with the latest scientific insights and regulatory developments.

In 2023, our dedication to responsible energy practices earned recognition from the Department of Energy (DOE) and the European Chamber of Commerce in the Philippines (ECCP).

Manila Water was recognized in ECCP's 2023 Europa Awards on Sustainability as the winner for the Energy Efficiency and Conservation Category. Photo Credits: ECCP

Non-East Zone's Boracay Water received the Special Awards in Energy Efficiency Excellence category under the Energy Efficiency Projects Implemented and Other Best Practices subcategory of DOE's 2023 Energy Efficiency Excellence Awards.

Climate Change Mitigation Roadmap

2021
TCFD Adoption and CDP Disclosures
- Signified support and adopted TCFD
- Started our CDP Disclosures on Climate Change and Water Security

2022-2023
Climate Change Mitigation Study
- Greenhouse Gas Accounting (Scope 1, 2 and 3)
- Intervention Assessment

2024
Development of Scope 1 and 2 emissions reduction plan

2024 onwards
Implementation and Monitoring
- Implementation of GHG reduction projects
- Monitoring of GHG reduction performance vs. targets

Development of Scope 3 emissions and reduction plan

Investing in Nature and in Future Infrastructure

Sustainability Agenda	Capitals	Material Topics
• Protecting the Environment • Helping Communities Thrive	• Financial • Manufactured • Natural • Social and Relationship • Intellectual	• Biodiversity • Economic Contribution • Water and Effluents • Climate Change

Inputs	Outputs	Value Created
• ESG-related Policies • Watershed Management • Water and Wastewater Services • Innovations	• Protecting Biodiversity and Natural Habitat • Developing Infrastructure and Innovations • Connecting Communities	• Biodiversity • Water Quality • Capital Expenditure

Embedded within our Sustainability Policy is the recognition that our journey towards becoming a global Filipino water company is inseparable from our responsibility to care for the communities we serve, preserve the environment that sustains us, and foster enduring partnerships.

Within these principles, we confront various risks that threaten our ability to fulfill our commitments and purpose. Foremost among these risks is the challenge of maintaining a reliable and high-quality water supply across our service areas. This encompasses ensuring the adequacy of raw water sources, safeguarding water quality, and enhancing distribution efficiency. Additionally, we acknowledge the risk associated with securing timely and efficient funding to support our operational and capital expenditure needs, as well as the financial obligations of our expanding business portfolio. Moreover, we are aware of the environmental risks posed by unsustainable practices, such as water pollution and biodiversity loss. These threats not only endanger the ecosystems upon which we rely but also jeopardize the well-being of the communities we serve.

Through strategic investments in innovation and infrastructure, we aim to future-proof our business while generating social and economic value for all stakeholders. Additionally, we remain steadfast in fulfilling our service improvement plan, with a focus on enhancing water security and sustainability. In essence, our approach to investing in nature and future infrastructure is rooted in our unwavering commitment to sustainable development and responsible stewardship.

Protecting Biodiversity and Natural Habitat

Underpinning our commitment to environmental stewardship is on investing in nature, particularly through the preservation of biodiversity and natural habitats. Embedded within our Environmental Policy is not only a commitment to utilize natural resources efficiently but also to implement environmental protection measures. Through strategic initiatives and partnerships, we actively engage in the preservation and restoration of ecosystems vital to biodiversity.

Our efforts extend beyond mere compliance with regulatory requirements. We aspire to be proactive champions of environmental conservation. By leveraging expertise and collaborating with our stakeholders, we strive to identify and prioritize areas for conservation and habitat restoration. Through these collective endeavors, we aim to leave a positive legacy of environmental stewardship, fostering biodiversity-rich ecosystems that benefit both present and future generations.

Investing in Nature and in Future Infrastructure

Watershed Management
Water is a shared resource for use in hydropower generation, irrigation, aquaculture, and for the daily needs of the communities near the water source. To foster water resource stewardship, we forge strong and meaningful relationships with our stakeholders in implementing watershed management programs.

We incorporate nature-based solutions in partnership with regulators, local government units, non-government organizations, indigenous people, and local communities to protect and restore our key watersheds, mitigating deforestation and safeguarding water quality. This approach improves biodiversity, promotes carbon sequestration, and combats climate change.

We protected over 171,902 hectares of watershed in 2023, preventing harmful activities like deforestation and slash-and-burn farming. Through these efforts, threatened species in the watersheds are protected and preserved. In addition, 103,624 trees were planted in 2023, bringing our total trees nurtured since 2006 to 1,566,569. Diverse native and endemic species are chosen to enhance biodiversity.

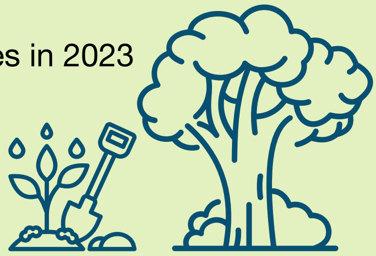
In support of the ESG target on biodiversity, we have planted a total of 310,000 trees in 680 hectares from 2022 to 2023.

171,902
hectares protected

>30
threatened species preserved

103,624 trees planted

250 hectares in 2023



Partners for Change
We recognize that we cannot achieve our goals alone. Partnerships are critical to our success, enabling us to leverage diverse expertise, resources, and perspectives to drive meaningful change and create a lasting impact, especially considering that nature is a shared resource requiring collaborative efforts for its conservation and protection.

Annual Million Tree Challenge

Our East Zone regulator, the Metropolitan Waterworks and Sewerage System, created the Annual Million Tree Challenge (AMTC) in 2017 to annually plant, maintain, and nurture one million trees in partnership with stakeholders. The target watersheds are Umiray, Angat, Ipo, La Mesa, Marikina, and Laguna, which are major sources of drinking water.

We are a staunch supporter of this program, and we actively participate in the AMTC every year, planting 30,000 trees in La Mesa and 60,000 trees in Ipo this year. Overall, a total of 652,000 trees have been planted and nurtured in Ipo, La Mesa and Upper Marikina watersheds since 2017 for the AMTC.

Integrated Watershed Management Roadmap for Angat-Ipo-La Mesa (IWMRAIL) 2047

To reinforce the management of Angat, Ipo, and La Mesa Watersheds, MWSS, Manila Water, and Maynilad joined forces in a tri-partite agreement - IWMRAIL 2047. This agreement will oversee a range of watershed management projects.

IWMRAIL Projects of Manila Water:

- Watershed protection reinforcement
- Forest Landscape Restoration, Reforestation and enrichment planting
- Formulation and implementation of Integrated Watershed Management Plan
- Dumagat, (indigenous people in the watersheds) community livelihood programs
- Water Access, Sanitation and Hygiene program
- Ecological waste management
- Carbon accounting
- La Mesa Watershed Reservation Terrestrial and Aquatic Ecosystem Study, and Vulnerability Assessment

Refer to the Watershed Management Report for the details of our 2023 management actions in each watershed.

Developing Infrastructure and Innovations

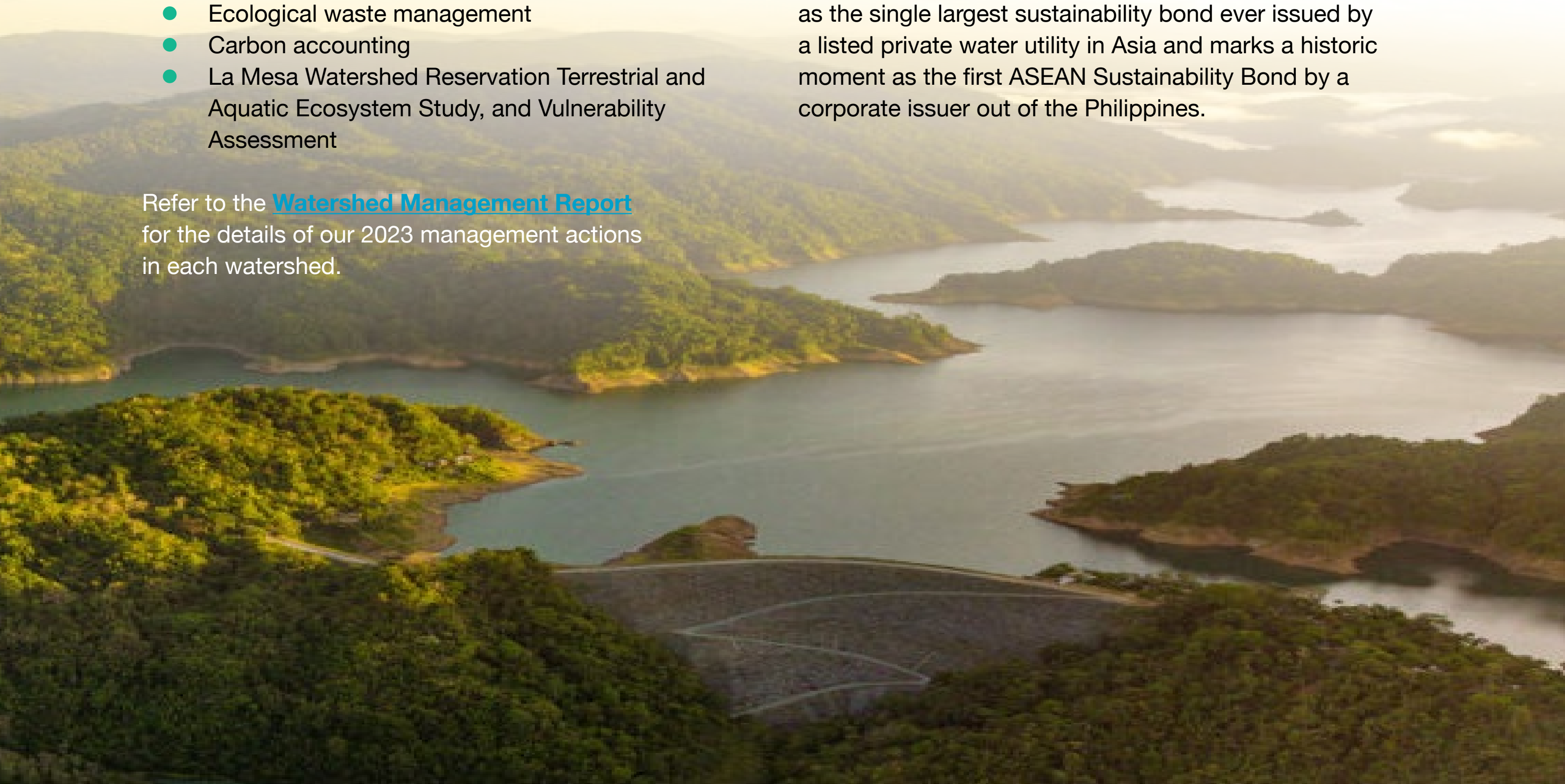
At the heart of our commitment to sustainable growth is a focus on developing water and wastewater projects. Through strategic financing models, we aim to optimize capital allocation, minimize financial risks, and maximize returns, thereby accelerating the development and implementation of critical infrastructure projects essential for meeting the evolving demands of our communities.

Simultaneously, we drive forward with a relentless focus on innovation, harnessing the collective expertise of both external stakeholders and our own dedicated employees. Through collaborative research, development, and partnerships with industry leaders and technology pioneers, we pioneer new solutions to address day-to-day and emerging challenges. Additionally, we cultivate an environment of innovation within our organization, encouraging and supporting our employees to propose and develop innovative ideas and solutions that drive sustainable infrastructure advancements from within.

Sustainability Bond Projects

At Manila Water, we are seizing the opportunities presented by the rise of ESG (Environmental, Social, and Governance) investing and responsible banking to unlock alternative financing streams. This approach has granted us access to a wider pool of ESG-centric investors and lenders, enabling us to further our commitment to sustainability while advancing our infrastructure initiatives.

On July 23, 2020, we achieved a significant milestone by issuing our very first Sustainability Bond, totaling USD 495 million. This issuance stands as the single largest sustainability bond ever issued by a listed private water utility in Asia and marks a historic moment as the first ASEAN Sustainability Bond by a corporate issuer out of the Philippines.



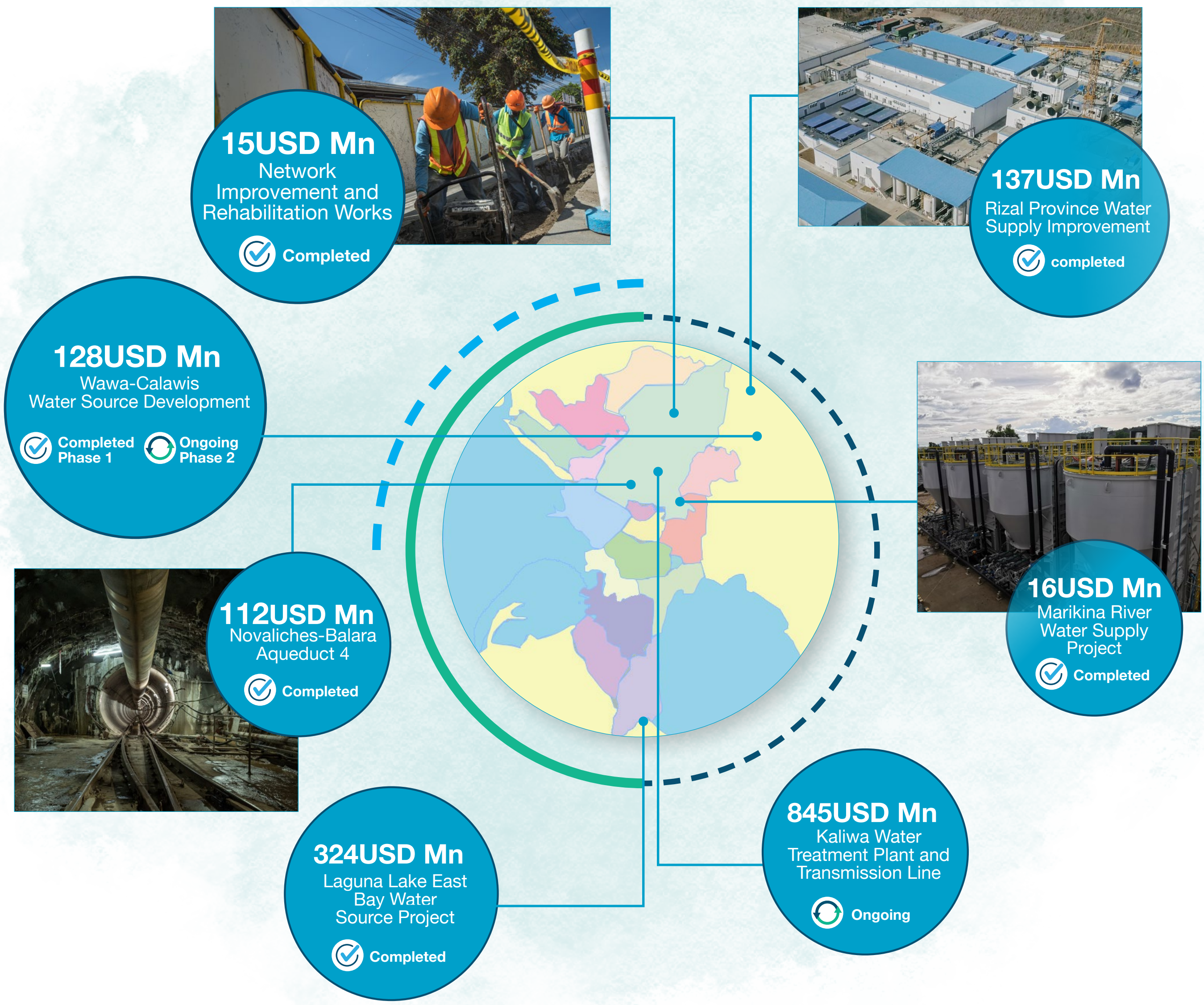
Investing in Nature and in Future Infrastructure

Aligned with our commitment to the United Nations Sustainable Development Goals (SDGs) and guided by the principle of creating shared value as our driving force for business growth, the funds from the sustainability bond have been allocated towards both existing and future water and wastewater projects. These projects are carefully selected to align with our sustainability objectives and adhere to rigorous eligibility criteria focused on Sustainable Water & Wastewater Management, as well as Affordable Basic Infrastructure.

Sustainable Water Management

In our commitment to enhancing water security and resilience, we have allocated portions of the sustainability bond proceeds to vital water supply projects. These projects are designed to address critical areas such as Water Security, Water System Resilience, and Systems Loss Management. Our focus encompasses various initiatives, including the development of new water sources, the reduction of transmission losses from reservoirs to treatment plants, and minimizing losses from treatment plants to customers' taps.

Each water supply project funded by the sustainability bond undergoes rigorous evaluation and is assigned specific impact indicators. These indicators enable us to measure how each project contributes to providing affordable water access to the communities we serve. Tracking metrics such as increased raw water supply capacity and water savings resulting from the prevention of transmission loss, we ensure that our investments generate tangible benefits for our stakeholders.



Sustainable Wastewater Management
In our commitment to advancing wastewater management and sanitation services, we have allocated a portion of the sustainability bond proceeds to critical projects focusing on Wastewater Collection and Treatment Services.

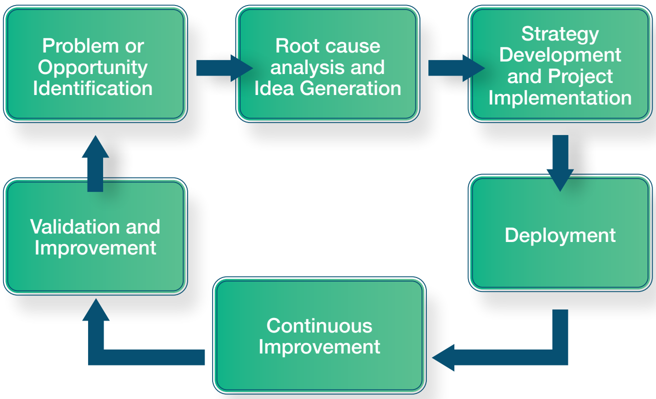
Beyond providing essential sanitation services, these projects play a pivotal role in ensuring that wastewater is treated properly, thereby removing organic pollutants prior to its release into water bodies. Moreover, these projects also contribute to our broader commitment to managing carbon emissions. It aligns with our support of the Philippines' Nationally Determined Contributions (NDCs) to the Paris Agreement, which aims to achieve a 75% reduction and avoidance of greenhouse gas emissions by 2030. Within the domestic wastewater sector, expanding sewer and sanitation coverage emerges as a strategic measure to mitigate methane emissions originating from septic tanks, thereby promoting environmental sustainability and resilience. Through these concerted efforts, we are not only fulfilling our sustainability objectives but also driving positive change for the communities we serve and the environment at large.

Investing in Nature and in Future Infrastructure

Innovations in Our Operations

In addition to building our infrastructure, we consistently integrate innovative solutions into our processes and operations across all departments and business units. Emphasizing innovation and collaboration is crucial in our ongoing efforts to enhance efficiency and sustainability.

Our employees are encouraged to drive improvements through the following process:



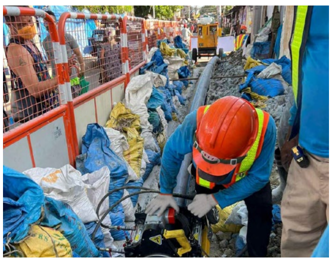
Here are some of the innovations we have pursued:

IMPACT: Improvement of water and wastewater operations

Advanced Pressure Management Equipment

Status: Developed prototype

Description:
This equipment will enhance distribution efficiency and reduce NRW.



Desludging Equipment for Narrow Roads

Status: Developed prototype

Description:
This equipment will boost desludging availment rates by reaching locations previously inaccessible to our services.

IMPACT: Reduction of resource consumption, cost, and GHG emissions in value chain

Molasses for Wastewater Treatment

Status: Deployed

Description:
Switching from glycerin to molasses for carbon in our nutrient removal process lowered chemical expenses due to molasses' affordability and availability

Powdered Polyaluminum Chloride

Status: Pilot testing

Description:
Switching to powdered polyaluminum chloride (PAC) from liquid PAC will cut costs, improve chemical availability, and reduce the volume of chemicals transported, thus lowering our Scope 3 GHG emissions.

IMPACT: Promotion of circular economy, recycling of wastes, GHG reduction, and cost efficiency

Biodiesel Generation

Status:
Pilot testing

Description:
Manila Water employees' waste cooking oil is recycled in our pilot biodiesel plant to produce biodiesel for vehicles and generators, while glycerin serves as a carbon source for wastewater treatment. This initiative promotes a circular economy by recycling waste cooking oil.

Biosolids as an Alternative Fuel and Raw Material in Cement Plant

Status:
Pilot testing

Description:
The dried biosolids from Makati North Sewage Treatment Plant are used as fuel and raw material in a partner's cement kiln. This initiative promotes a circular economy by recycling biosolids.

Connecting Communities

Our sustainability financing and innovations initiatives serve as the cornerstone of our journey towards realizing our vision of becoming a global leader in providing quality water and environmental services supportive of sustainable development. Through these endeavors, we aim to set new standards of excellence in the industry, driving innovation, sustainability, and resilience while creating lasting value for our stakeholders and the communities we serve. As we continue to push the boundaries of what is possible, we remain committed to pioneering transformative change and shaping a more sustainable future for generations to come.

Clean Water

Ensuring exceptional water quality is fundamental to the safety and health of our customers and communities, forming the bedrock of our business. In 2023, we maintained compliance with water quality standards established by the government, particularly the Department of Health's (DOH) Philippine National Standards for Drinking Water (PNSDW).

This commitment is upheld through rigorous testing conducted at various sample points within our treatment facilities and community tapping points. Whether it's within our treatment facilities or at community tapping points, we meticulously monitor and analyze water quality to ensure that it consistently meets or exceeds regulatory standards. Through this approach to quality control, we achieved 100% compliance with national drinking water quality standards.

Investing in Nature and in Future Infrastructure

Water Access
As a provider of potable water, we source our supply from various reservoirs and treat it in water treatment facilities. In 2023, our efforts culminated in the delivery of 1,267 million cubic meters of potable water to over 12.77 million customers spanning across all our business units.

Beyond our immediate service area, we extend our reach through cross-border sharing initiatives with Maynilad Water Services, Inc. (MWSI), offering relief to communities facing supply challenges within their concession areas. Through collaborative efforts, we have been able to provide a steady flow of at least 22 million liters of water per day across three cross-border sharing sites since the 4th quarter of 2022.

We are also dedicated to minimizing water loss in our distribution system, ensuring that none of the water we provide to our customers and cross-border sharing sites is wasted due to leaks in our pipes. Through rigorous maintenance checks, timely replacement, rehabilitation, and repairs, our East Zone concession successfully kept its non-revenue water below 15% by the end of 2023.

Despite facing increasing demand from the customer and the looming threat of climate change, which poses challenges to the availability of the raw water we source, we remain committed to working with our regulators to ensure a sufficient water supply. As we conclude the year, we have met our ESG target on water security, maintaining a buffer of 24% to ensure an adequate water supply for our customers.

In our largest concession area, we are nearing the inauguration of East Bay Phase 1 Water Treatment Plant. With the capacity to treat 50 million liters per day of raw water sourced from Laguna Lake, this facility will serve 300,000 residents in Rizal.

Wastewater Services

In addition to ensuring water access, we prioritize closing the loop in our water cycle by emphasizing wastewater treatment. We have observed a significant increase in connections to our sewer network, with the number reaching 303,724.

For areas that are not yet connected, we conduct regular desludging or septic tank siphoning as part of our routine desludging caravan, resulting in a total of 121,001 septic tanks emptied during the year. This comprehensive approach underscores our commitment to managing wastewater effectively and safeguarding environmental health while ensuring the well-being of the communities we serve.

In 2023, Boracay Water launched Project Monsoon. This project offers free sewer connections for residential customers living within 60-100 meters from the nearest available sewer network.

Empowering Water Stewards

Sustainability Agenda	Capitals	Material Topics
• Building a Culture of Care and Trust • Helping Communities Thrive	• Human • Intellectual • Social and Relationship • Natural	• Community Relations • Corporate Governance • Customer Service • Human Capital • Labor Practices • Occupational Health and Safety • Cybersecurity

Inputs	Outputs	Value Created
• ESG-related policies • Health, Safety and Well-being Programs • Human Resource Strategy • Talent Development Programs • Community Engagement	• Prioritizing Health, Safety, and Well-Being • Celebrating Diversity, Equity, and Inclusion • Cultivating and Nurturing Talent • Engaging Customers and Society	• Health and Safety • Biodiversity 

For Manila Water, our commitment to water stewardship extends far beyond the confines of our organization. We actively engage with the broader community, dedicated to the sustainable management of resources. Our approach goes beyond just the provision of services – we foster a culture of responsibility, engagement, and empowerment among our workforce and the communities we serve. From our *Katubig* employees to our supply chain partners and the communities we serve, everyone is recognized as a water steward.

This commitment to empowering stakeholders as water stewards is driven by various factors. We prioritize managing trust amidst uncertainties and challenges, emphasizing the paramount importance of ensuring the health, safety, and well-being of our workforce and stakeholders. Addressing data privacy concerns and cybersecurity threats is integral, alongside initiatives to raise awareness on water conservation responsibilities among customers and partners. Lastly, maintaining a competent workforce, fostering employee engagement, and providing a conducive work environment are crucial elements for our long-term sustainability.

To effectively address these aspects, we employ a comprehensive approach. Transparent communication and collaboration facilitate stakeholder engagement and trust-building. Robust protocols and training ensure the well-being of our workforce and stakeholders. Our continuous investment in advanced technologies safeguards against data breaches and privacy concerns. Educational campaigns empower customers and partners to conserve water resources. Furthermore, training and development initiatives foster engagement and create a supportive work environment for our employees. Through these integrated efforts, we strive to mitigate risks and uphold our commitment to responsible water stewardship.

Empowering Water Stewards

This safety walk-through at our site in Pampanga is just one of the many conducted regularly, aiming to identify potential safety hazards, assess the status of safety in the workplace, and provide feedback to personnel on proper safety practices.

Prioritizing Health, Safety, and Well-Being

Through rigorous adherence to industry-leading safety standards, comprehensive training programs, and proactive health initiatives, we strive to create a workplace environment and community where everyone can thrive. Our dedication to prioritizing health, safety, and well-being underscores our overarching mission to not only deliver exceptional water services but also to nurture sustainable relationships and promote the flourishing of all those we serve.

Occupational Health and Safety

84	Health and Safety Officers	
100%	Managed facilities, corporate office, sites underwent hazard identification, risk assessment, safety critical hazards, and safety equipment	
4,369,571	Employee Safe Manhours	

Refer to our ESG Performance data for additional safety metrics.

In 2023, we strengthened our commitment to health and safety with a revised enterprise-wide Health and Safety Policy, This involved enhancing workplace standards and implementing targeted prevention programs for the company. By emphasizing adherence to regulations, including those from the Department of Labor and Employment and international standards, we aim to prevent workplace accidents and promote well-being of our employees, vendors, and the public. Key components include risk identification, protocol integration, performance metrics, and fostering a safety-centric culture.

Our commitments are spearheaded by central safety committees within our strategic business units: the East Zone concession and NEZ-PH businesses. Led by our Health, Safety, and Environment (HSE) departments, these committees report directly to their respective COO's, championing our safety commitments and ensuring their effective implementation. Together, with 84 Katubig Safety Officers promoting workplace health and safety, we strive to maintain the highest standards across all aspects of our operations.

To lessen unsafe work conditions, we have implemented various programs encompassing compliance management, risk assessment and management, and regular site inspections. Across all our managed facilities, construction sites, and corporate offices, we ensure that hazard identification and risk assessment with controls (HIRAC)

Continuously prioritizing safety, we remind our employees through safety bulletins and our internal employee engagement platform, Balita on Wednesday (BOW). These platforms offer regular reminders and tips for maintaining safety, fostering a culture of safety in both work and personal activities.

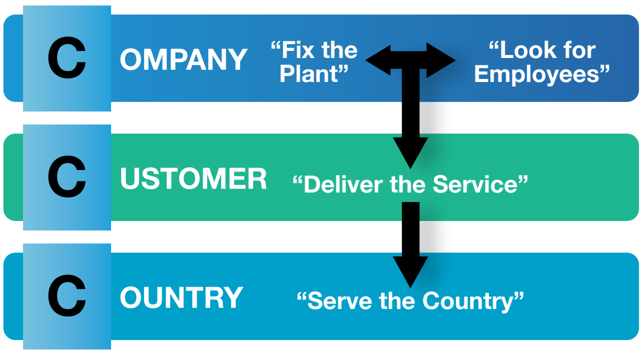
are conducted, with 100% compliance. To streamline this process, we have established an Online HIRAC Registry accessible to all business units, facilitating easy access to critical safety information.

Furthermore, we conduct safety audits periodically to maintain the integrity of our safety protocols. Corporate offices undergo safety audits every two years, while facilities undergo annual health checks and safety audits every two years as well. The introduction of the Plant Inspection Audit 2 (PIA2) initiative in the East Zone and achieving a 100% resolution for critical findings in the Non-East Zone demonstrates our commitment to proactive risk management.

Maintaining open communication channels with our employees is paramount in fostering a culture of safety. We encourage the reporting of near-miss incidents through formal and informal channels including committee meetings, toolbox sessions, or direct communication with our HSE department members. This collective vigilance has led to the reporting of 7 near-miss incidents, enabling us to address potential risks before they escalate.

We offer support in providing HSE training programs tailored to the specific roles of our safety officers, whether conducted internally or by external trainers. These programs cover topics such as Fire Safety, Basic Occupational Safety, and Health, Construction Occupational Safety and Health, and First Aid. Additionally, we have achieved a 100% completion rate for the mandatory 8-hour occupational safety and health training, highlighting our commitment to ensuring the well-being of our employees.

3CS IN DISASTER RESPONSE



Another component of health and safety involves our Business Continuity Framework, Integral to this framework is an incident management protocol guided by the 3C's in Disaster Response, representing Company, Customer, and Country.

As our first line of defense, our employees report their situation to their immediate line managers during calamities, facilitating centralized assessment and immediate deployment of rescue units in collaboration with local government and partners. Concurrently, assessments of damage to company property and assets are conducted, and necessary repairs are swiftly executed to minimize risks and prevent service downtime. Furthermore, anticipating service interruptions, we prioritize customer needs by activating backup systems and deploying water tankering services in affected areas. Additionally, our emergency response includes relief operations and involves the deployment of our mobile water treatment plants in areas requiring immediate assistance.

Empowering Water Stewards

In 2023, we encountered significant challenges, with two lost-time injuries recorded, one of which resulted in a fatality in East Zone. However, we responded promptly by investigating the root causes and implementing additional preventive measures. Lessons from these incidents were shared with respective managers, HSE working committees, and contractors, ensuring alignment on necessary corrective measures. Through proactive measures and continuous improvement efforts, we remain steadfast in improving health and safety practices across all aspects of our organization.

Employee Well-Being

95	Professional Friend employee-volunteers
19	Counselled employees
0	Incidents of work-related ill-health

In our commitment to the well-being of our employees, we prioritize fostering a culture where they can thrive both at work and at home. To enhance workplace dialogue surrounding physical and emotional health and safety, we introduced the Professional Friend initiative. This program encourages internal connections among employees to address both work-related and personal challenges, promoting a supportive environment. In 2023, we furthered our efforts by providing training sessions on mental health and peer counseling to 95 employees. These sessions equipped our staff with the skills needed to effectively connect, listen, and support their fellow colleagues who sought counseling.

Additionally, our Wellness Center issued regular health tips bulletins and organized counseling and check-up sessions with registered healthcare professionals. We also hosted webinars focusing on maintaining a healthy physical and mental wellness lifestyle. Furthermore, we administered flu vaccinations to protect our employees from flu-related illnesses and conducted regular annual physical examinations to keep them informed about their physical health.

As a result of these initiatives, we had zero incidents of work-related ill-health. These achievements underscore our unwavering commitment to promoting the holistic well-being of our employees by ensuring that they remain healthy, happy, and productive members of our organization.

Katubig Spotlight
Professional Friend Employee-Volunteers

Alvin
Research and Planning Technical Manager

The need to consistently deliver high-quality results makes my job at Manila Water challenging. But It's fulfilling since I get to learn from the best mentors in the Industry. This reflects lhe accolades and validation Manila Water has earned from its stakeholders and further proves lhe quality of service we provide.

Maintaining a healthy work-life balance is essential to be ettective in my position. It may appear more challenging, but I still strive to achieve it by setting clear boundaries, such as refraining from emailing colleagues outside our designated work hours unless urgent. I ensure that I follow proper email etiquette. Furthermore, I encourage my workmates to make the most of our vacation and wellness leaves.

I believe Manila Water's Professional Friends Program is a step towards destigmatlzing mental health struggles - that it is okay to not be okay.

Bess
iWASH Program Manager

13 years at Manila Water have been rewarding and enriching because of the many challenges and possibilities they have provided. Coming from the academe, my exposure to operations, innovation, business development-and now, community development-have allowed me to tap into my strengths and develop new skills while significantly impacting people's lives.

During the pandemic, I volunteered to be a member of tile Professional Friends because it would be an excellent opportunity to use my Psychology background. Within my team, I aim to listen more and maintain regular check-ins wilh my colleagues, especially when work can be demanding. Typically, I ask what support they may require from me, and I Initiate discussions to know their challenges and concerns that might hinder our performance.

As a people manager, it is important to be considerate and compassionate because underlying struggles and problems may limit talents in delivering their work well. Listening is an underrated skill that we must all try to learn because when we truly listen, we can understand more and respond to situations better.

Empowering Water Stewards

Celebrating Diversity, Equity, and Inclusion

Our journey towards fostering diversity, equity, and inclusion (DEI) is woven into the fabric of who we are and what we stand for. In 2023, we took a step forward by crafting our **Diversity, Equity, and Inclusion Policy**. This policy is our guide to embed DEI principles into every facet of our operations, from the boardroom to the communities we serve.

We recognize the importance of fostering an inclusive culture at every touchpoint, from recruitment to recognizing and rewarding diverse contributions. Through open communication, we create an environment where every voice is valued. Our full list of commitments on DEI can be accessed **here**.

Complementing our DEI Policy is a suite of supporting documents designed to uphold the highest standards of conduct and respect for all individuals. Our Employee Code of Conduct, **Non-Discrimination, and Anti-Harassment Policy (Including Disability-related Issues)**, and **Anti-Sexual Harassment Policy** are living documents, regularly updated to reflect the evolving needs of our stakeholders align with best practices in promoting DEI.

We gathered representatives from various teams to engage in discussions and finalize our DEI roadmap.

National Disability Prevention and Rehabilitation Week

26th Anniversary Katubig's Got Talent Theme: Diversity as a criterion comprising 20% of the total score of contestants.

Raising Awareness on DEI

Our dedication to DEI goes beyond internal aspirations; it aligns with global movements toward inclusivity. We recognize and celebrate the diversity reflected in Philippine culture, and we support legislative efforts such as the Safe Spaces Act. This commitment extends to our operations in other countries, where we actively promote DEI principles.

The Corporate Human Resource Group (CHRG) spearheads initiatives to raise DEI awareness and drive action across our organization. In 2023, the CHRG issued a call to all employees to actively engage in DEI efforts, encouraging participation in various groups focused on education, employee engagement, and the establishment of DEI metrics. CHRG's DEI roadmap outlines our long-term commitment, from prioritizing DEI in 2022 to institutionalizing it by 2027. This journey encompasses not only gender-based concerns but also all dimensions of diversity, equity, and inclusion.

In 2023, we launched #ToDEI Counts, our flagship employee engagement initiative aimed at raising DEI awareness. Activities included Gender Sensitivity Training in collaboration with the University of the Philippines Open University (UPOU) Office of Gender Concerns (OGC), active participation in DEI-themed events such as Women's Month, Pride Month, and National Disability Prevention and Rehabilitation Week, and the implementation of DEI fields in our employees' profiles, enabling them to update their gender pronouns, religious affiliations, and differently abled classifications. Additionally, as part of our 26th-anniversary celebration, our employee engagement event, Katubig's Got Talent, featured a judging criterion, comprising 20% of the total score, where contestants were tasked with showcasing how their respective business units promote diversity and inclusion.

Equally important, in line with our commitment to inclusivity, we updated our group life insurance and healthcare benefits to include common-law and LGBTQIA+ partners of our employees. In 2023, 41 employees enrolled their partners under this updated benefits program, reflecting our ongoing efforts to create a workplace where all individuals feel valued and supported.

Empowering Water Stewards

UN Women Empowerment Principles

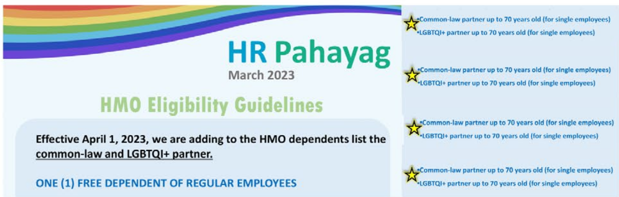
Manila Water officially became a WEPs signatory

March 27, 2023

MWC at the first-ever Asia-Pacific WEPs Forum

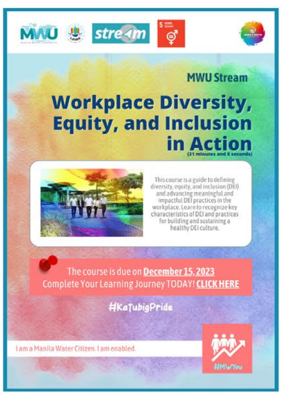
November 7 and 8, 2023

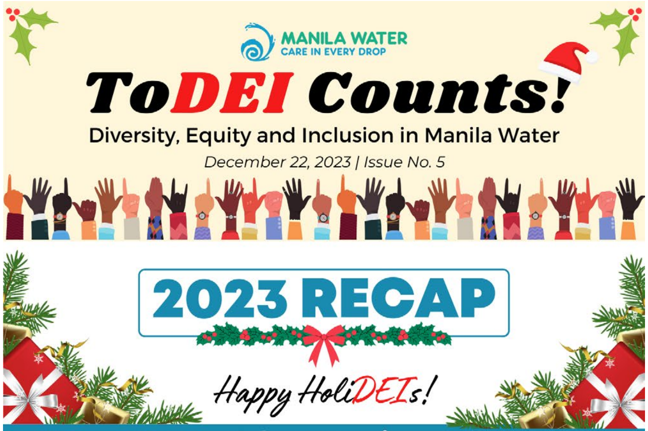
Group Life Insurance and HMO Eligibility of Common-Law and LGBTQIA+ Partners



Katubig Pride Celebration: Month-long celebration

Annual Training on Gender Sensitivity and Workplace Diversity





Gabay Mentoring

GABAY BUSINESS MENTEES

FEMALE - 13

MALE - 10

GABAY TECHNICAL MENTEES

FEMALE - 9

MALE - 5

DEI Policy Launch

March 1 2023 — **Non-Discrimination and Anti-Harassment Policy**

March 15 2023 — **Diversity Equity and Inclusion Policy**

March 30 2023 — **Child Labor Prevention and Elimination Policy**

National Women's Month Forum with WOMEN government leaders

We have initiated several programs and activities to celebrate DEI within our workplace, motivating all Katubig employees to actively participate and celebrate our diverse workforce.

Katubig Spotlight
#ToDEI Counts

Chad
HSE Manager

Nothing gets me going more than the happiness I get from being able to show and express myself.

Manila Water's DEI policy has helped me became more confident in socializing and connecting with people at work. I am incredibly proud to be a part of a company that supports the LGBTQIA+ community by creating a safe and welcoming space for its members."

Adel
Regulatory and External Affairs Head

Never in my entire dream that one day I would become a department head because I was only in my 4th year back then, I am a member of the LGBTQIA+ community, and I am a Muslim. But Manila Water never discriminates. Instead, it values its talents, and I am one of them.

Nap
HR Business Partner

I will always be thankful for Manila Water for giving me a lot of opportunity in terms of my career and in my 15 years, I have grown so much. And being a member of LGBTQIA+, Manila Water has been very supportive. In my 15 years I did not feel neglected, bullied or treated as an outcast just because of being authentic to myself. Instead, I always feel the love, support, and respect especially to the people I have known in Manila Water.

Partnerships for Diversity
In 2023, Manila Water forged a partnership with the Metropolitan Waterworks and Sewerage System-Regulatory Office (MWSS-RO) to advance Gender and Development (GAD) initiatives within the Philippine water sector. This collaboration culminated in the signing of a Memorandum of Understanding aimed at promoting women's empowerment and fostering gender and diversity inclusion. A committee was formed and tasked with implementing gender-transformative water programs aligned with the United Nations' SDGs, specifically focusing on SDG 5 – Gender Equality and SDG 6 – Clean Water and Sanitation.

Aligned with our pledge to gender-inclusive practices, we endorse the United Nations Women's Empowerment Principles (WEPs). These principles form a robust framework for championing women's rights and nurturing an inclusive and fair workplace atmosphere. By embracing this global movement, we reaffirm our unwavering commitment to promoting gender-inclusive policies and practices across diverse industries. Our goal is to establish equitable and inclusive environments where everyone is safe, respected, and empowered to succeed. Furthermore, we actively support inclusivity and fairness within our supply chain and the communities where we operate.

Empowering Water Stewards

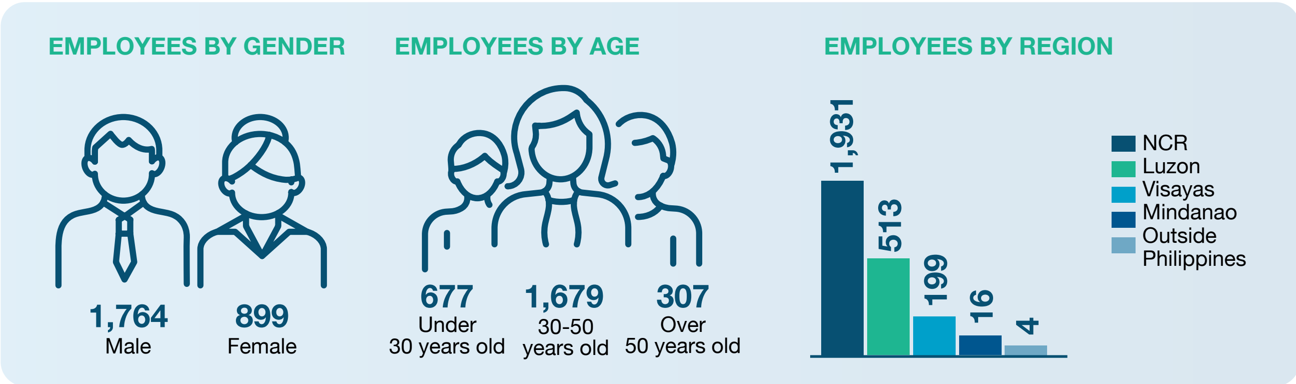
The Memorandum of Understanding with Metropolitan Waterworks and Sewerage System-Regulatory Office aims to enhance our partnership in mainstreaming and promoting Gender and Development (GAD) within the Philippine water sector.

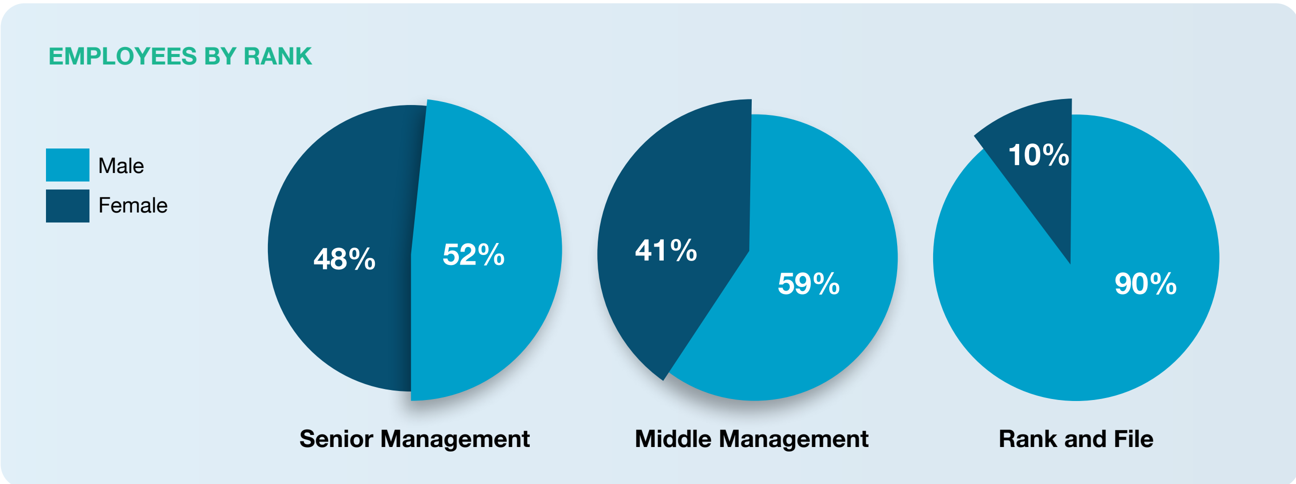
Promoting gender diversity is a central objective within our people and sustainability strategies. By signing the UN Women's Empowerment Principles, we are reinforcing our dedication to achieving gender equality.

We are committed to fostering diversity and inclusivity within our workforce, ensuring fair representation across all levels of our organization. In 2023, our targeted efforts to enhance gender diversity yielded significant results, notably increasing the presence of women in crucial leadership roles, ranging from our Board to our senior management team. By the close of 2023, 83 out of 165 of our department and division heads were women.

In addition to our focus on gender diversity, we prioritize inclusivity across diverse age groups, recognizing the richness that varied perspectives and experiences bring to our teams. Likewise, we demonstrate our commitment to supporting local communities by hiring 99% of our workforce from the areas in which we operate, showcasing our dedication to local talent and community integration.

Diversity Breakdown[1]





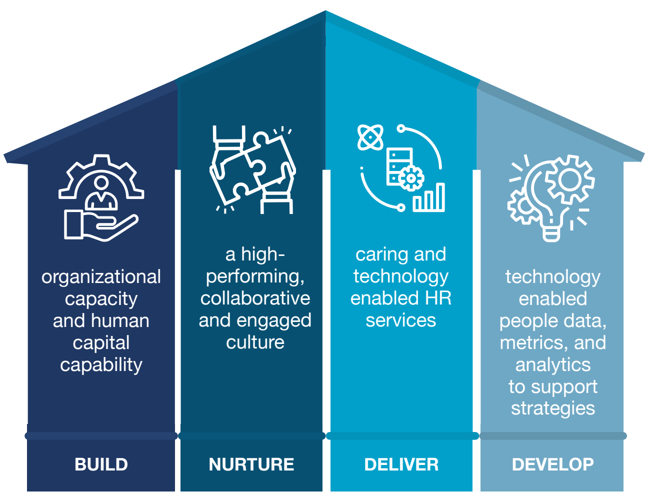
[1] Except for Employees by Rank, the employee demographic breakdown of by gender, age and region is composed of permanent and temporary employees.

Cultivating and Nurturing Talent

We place immense value on our Katubig employees, acknowledging their pivotal role in our business achievements. Aligned with the mission of the CHRG, we center our plans and programs around leveraging our workforce as a competitive advantage. By investing in the development and well-being of our employees, we ensure they are equipped to propel business operations, spur growth, and strengthen our expansion endeavors.

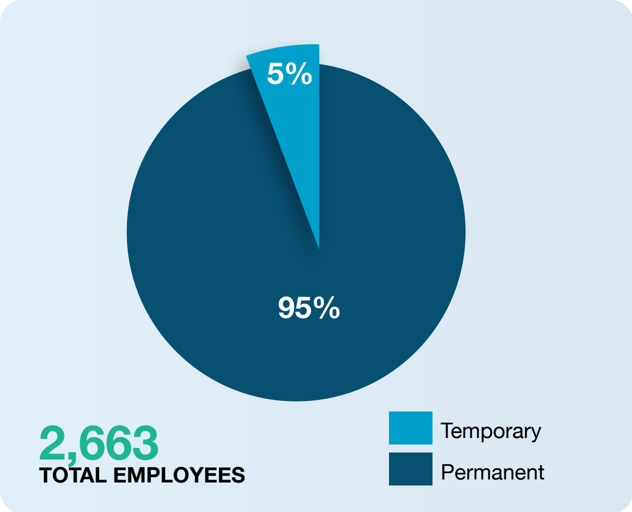
To nurture our Katubig talent, we have established four foundational pillars. These pillars serve as the bedrock for implementing best-in-class people programs aimed not only at attracting top talent but also at building their capabilities, fostering engagement, and cultivating a values-based culture. These efforts are essential to delivering compassionate HR services that prioritize the success and well-being of our *Katubig* talents.

HUMAN RESOURCE STRATEGY PILLARS

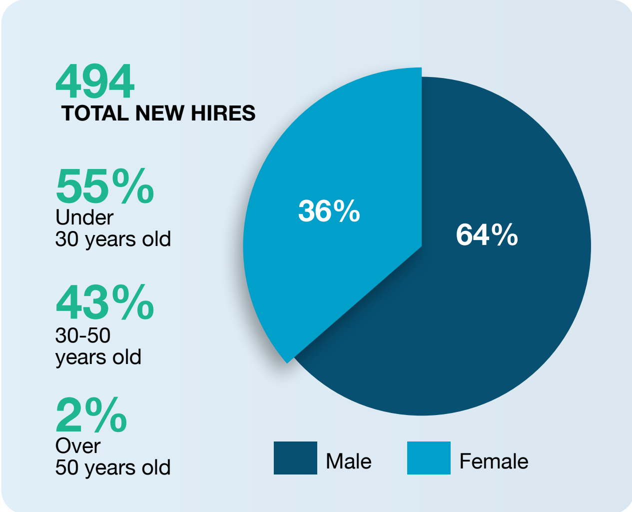


Empowering Water Stewards

Katubig Employees



Recruitment and Employment



In 2021, we launched Project Phoenix, signifying a transformative phase in our organization's structure and culture under new management. This initiative is integral to reinforcing our commitment, fostering accountability, and nurturing a values-driven culture that aligns with our #OneManilaWater journey.

Two years since its inception, Project Phoenix has become the cornerstone of our workforce management, guiding us in nurturing the growing workforce in alignment with our new purpose, vision, and mission. This transformative initiative has empowered us to carefully cultivate our team, which comprises 95% permanent employees and 5% temporary staff, all engaged on a full-time basis with no non-guaranteed hours, showcasing our steadfast commitment to fair and stable employment practices.

Furthermore, our talent pool extends beyond our Katubig employees to include an over 6,000 service providers and contractors stationed across our business units and project sites. We uphold the same standards of excellence and dedication as our partners, ensuring that together, we deliver exceptional services to the communities we serve.

Our recruitment process at Manila Water is deeply rooted in our core value of integrity, ensuring that we uphold ethical, fair, and transparent practices in all aspects of our business operations. This commitment extends to fostering a welcoming work environment where equal opportunities for employment are provided to all.

As a result of our dedication to fairness, the proportion of male to female hires remains fairly balanced within our organization. These new hires have filled newly created positions, reflecting our expansion not only in terms of geographic presence but also in our commitment to serving more customers within our service areas.Our goal is to evolve into a Filipino global water utility company, ensuring that our services reach a wider audience.

Among the recent additions to our team are two group directors who hold key leadership roles within the company. Their recruitment is seen as highly beneficial, as they bring valuable expertise and insights that will lead us to more efficient and innovative ways of delivering on our service obligations.

Katubig Future Leaders

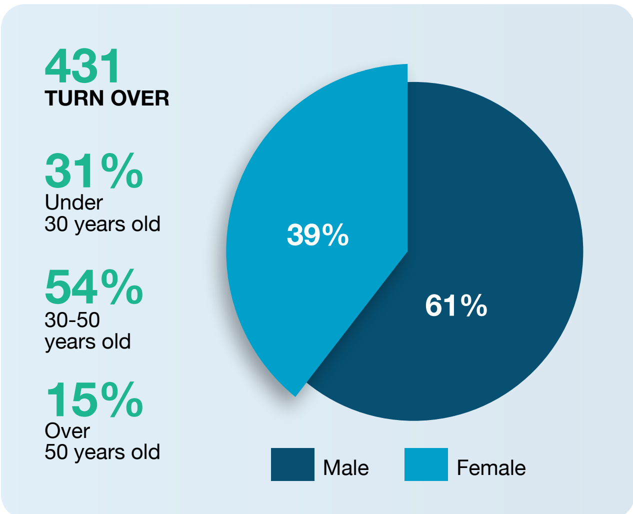
In addition to our dedicated employees, our workforce embraces students eager to explore the water industry. Through strategic partnerships with local colleges and universities, our Talent Acquisition team has crafted dynamic internship programs. These initiatives not only enrich our talent pipeline but also foster diversity within our teams. In the past year, we had the privilege of hosting 48 interns from esteemed universities and colleges across the Philippines. Notably, this marks a 20% increase in young talents choosing the water industry, with many opting for Manila Water as their preferred internship program.

Aside from our internship program, we offer a transformative opportunity through our Cadetship Program, designed specifically for recent college graduates. This intensive program provides participants with comprehensive business training, exploring critical areas such as water systems management, field safety protocols, and community engagement strategies. The success of our previous cadet batches is evident in their progression to leadership roles within our organization, where they now lead various teams. In 2023, 12 dedicated cadets successfully completed the program, seamlessly transitioning to full time employment in our dynamic workforce. In all, the Cadetship Program not only cultivates skilled professionals but also reflects our commitment to nurturing emerging talents and fostering a culture of continuous learning and growth.

On the other hand, we acknowledge the natural flow of our workforce, which includes employee resignations. In 2023, we recorded a total of 431 resignations, of which 77% were voluntary. This voluntary resignation rate resulted in an overall attrition rate of 16.3%, which remains relatively lower than the industry average of 20%. We attribute this lower attrition rate to our continuous efforts in employee engagement, development opportunities, and fostering a positive work environment that encourages employee retention.

Empowering Water Stewards

A heartfelt send-off for retirees, celebrating their invaluable contributions and dedication to our company throughout the years



Lastly, we bid farewell to 46 employees who chose retirement after contributing an average of 20 years to our organization. Our retirement policy supports employees opting for retirement at age 60, as well as those choosing early retirement at age 50 with a minimum tenure of 10 years. Both groups receive one-month salary for each year of service rendered as part of their retirement benefits. Additionally, we hold annual retiree send-offs to honor their invaluable contributions to the company throughout their years of service, reflecting our deep appreciation for their dedication and commitment.

Learning and Mentoring

We are deeply committed to empowering our employees to reach their fullest potential by providing a range of development opportunities. Central to this commitment is the creation of Individual Development Plans (IDPs), where each employee outlines personal goals and aspirations. The accomplishment of these plans constitutes 10% of total annual performance assessment. A full 100% employees hired as of September 2023, had their IDPs assessed, along with other targets outlined in our Performance Management System (PMS).

Aside from external training programs, we have established the Manila Water University (MWU) as a hub for various training and development initiatives. MWU encompasses different components to meet the evolving needs of our *Katubig* employees, providing them with the technical and behavioral skills necessary for success.

The Manila Water Institute of Technology (MIT) focuses on enhancing technical proficiency in core areas such as water supply, wastewater operations, maintenance, and project management. Meanwhile, our Leadership Academy Yielding Accelerated Growth Program (LAYAG) offers three levels of leadership development, nurturing individuals at every stage of their career journey.

Gabay, our dedicated learning and mentoring program, nurtures Katubig Leaders under the guidance of seasoned senior leadership members.

In 2023, we launched the *Gabay* (Guide) Business Mentoring program, pairing members of our Senior Leadership Team with emerging next-generation leaders. This initiative provided invaluable industry knowledge and mentorship to equip young leaders for success.

Our Business Zone Leadership School and Territory Management School further enhance community engagement skills and knowledge, ensuring that our employees are equipped to make a positive impact in the areas we serve.

Back in 2020, when faced with the challenge of a government-imposed ensuring that our, we introduced the Percipio learning platform, internally branded as "MWU Stream." This platform provides employees with access to a wide range of training videos across various subjects, allowing them to learn at their own pace.

Furthermore, our Information Security Education Program (ISEP), led by the Corporate Information and Technology Group (CITG), plays a crucial role in training employees to remain vigilant against cybersecurity threats. Covering topics such as phishing scams and data privacy protection, this program equips our workforce with the necessary skills to safeguard both our organization's and our customers' data. Through ISEP, we achieved 0 incidents of cybersecurity attacks and 0 incidents of personal data leaks.

GABAY PARTICIPANTS

Technical Mentees		Business Mentees	
5 Male	**9** Female	**10** Male	**13** Female

Empowering Water Stewards

Mahalaga Ka! Program promotes employee well-being with Wellness Talks, Professional Friends, Mental Health Support, and more.

In 2023, we made a substantial investment in training and development, allocating over Php 16.2 million for this purpose. This investment benefited 2,896 trained employees, with over 73,178 training hours completed, averaging 29 training hours per employee.

Engagement and Volunteerism

We are dedicated to fostering a positive work culture and providing ample opportunities for our employees to voice their opinions and contribute to the improvement of our services. Central to this effort is our commitment to employee engagement, which we promote through various initiatives.

One of our key engagement programs is "Mahalaga Ka!", which translates to "You are Important". Originating from an internally developed employee pulse survey, over time, "Mahalaga Ka!" has evolved to encompass any initiative that promotes employee welfare, including Wellness Talks, Professional Friends, Mental Health Support programs, and our Meeting Manifesto.

In addition to these programs, we organize themed events, enterprise-wide celebrations, and recognition programs to honor the contributions of our employees. Our retirees' program is a particularly special initiative, allowing us to express gratitude to employees who have remained loyal and continued to contribute to the organization over the years.

Volunteerism is a crucial aspect of our engagement strategy and our commitment to social responsibility. Employees can volunteer through Manila Water Foundation (MWF) programs, such as the Integrated Water Access, Sanitation, and Hygiene (iWASH) program, which extends water and sanitation access beyond our service areas, and Agapay, a disaster response program that promptly addresses the water supply and sanitation needs of communities and families affected by disasters and calamities.

Katubig employees engage in team-building activities, fostering camaraderie and collaboration as part of our employee engagement program.

PASIBOL
puno ng pag-asa

13 Tree Planting Events

405 Employee Volunteers

5,905 Seedlings Planted

1,841 Volunteers Hours

In 2023, we furthered our commitment to environmental stewardship with the launch of the "Pasibol: Puno ng Pag-asa" program, translating to "Growth: Tree of Hope." This volunteer-driven initiative aligns with our overarching goal of planting 580,000 trees and reforesting 1,000 hectares of watershed by 2025 to mitigate deforestation risks and uphold the quality of raw water. Throughout 2023, this program engaged 405 employees and 422 external partners, resulting in the planting of 5,905 trees across 13 tree planting events nationwide. This dedication to talent cultivation underscores our enduring commitment to the holistic development and well-being of every member of Manila Water.

Labor Relations and Management

We are committed to being an employer of choice, providing a work environment that upholds human rights and offers competitive and equitable benefits.

In 2023, we took a significant step towards protecting the rights of children by disclosing our [Child Labor Prevention and Elimination Policy]. This policy reaffirms our stance of zero tolerance for the exploitation of children under 18 years old in any aspect of our operations, services, engagements, and business dealings.

> ***"Wellness is a state of complete physical, mental, and social well-being, and not merely the absence of disease or infirmity."***
>
> *– The World Health Organization*

Empowering Water Stewards

Our collective bargaining agreement with East Zone employees highlights our dedication to equitable labor practices and cooperative union relationships.

Furthermore, we respect the fundamental rights of all our employees, including the right to freedom of association and the right to be members of trade unions. In 2023, we achieved a milestone by overseeing the signing of a new collective bargaining agreement with the East Zone rank-and-file union, which extends to cover 87% of all eligible employees.

As part of our commitment to ensuring fair compensation, we provide a competitive remuneration package that undergoes regular review to ensure that our employees' salaries remain competitive against market and industry standards.

Lastly, in response to the growing importance of employee well-being, we launched a Wellness Leave initiative in 2023. This initiative allows employees to take paid time off from work to pause, take a break, connect with others, and de-stress. The Wellness Leave serves as a valuable tool for preventing burnout and promoting overall employee health and wellness.

Engaging Customers and Society

We are committed to engaging with our communities and broader society. Through educational initiatives, we empower our customers to understand the importance of water conservation and adopt practices that contribute to a more sustainable future. Our approach extends beyond mere awareness-raising we seek input from our customers through consultation processes, ensuring that our projects and programs are tailored to their needs and priorities. Furthermore, our thought leadership initiatives serve to educate not only our local communities but also broader society, both within the Philippines and globally, on the critical issues surrounding water management and sustainability.

Educating our Stakeholders

As part of our Water Education and Environmental Advocacy initiative, we offer the *Lakbayan* program, which provides participants with firsthand insights into the journey of water from its raw state to safe and potable drinking water, as well as the meticulous treatment processes safeguarding the environment from wastewater. In 2023 alone, our Lakbayan tours welcomed a significant number of participants, with 1,125 individuals joining 48 tours.

LAKBAYAN

48 Tours Held

1,125 Participants

Additionally, we introduced a new component to Lakbayan called SALIN – Lakbayan para sa mga Guro Program. It is a collaborative effort with the Department of Education aimed at educating teachers on Manila Water's sustainability journey and water and wastewater treatment processes.

In its inaugural year, SALIN welcomed 73 teachers from 20 public elementary schools in Metro Manila's East Zone.

SALIN

20 Schools

73 Teachers

Further advancing our educational endeavors, our Toka Toka campaign in East Zone, Laguna Water, and Boracay Water advocates for proper wastewater management, engaging 18 partners from local government units (LGU), national government agencies (NGA), corporations, and other organizations in 2023.

TOKA-TOKA

18 LGU, NGA + Corporate Partners

5 Environmental Programs Launched

This effort saw the launch of numerous environmental programs, including initiatives focused on community gardening, waste recycling, and upcycling.

Leveraging social media, our #WaterWais campaign creatively disseminates water conservation tips and strategies, empowering individuals to adopt more sustainable water usage practices in their daily lives. Additionally, we actively participate in themed events such as Earth Day celebrations, where we engage stakeholders from various sectors to promote environmental protection and resource preservation.

Our Arbor Day boot camp for kids, titled "Punong Puno ng Pag-asa: Arbor Day Bootcamp for Kids," further reinforces environmental stewardship among younger generations, with over 40 students participating in activities aimed at fostering a deeper appreciation for our natural environment and the vital role of watersheds in safeguarding our water resources.

Through these initiatives, we remain steadfast in our commitment to educating and inspiring individuals to become proactive water stewards and champions of environmental sustainability.

Empowering Water Stewards

4
Public Consultations Held

~630
Participants Online + Onsite

Facilitating Dialogues

In ensuring the well-being of our customers and surrounding communities, we actively engage in public consultations organized by key government agencies and regulators. These consultations serve as critical platforms for us to align our developments with community needs and expectations while adhering to our service level agreements.

For our concession business units, participation in public consultations organized by regulators is critical. This process acts as a checks and balances mechanism, enabling us to present our programs and projects to the communities we serve before any adjustments to water rates are made. The rising costs of capital and production due to inflation can impact the cost of services for customers. In response, we are committed to striking a balance between infrastructure investment needs and water affordability, with a focus on limiting the financial burden on our customers.

An important highlight of this year's public consultation efforts is our participation in the Metropolitan Waterworks and Sewerage System Regulatory Office's (MWSS RO) public hearing on the application for the extension of the revised concession agreement for another 10 years or until 2047, aligning with the term of Manila Water's legislative franchise. During this consultation, we presented our long-term plans for delivering prudent, reliable, and efficient services to our customers.

Driving Positive Change

We are committed to driving positive change in the water industry and sustainable development through engagements with stakeholders to share best practices and insights. Our participation in thought leadership initiatives not only enables us to share our sustainability journey but also fosters a culture of knowledge-sharing and continuous improvement.

PHILIPPINE WATER WORKS ASSOCIATION CONFERENCE
March 23-24, 2023

We shared our journey of service excellence spanning 25 years in the Philippines' water utility sector. With the central theme of 'Securing Water Access Through Partnership Towards More Resilient Water Services' we discussed not only our company's highlights, lessons learned, and best practices but also showcased our milestones at the Manila Water booth.

GLOBAL WATER INTELLIGENCE SUMMIT
May 8, 2023

The Global Water Summit gathers influential senior executives and water leaders annually.

As part of the Climate Change Session, we showcased our climate action strategy, prioritizing adaptation strategies before mitigation efforts, contributing to global water resilience efforts.

STANFORD UNIVERSITY VISIT AT MANILA WATER
September 5, 2023

Manila Water was selected by Stanford University to provide an in-depth examination of a successful case study on water utility privatization.Our presentation highlights the company's transformative endeavors in ensuring water security, enhancing treatment efficiency, advancing infrastructure development, and elevating customer service standards.

PHILIPPINE WATER WORKS ASSOCIATION CONFERENCE
October 4-6, 2023

We showcased our commitment to sustainability, centered on protecting the environment, helping communities thrive, and building a culture of trust and care among its employees. We also emphasized the critical role of collaboration among stakeholders in the water industry to create long-term value and address the water challenges facing the Philippines.

Celebrating Synergies and Expanding Reach

Manila Water Foundation, the social development arm of the Manila Water Enterprise, remains committed to its mission to champion programs on the environment and water access, sanitation, and hygiene or WASH for all communities through its set of WASH program

At the core of Manila Water Foundation's mission lies a commitment to integrated and participatory community development. This is realized through hygiene education and advocacy, complemented by the provision of buil-to-last WASH infrastructure crucial for sustaining health and disease prevention that contributes to building resilient communities.

MANILA WATER FOUNDATION 2023 BY THE NUMBERS

In 2023, the Foundation reached 1.2 million Filipinos across the country through WASH program activities and valued partnerships with private and public sector partners. Guided by a 5-year strategic theme to

1,209,959
Individuals Served

Php 21.1M
Value of Cash Donations Received

Php 11.6M
Value of Product Donations Received

institutionalize and upsalce WASH, the 2023 Manila Water Foundation theme is to celebrate WASH synergies and expand reach. This thematic strategy is a lead-up to the 20th year of Manila Water Foundation in 2025 with the theme: *Co-creating sustainable communities*.

The WASH Programs of Manila Water Foundation contribute to the fulfillment of key UN Sustainable Development Goals (SDGs), aligned with the Manila Water Enterprise. Manila Water Foundation supports Goal 6: Clean Water and Sanitation, and strives to contribute to Goal 1: No Poverty, Goal 3: Good Health and Well-Being, Goal 4: Quality Education, Goal 11: Building Sustainable Cities and Communities, Goal 14: Life Below Water, Goal 15: Life on Land, and Goal 17: Partnership for the Goals.

MWF PROGRAM HOUSES

Manila Water Foundation animates the strategic themes through the Integrated WASH, WASH Interventions and Environment program houses. Integrated WASH provides water access and sanitation advisement, critical infrastructure and hygiene education for communities that are water stressed and have gaps in community sanitation. The MWF WASH Interventions program provides critical water access and sanitation infrastructure and hygiene education in learning institutions and public spaces, while the MWF Environment program supports the WASH needs of community stewards of watersheds, coastlines, riverways and offer alternative, non-timber product livelihood opportunities. Manila Water Foundation directs its efforts toward comprehensive WASH initiatives for all communities, implementing with a holistic approach in line with globally accepted and practiced WASH principles. Manila Water Foundation endeavors to complement the construction and installation of WASH infrastructure to improve water access and close gaps on sanitation along with hygiene education to cultivate behavioral shifts towards proper hygiene practices, thus exerting influence on community health, overall well-being and community productivity.

Manila Water Foundation reaches out to underserved communities and to the wider public throughHealth in Our Hands hygiene and health campaigns where Manila Water Foundation leads Philippine celebrations of global events such as World Oral Health Day, Global Handwashing Day and World Toilet Day. During crises or calamities, Manila Water Foundation responds through Agapay: WASH in Emergencies by providing access to potable water and hygiene products and tapping into the spirit of volunteerism. *Agapay* is a Filipino term for "support". Beyond emergency response, and to enable the community to recover from disasters, Manila Water Foundation also steps ahead and provides WASH infrastructure rehabilitation.

Tapping into the wealth of water and wastewater technical excellence from the parent company, Manila Water Foundation in 2023 established the program, Lináng. Filipino term for "develop"MWF bridges and leads a water and wastewater technical mentorship support program aimed at enhancing the skills of local water service providers in rural areas, enabling them to better deliver water and wastewater services for the community. Through Lináng, MWF fosters a robust learning exchange for positive change, improving critical community services for health and productivity.

Demonstrating care for the environment, Manila Water Foundation established the Likás program. Filipino term for "nature", Likás champions environmental sustainability initiatives such as the conservation and protection of watersheds and wildlife, the promotion of urban agriculture and enhancement of rural community livelihoods.

On the other hand, MWF's Ahon program (Filipino term for "uplift") has been redefined to concentrate on livelihood programs aimed at assisting community beneficiaries in their daily lives, including fisherfolk, forest rangers, and marginalized sectors.

Manila Water Foundation looks ahead to celebrating two decades of animating the mission of bringing environmental programs and WASH for all communities.

PROGRAM YEAR HIGHLIGHTS AND ACCOMPLISHMENTS

INTEGRATED WASH

SITIO SAPANG MUNTI

Integrated WASH completed its water system project for the community of Sitio Sapang Munti in Norzagaray, Bulacan. Residents of this community are the stewards of the watershed that serves millions in Metro Manila yet they do not have access to reliable water up until this Manila Water Foundation project in partnership with One Meralco Foundation for the electrification of the water treatment house The program has entered the Sanitation Phase where the aim is to protect the environment and promote health and sanitation by constructing properly managed sanitation facilities for 120 families.

ROOTS TO SHOOTS

Leveraging on synergies to deliver WASH, Manila Water Foundation entered into a consortium with Pilipinas Shell Foundation Inc. (PSFI) and World Vision Philippines to support the local government in addressing childhood stunting and malnutrition in the Municipality of Bombon and the Municipality of Pasacao in Camarines Sur. The WASH component of the program was completed with the construction of 17 handwashing stations in health centers, markets, and public spaces, along with providing safely managed toilets for 102 families. The three-year project created impact for 1,736 households.

17
Handwashing stations

102
Families provided safely managed toilets

1,736
households benefited from three-year project

During the RTS turnover ceremony in June 2023, Manila Water Foundation handed over a comprehensive Water Supply Operations & Maintenance Manual to the Bombon Water District. The manual formalizes the transfer of knowledge and stewardship to the local water utility, supporting the sustainability and long-term success of their water supply operations.

AGAPAY: WASH in Emergencies

Manila Water Foundation supports the recovery of communities affected by disasters and calamities. Through its Agapay program, Manila Water Foundation, in partnership with BPI Foundation and San Jose Dinagat Island Water District inaugurated in September 2023 the rehabilitated pipeline and the relocated portion of the major transmission line in San Jose, Dinagat Islands. Damaged by Typhoon Rai (Odette), the Agapay Isla project is a PhP2M water supply recovery and improvement initiative serving over 3,000 households. Aligned with the *Build Back Better* principle, Agapay Isla supports post-disaster recovery, future-proofs families, and reduces the vulnerability of geographicallyisolated communities.

In 2023, Mayon Volcano in the province of Albay caused the displacement of families and disruption of economic activity. Manila Water Foundation provided aid to communities by bringing clean, potable water and hygiene products with the support of the Philippine Disaster Resilience Foundation, Maris Pure Corporation and Procter & Gamble Philippines.

WASH INTERVENTIONS

WATER ASSET INSTALLATION AND REHABILITATION AND PROJECT DRINK 72

Manila Water Foundation supports the health and well-being of public school learners, teachers and staff by ensuring clean, potable and reliable water supply on campus. Under its *Lingap Eskwela* program, MWF completed the Water Asset Installation and Rehabilitation project for learning institutions across cities and municipalities in 2023. This project aligns with the Department of Education's goals to keep learners in school by reducing school days missed due to illness and disease

The project installed overhead tanks, rehabilitated campus water lines, and repaired booster pumps in several schoolsincluding Buting Elementary School and Oranbo Elementary School in Pasig City, Tandang Sora Elementary School in Quezon City, University of Rizal System in Cainta, Rizal, Sta. Ana Elementary School and Ricardo P. Cruz Sr. Elementary School in Taytay, Rizal, and Ricardo P. Cruz Sr. Elementary School in Taguig City.

Concurrently, Manila Water Foundation handed over refrigerated drinking fountains (RDFs) to public schools and institutions in Quezon City. A total of 72 public schools and institutions in Quezon City received RDFs impacting 137,984 students, teachers, and staff providing clean, refreshing drinking water for all on campus

72
public schools and institutions in Quezon City received RDFs

137,984
benefited students, teachers, and non-teaching staff

LINGAP SANITASYON

The Lingap Sanitasyon program of Manila Water Foundation responds to the need for proper sanitation in households and public spaces. Lingap Sanitasyon aligns with the Department of Health's Zero Open Defecation Program (ZODP) advocacy and health education campaign. Collaborating with local government units (LGUs), the program ensures that Filipinos have access to toilets, practice proper handwashing, and contribute to environmental protection.

In 2023, Manila Water Foundation, in partnership with GNPower Mariveles Energy Center Ltd. Co. (GMEC), inaugurated hygiene and sanitation facilities at the Community Public Cemetery and the scenic Mariveles View Deck in the Municipality of Mariveles, Bataan.

Celebrating Synergies and Expanding Reach

ENVIRONMENT

Manila Water Foundation nurtures the stewards of water resources. Supporting the fisherfolk community along the Laguna Lake, MWF organized a series of info-education workshops. Through Project Katig and in partnership with Bank of the Philippine Islands (BPI) Foundation, fishers attended a workshop on financial education and learned simple lessons on saving, budgeting and managing credit. Following this, an informative product training session was held in partnership with Pioneer Adhesives Foundation to enhance the fisher's knowledge on boat repairs and maintenance.

In 2023, MWF launched Project Buho, an integrated community development program featuring a series of capacity-building training sessions focused on livelihoods based on non-timber products. Project Buho will be conducted in partnership with Bambuhay, a social enterprise tasked with identifying crafts and viable products derived from bamboo.

HEALTH IN OUR HANDS

WORLD ORAL HEALTH DAY

In collaboration with Boracay Water, the Philippine Dental Association, Inc. (PDA), and PHILUSA Corporation, Manila Water Foundation led a celebration event of World Oral Health Day 2023 at Nabaoy Elementary School in Malay, Aklan. World Oral Health Day was established by the FDI World Dental Federation and stands as the largest awareness campaign for oral health.

Featured at the World Oral Health Day 2023 event was the inauguration of a multi-faucet hand hygiene facility in the school. An info-education session has held to remind the learners on proper hand washing and proper toothbrushing as keys to disease prevention. Oral hygiene products from PHILUSA Corporation were handed over to the school, as well as portable hand washing stations called SATO Tap by Lixil Corporation.

The celebration of World Oral Health Day supports the campaigns of the Department of Health and the WASH in Schools (WinS) program of the Department of Education.

GLOBAL HANDWASHING DAY

Working closely with local governments through WASH, MWF collaborated with the Pasig City Health Department and led the 'Apir Tayo Pasigueño! Global Handwashing Day Fair' last 9 October 2023. Global Handwashing Day (GHD) is a continuing campaign for hand hygiene for health promotion and disease prevention beyond the COVID-19 pandemic.

Pasig City Mayor Vico Sotto, Vice Mayor Dodot Jaworski, and Pasig City Councilors supported the Global Handwashing Day Fair by going through the partners' booth and signing on the pledge wall of commitment to promote hand hygiene. The GHD Fair brought together Manila Water Foundation's hygiene product and hand washing innovation partners. Over 1,000 Pasig residents visited the GHD Fair and received hygiene products to enable the habit of proper hand washing for health and disease prevention. Manila Water Foundation capped the celebrations of Global Handwashing Day with a hand hygiene session with more than 500 grade-level students of Pasig Elementary School to embed the habit of proper hand washing in the early years of learning.

WORLD TOILET DAY

Manila Water Foundation promotes proper sanitation for health in schools and communities. MWF leads campaign activities to mark World Toilet Day. Last November 2023, a Sanitation Fair in an elementary school was attended by more than 200 learners and parents. They received products from sanitation product partners and learned about innovations on sanitation. The Sanitation Fair attendees were reminded on proper sanitation habits and the availing of the desludging service of septic tanks in homes.

To cap the Sanitation Fair, Manila Water Foundation handed over 15 sets of large water containers and dippers to maintain the cleanliness of washrooms within the campus. MWF also handed over two Refrigerated Drinking Fountains for the school of more than 3,000 students.

MGA ALON NG KALINGA AT PAG-ASA

Manila Water Foundation closed 2023 by supporting the country's territorial frontliners, fisherfolk and the communities at the West Philippine Sea in partnership with the Armed Forces of the Philippines Civil Relations Service (AFP CRS). Through the event *Mga Alon ng Kalinga at Pag-asa,* Manila Water Foundation and partners handed over product donations for territorial defense personnel and communities in Puerto Princesa, Palawan and the Pag-asa Island in the West Philippine Sea.

MWF led the wave of support by its esteemed partners, including One Meralco Foundation, P&G, Pascual Laboratories, PHILUSA Corporation, Pioneer Adhesives Foundation, Inc., Ronald McDonald House Charities (RMHC), and Lixil SATO. The AFP CRS is entrusted with the safe transport and handover of these donations to families, fisherfolk, and security frontliners in Palawan and in the Pag-asa Island in the West Philippine Sea

Manila Water Foundation for its part, donated Refrigerated Drinking Fountains, 15 units of WASHup! Hand Washing Stations, and a Rain Catchment Unit for Palawan barangays and Pag-asa Island Elementary School.

Booth partners, including Philusa Corporation, Kalinisan Chemicals Corporation, HappyTap Philippines, and Lixil SATO, joined the World Toilet Day Sanitation Fair to showcase quality products and innovations essential for fostering proper sanitation and toilet habits. In further support of FMGES learners' WASH needs, MWF donated 2 Refrigerated Drinking Fountains and 15 sets of large water containers and dippers to maintain cleanliness within the campus washrooms. Through the World Toilet Day Sanitation Fair, MWF emphasized the message: *Sanitasyon, lahat aksyon!*

MANILA WATER FOUNDATION TIMELINE OF INSTITUTIONAL ACHIEVEMENTS

MARCH 2023 | Manila Water Foundation was granted special accreditation as the only local non-government organization to participate in the 2023 UN-Water Conference at the UN Headquarters in New York City on March 22-24. The Conference was, convened by the United Nations General Assembly and co-hosted by the Government of Tajikistan and the Kingdom of the Netherlands. MWF Integrated WASH Program Manager Bess Par was part of the delegation from the Philippines.

JULY 2023 | The 'Light Up to WASHup! Beaming Forces for Good in the Ipo Watershed' project of Manila Water Foundation and One Meralco Foundation was named the Outstanding CSR Collaboration Project in the 5th CSR Guild Awards of the League of Corporate Foundations.

SEPTEMBER 2023 | Manila Water Foundation won Best Branded Photo in FDI World Dental Federation's 2023 World Oral Health Day Awards held in Sydney, Australia.

OCTOBER 2023 | Manila Water Foundation was a Finalist at the 11th Asia CEO Awards and became part of the Circle of Excellence Awardees for CSR Company of the Year. Manila Water Foundation received two Bronze Awards from the Department of Health at the Healthy Pilipinas Awards for Partners 2023 for WASH in Pandemic and #SafeWASH in Schools in partnership with Procter & Gamble Philippines.

DECEMBER 2023 | Manila Water Foundation is among the recipients of the Top 10 Most Outstanding Stakeholders at the 4th Gawad Kaagapay Awards of the Department of Education's Schools Division Office, Quezon City.

BUSINESS REVIEW

Consolidated Performance

"Manila Water hits record earnings in 2023"

Manila Water posted consolidated earnings of ₱5.6 billion for the full year of 2023. Solid topline growth was driven by continued recovery of customer demand with the resumption of economic activities as well as implementation of tariff adjustments in both EZ and NEZ-PH key businesses. On the other hand, Manila Water recognized a one-off provision related to East Water, our legacy investment acquired back in 2018. Specifically, an impairment provision amounting to ₱4.1 billion was recognized to reflect current market conditions and outlook. Without one-off items, core net income surged to ₱9.6 billion.

On a consolidated level, revenues increased 35% to nearly ₱31 billion. This growth was supported by the recovery of the East Zone's commercial and industrial accounts, as well as by the 20% increase in revenues from Manila Water's Non-East Zone Philippines businesses. Costs and expenses for 2023 remained steady at ₱10.8 billion. In 2023, costs increases were driven by higher production and operation of new facilities which were offset by non-recurring costs recognized in 2022. Costs were further tempered by various efforts to streamline operating expenses and realize operating efficiencies. If we exclude non-recurring costs in 2022, total costs and expenses would have increased by 7% from last year. EBITDA reached a record high of ₱20.5 billion for the year, while the EBITDA margin was at 67%.

We remain committed to delivering on our project and service obligation commitments evidenced by our group CAPEX accomplishment which reached ₱21.6 billion for the year.

₱21.6 B

Capital Expenditure Contribution:
89% East Zone (₱19.2 B)
11% Non-East Zone (₱2.4 B)

Revenues (in billion ₱)
2021: 20.5
2022: 22.8
2023: 30.7

Net Income (in billion ₱)
2021: 3.7
2022: 5.9
2023: 5.6

EAST ZONE CONCESSION

"Protect and Build the Core"

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

The year 2023 has been a solid year for the Company, driven by strong topline growth from the continued recovery of customer demand with the resumption of economic activities as well as the implementation of tariff adjustments in the East Zone concession.

Revenues grew by 41% to Php24.1 billion with the implementation of the Rate Rebasing tariff adjustment at the start of last year, as well as the double-digit growth in consumption of commercial and industrial accounts further supported by cross border charges to Maynilad. Meanwhile, cost increases in line with higher production volume and the completion of new facilities were offset by non-recurring costs recognized in 2022. Favorable efficiencies in direct and overhead costs with the implementation of cost efficiency initiatives further helped keep costs steady at ₱7.2 billion.

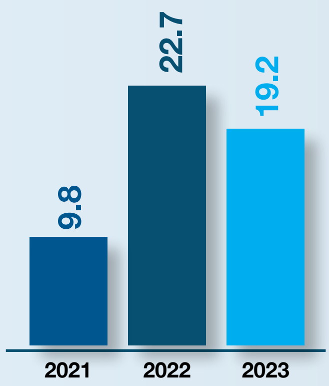
These developments led to a 67% increase in EBITDA to Php17.0 Bn from Php10.2 Bn in 2022. EBITDA margin stood at 71%. In all, the Parent Company posted a Net Income of Php8.8 Bn for the period, up 60% from the previous year. Net Income margin improved to 37%, up by 5 percentage points from the full-year 2022 Net Income margin of 32%.

Operating Highlights	2023	2022	% Change
Billed Volume (in mcm)	516.4	501.3	3%
Billed Connections	1,088,146	1,063,216	2%
Average Tariff	44.8	32.5	38%
Non-revenue water (end of period)	13.5%	12.2%	1.4 ppts
Average Consumption (in cu.m per connection)	39.6	39.8	0%

Financial Highlights (in million Php)	2023	2022	% Change
Revenues	**24,106**	**17,131**	**41%**
COS and Operating Expenses	**7,165**	**7,181**	**0%**
EBITDA	**17,040**	**10,206**	**67%**
EBITDA Margin	71%	60%	11 ppts
Provision for income tax	2,819	1,506	87%
Net Income	**8,809**	**5,499**	**60%**
NIAT margin	37%	32%	5 ppts

With improved mobility during the year, the Company continued to develop and construct water and wastewater infrastructure for the current and future requirements of its East Zone customers. The capital expenditure level was nearly Php19.2 billion in 2023.

Capex disbursements, in million Php



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

To name a few of these projects:

- The East Bay Project Phase 1 is composed of a 50 million liter per day (mld) water treatment plant with a 25 km transmission pipeline, pumping stations and a 21 km submarine pipeline. Said project will similarly extract water from Laguna Lake as with the now operational 100 mld Cardona Plant.
- 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 77% completion. This is a 100 mld sewage treatment plant with a 65 km sewer network. Another is the Mandaluyong West – San Juan South – Quezon City South Sewerage System Project which is composed of a 60 mld sewage treatment plant with a 53 km combined sewer. This project is currently at 59% done and is targeted for completion in 2025.

NON-EAST ZONE PHILIPPINES
“Expand Footprint”

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

	FY 2023	FY 2022	% Change
Laguna Water			
Billed Volume (in mcm)	45.0	45.9	(2%)
Billed connections	128,480	123,705	4%
Net Income (in Php Mn)	904	621	46%
Estate Water			
Billed Volume (in mcm)	12.0	10.3	17%
Billed connections	17,321	16,143	7%
Net Income (in Php Mn)	94	75	25%
Boracay Water			
Billed Volume (in mcm)	3.3	3.5	(6%)
Billed connections	5,355	4,647	15%
Net income (Net Loss) (in Php Mn)	41	(102)	140%
Clark Water			
Billed Volume (in mcm)	13.5	13.5	0%
Billed connections	1,987	2,003	(1%)
Net Income (in Php Mn)	42	78	(46%)

Financial Highlights (in million Php)	2023	2022	% Change
Revenues	**6,990**	**5,827**	**20%**
COS and Operating Expenses	**3,848**	**3,467**	**11%**
EBITDA	**3,138**	**2,395**	**31%**
EBITDA Margin	45%	41%	4 ppts
Provision for income tax	373	287	30%
Net Income	**750**	**137**	**447%**
NIAT margin	11%	2%	9 ppts

On a consolidated level, revenues grew by 20% to over Php7.0 Bn. The higher contributions from our Laguna Water and Estate Water businesses were the main catalysts for the positive performance. This was further supported by tariff increases in several NEZ-PH business units. Cost and expenses rose by 11% from the same period last year to Php3.8 Bn. This was attributed to the increase in direct cost from higher contractual services, repairs and maintenance, power, and manpower costs, partially offset by lower overhead expenses.

The strong topline performance resulted in a 31% improvement in EBITDA to Php3.1 Bn. EBITDA margin improved to 45%.

Finally, NEZ-PH ended the period with a net income of Php750 Mn. This completes its positive turnaround from its net loss position in previous periods. Consequently, net income margin improved by 9 percentage points to 11% for 2023.

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

LAGUNA WATER

Billed volume of Laguna Water declined by 2%. This was driven by lower consumption of industrial accounts.

NIAT, however, improved to Php904 Mn from higher revenues due to tariff increases and lower overhead costs.

ESTATE WATER

Billed volume of Estate Water increased by 17% to 12.0 mcm. This was due to higher consumption from its residential and commercial segments from existing developments combined with new connections from greenfield projects.

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 Php94 Mn.

BORACAY WATER

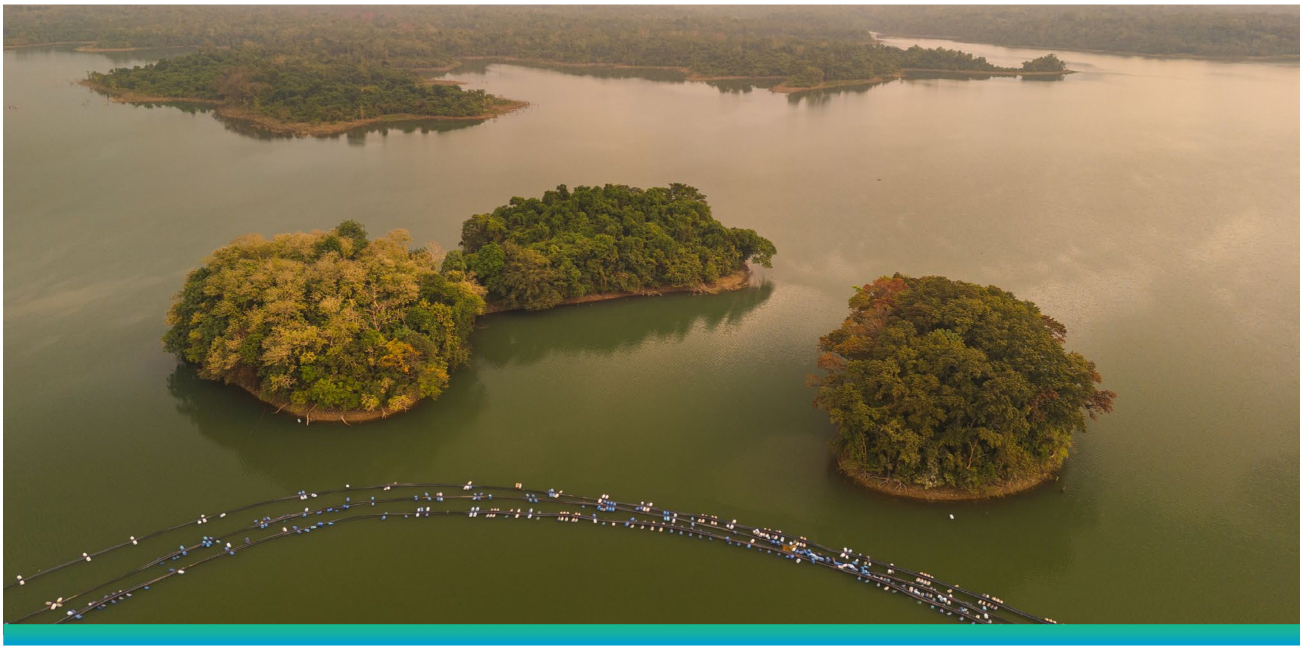
Topline performance driven by the implementation of tariff adjustments partially offset by lower billed volume in 2023. This resulted to an improved performance of Boracay Water with a net income of Php41 Mn.

CLARK WATER

Billed volume of Clark Water remained steady at 13.5 mcm. The steady billed volume coupled with tariff adjustments resulted in 3% revenue growth but offset by higher operating expenses. These resulted in a 46% decrease in net income at Php42 Mn for the period

NON-EAST ZONE INTERNATIONAL BUSINESSES

“New Geographies”



Manila Water Asia Pacific (MWAP), which is Manila Water's subsidiary for international expansion, started with its initial Performance-based Leakage Reduction project in Zone 1 of Ho Chi Minh City. It has since expanded its market presence in Vietnam, and have made investments in Thailand, Indonesia, and most recently, in the Kingdom of Saudi Arabia. In the past decade, MWAP has grown significantly and continues to search for meaningful opportunities to add to its portfolio.

On a consolidated level, net loss significantly increased to Php3.9 billion as MWAP recognized a one-off related to East Water, one of MWAP's legacy investments which was acquired in 2018. Specifically, an impairment provision amounting to ₱4.1 billion was recognized to reflect current market conditions and outlook.

Consequently, equity share in net income of associates decreased by 4% to Php499 million. This was driven by East Water's lower contribution due to lower raw water and tap water billed volume. Nevertheless, the Vietnam bulk water businesses, particularly Thu Duc Water and Kenh Dong, showed improved performance. Thu Duc Water's higher earnings resulted from rate hikes and lower operating expense, while Kenh Dong's performance was supported by higher interest income and flat billed volume. Overall, the decline in equity share was partially offset by the positive contributions of the Vietnam bulk water businesses and operations in the Kingdom of Saudi Arabia.

For the years ended December 31

in million Php	2023	2022	Increase (Decrease)	%
East Water at 18.72% contribution, before adjustment	97.2	205	(107.8)	(53%)
Impact of fair value amortization	151.4	144.1	7.3	5%
East Water at 18.72% contribution, adjusted	(54.2)	60.5	(114.7)	(190%)
Thu Duc Water at 49.00% contribution	325.2	315.9	9.3	3%
Kenh Dong Water at 47.35% contribution	217.5	197.9	19.6	10%
Saigon Water at 37.99% contribution	(39.2)	(77.6)	38.4	(49%)
PT STU at 20.00% contribution	1.0	0.1	0.9	900%
IWP at 20.00% contribution	27.0	11.8	15.2	129%
IWP2 at 30.00% contribution	21.3	11.4	9.9	87%
Total equity share in net income of associates	498.6	520.0	(21.4)	(4%)

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, Saigon Water

- **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)**

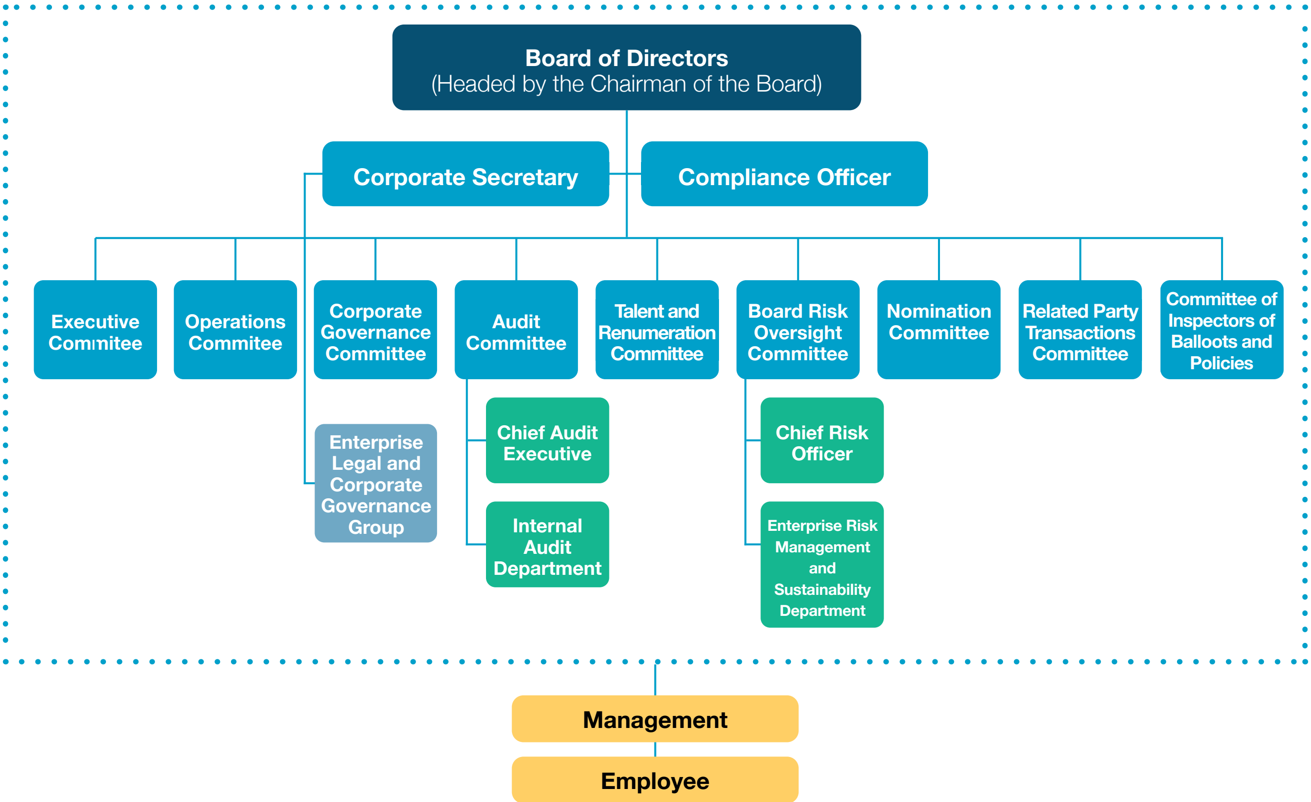
- **NORTHWEST CLUSTER KSA O&M**
  20% stake in a 1,000MLD MOM Contract in the NorthWest Cluster (Tabuk, Madinah) of KSA

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

CORPORATE GOVERNANCE

Overall Governance Structure

Manila Water is dedicated to observing the highest standards of corporate governance to serve the best interests of the investing public. The Board, the Management and the employees of the Company are one in the conviction that sound and effective governance is fundamental to the Company's continued success and stability and will enable it to create and sustain increased value for its shareholders. Maintaining this strong foundation of good governance becomes more essential as Manila Water grows, both in its existing space and in the new markets it enters.



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.

[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.

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

We encourage 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 noncontrolling, 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 to the Board.

The nominating stockholder must indicate his or her complete name and address and/or contact details, number of Company shares registered in his 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.
ii. The Nomination Committee shall evaluate each and every nomination and for this purpose, and may even make an inquiry with their professional networks and outside references.

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

   If the ground for disqualification of a 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 cured or remedied prior to the scheduled stockholders' meeting.

A director with temporary disqualification may still be endorsed by the Nomination Committee for election at the ASM subject to the 60-day curing period if the grounds for temporary disqualification is capable of being cured. However, if the disqualification becomes permanent after endorsement by the Nomination Committee and before the ASM, the nominee shall be given the option to refuse his or her nomination. If the nominee is thereafter elected, or the disqualification becomes permanent during his or her 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 relied upon for disqualification.
v. The Chairman of the Board shall provide input to the Nomination Committee on its recommendation for approval of: (i) candidates for nomination or appointment to the Board; (ii) members and chairs of Board Committees; and (iii) appointment of Executive Officers.

c. Election of Directors

The 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 one 1 share of the capital stock of the Company.
b. At least twenty-one 21 years of age.
c. A college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or sufficient experience and competence in managing a business to substitute for such formal education.
d. Possesses integrity, probity and shall be diligent and assiduous in the performance of a director's functions.
e. Other relevant qualifications, such as membership in good standing in business, professional organizations, or relevant industry.
f. Non-executive directors should possess such qualifications and stature that would enable them to effectively participate in 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 requisite qualifications for independence under Securities and Exchange Commission (SEC) Memorandum Circular No. 16, Series of 2002.
f. Officers, executives, and employees of the Company may be elected as directors but cannot and shall not be characterized as independent directors.
g. If a nominee elected or appointed as an independent director becomes an officer, employee, or consultant of the Company, the Company shall forthwith cease to consider him or her as an independent director.

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 forthwith 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, quasibank, trust company, investment house, investment company, or an affiliated person of any of them; (iii) engaging in or continuing any conduct or practice in connection with any such activity or willfully violating laws governing securities and banking activities.

   Such disqualification shall also apply when such person is currently subject to an effective order of the SEC or any court or other administrative body refusing, revoking, or suspending any registration, license, or permit issued under the Corporation Code of the Philippines, SRC, or any other law administered by the SEC or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation promulgated by the SEC or BSP, or otherwise restrained to engage in any activity involving securities and banking. Such person is also disqualified when he 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.
   i. If he or she is an officer, manager, or controlling person of, or the owner (either of record or beneficially) of ten 10% or more of any outstanding class of shares of, any corporation (other than one in which the Company owns at 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 that of 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.

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 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 exceed 2% of its subscribed capital stock. The disqualification from being elected as an independent director is lifted if the limit is later complied with.
f. Conviction that has not yet become final referred to in the grounds for disqualification of directors.

A finding of existence of temporary disqualification shall be at the discretion of the Board and shall require a resolution of a majority of the Board. A director shall have 60 days upon the occurrence of any ground for temporary disqualification to remedy or correct the same otherwise, the disqualification shall become permanent.

Roles and Responsibilities of the Board

The Corporate Governance Manual provides that "The Board should have a Board Charter that formalizes and clearly states its roles, responsibilities, and accountabilities in carrying out its fiduciary duties. The Board Charter should serve as a guide to the directors in the performance of their functions and should be publicly available and posted on the Company's website." The Charter of the Board implements the aforesaid provision of the Manual.

The Board's Governance Responsibilities:

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

a. The 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, in order to sustain the Company's long-term viability and strength;
c. The Board shall be responsible for ensuring and adopting an effective succession planning program for directors, key officers, and the Management 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 long-term interests of the Company. 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 groupwide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy should include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy should encompass all entities within the 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 Chief

Executive Officer (CEO), and control functions led by their respective heads (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive).

f. The Board shall ensure the establishment of an effective performance management framework to ensure that the Management's performance, including the CEO's, is at par with the standards set by the Board.
g. The Board shall 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 shall adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code should be properly disseminated to the Board, 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, 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
e. The Board shall regularly review, at least annually, the mission and vision of the Company and shall revise the same, as may be necessary, in accordance with the strategic directors of the Company.

Independent Directors

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

Under the Charter of the Board, Independence is defined as, "with respect to any person, the absence of any restrictions or limitations or freedom from any interests or relationships that would interfere with the exercise of impartial and objective judgment in carrying out the responsibilities of that person".

Under the Manual, a director is considered independent if he 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 SEC Memorandum Circular No. 16 Series of 2002.

As required in the legislative franchise of the Company under Republic Act No. 11601, an Independent Director shall have at least three (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.

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.

Corporate Governance

Executive Committee	Audit Committee	Board Risk Oversight Committee	Environment, Social, and Governance Committee	Corporate Governance Committee	Related Party Transactions Committee	Nomination Committee	Talent and Remuneration Committee
Enrique K. Razon, Jr. (Chairperson)							
Jose Victor Emmanuel A. De Dios (Member)			Jose Victor Emmanuel A. De Dios (Chairperson)				Jose Victor Emmanuel A. De Dios (Chairperson)
Donato C. Almeda (Member)		Donato C. Almeda (Member)				Donato C. Almeda (Member)	
Antonino T. Aquino (Member)							Antonino T. Aquino (Member)
Sandy A. Alipio (Member)	Sandy A. Alipio (Member)				Sandy A. Alipio (Member)		
	Sherisa P. Nuesa (Chairperson)	Sherisa P. Nuesa (Member)	Sherisa P. Nuesa (Member)	Sherisa P. Nuesa (Member)		Sherisa P. Nuesa (Member)	
	Cesar A. Buenaventura (Member)	Cesar A. Buenaventura (Chairperson)	Cesar A. Buenaventura (Member)	Cesar A. Buenaventura (Chairperson)	Cesar A. Buenaventura (Chairperson)	Cesar A. Buenaventura (Chairperson)	
	Octavio Victor R. Espiritu (Member)		Octavio Victor R. Espiritu (Member)	Octavio Victor R. Espiritu (Chairperson)	Octavio Victor R. Espiritu (Member)	Octavio Victor R. Espiritu (Chairperson)	Octavio Victor R. Espiritu (Chairperson)
		Eric Ramon O. Recto (Member)	Eric Ramon O. Recto (Member)	Eric Ramon O. Recto (Member)	Eric Ramon O. Recto (Chairperson)		Eric Ramon O. Recto (Member)

The Executive Committee

The Executive Committee is composed of 5 directors, with 1 member 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 its 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 did not hold a meeting in 2023.

Executive Committee	Meetings Attended/ Held
Enrique K. Razon, Jr.	1/1
Jose Victor Emmanuel A. de Dios	1/1
Donato C. Almeda	1/1
Jose Rene Greogory D. Almendras[2]	1/1
Antonino T. Aquino	N.A.
Sandy A. Alipio[3]	N.A.

The Audit Committee

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

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

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

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

The Committee held 4 regular meetings and 4 special meetings in 2023.

Audit Committee	Meetings Attended/ Held
Sherisa P. Nuesa	8/8
Octavio Victor R. Espiritu	8/8
Cesar A. Buenaventura	8/8
Sandy A. Alipio[5]	N.A.

[2] Mr. Almendras ceased to be a member of the Executive Committee on October 11, 2023. He was replaced by Mr. Antonino T. Aquino who was appointed as a member of the Executive Committee on December 6, 2023.
[3] Mr. Alipio was appointed as a member of the Executive Committee on December 6, 2023.
[4] In accordance with Part C of the Charter of the Audit Committee, the Committee shall be composed of at least three (3) non-executive directors as members, majority of whom shall be independent directors, and shall be chaired by an independent director.
[5] Mr. Alipio was appointed as a member of the Audit Committee on December 6, 2023.

Corporate Governance

The Corporate Governance Committee

The Corporate Governance (CG) Committee is composed of 4 independent directors including the Chairman[6]. 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;
e. Proposes and plans relevant training for the members of the Board;
f. Reviews conflict-of-interest situations and provides appropriate remedial measures for the same;
g. Formulates a clear communication and disclosure strategy to promptly and regularly communicate with the regulators, 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 detection of fraud and 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 2023.

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 Environment, Social, and Governance Committee

The Board of Directors established the ESG Committee on February 24, 2022 to accord 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 members of the Board, 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 4 meetings in 2023.

Board Risk Oversight Committee	Meetings Attended/Held
Jose Victor Emmanuel A. de Dios	4/4
Sherisa P. Nuesa	4/4
Cesar A. Buenaventurea	4/4
Octavio Victor R. Espiritu	4/4
Eric Ramon O. Recto	4/4

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

The Board Risk Oversight Committee

The Board Risk Oversight Committee (BROC) is composed of 4 members, majority of whom are independent directors[7], and is chaired by an independent director. In accordance with the BROC charter, Mr. Cesaar Buenaventura, who chairs the Committee, does not sit as the chairman of the Board or of any other committee. The Board Risk Oversight Committee was established separately from the Audit Committee in order to further enhance governance on risk matters and align with the best practices in risk management and supported by the 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.

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 2023. From the year 2020, the BROC meets every quarter as compared to the semi-annual frequency in previous years.

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

The Related Party Transactions Committee

The Related Party Transactions Committee (RPT) Committee is composed of 4 non-executive directors[8], majority of whom are independent directors. 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.

[7]Part B of the Charter of the Board Risk Oversight Committee states that the Committee shall be comprised of at least three (3) members of the Board, 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.

[8]Section 1.1 of the Charter of the Related Party Transactions Committee states that the Committee shall be composed of at least three (3) non-executive directors as members, two (2) of whom shall be independent.

Corporate Governance

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, and at least 2 members shall be independent directors of the Company.

The RPT Committee held 3 meetings in 2023.

Related Party Transactions Committee	Meetings Attended/Held
Eric Ramon O. Recto	3/3
Octavio Victor R. Espiritu	3/3
Cesar A. Buenaventura	3/3
Sandy A. Alipio[9]	N.A.

The Nomination Committee

The Nomination Committee is composed of at least 3 directors[10], majority of whom are independent directors, and under its Charter is required to be chaired by an independent director.

This committee is tasked to install and maintain an evaluation process 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 and provides guidance and advice as necessary for the appointment of persons nominated to other positions. It also reviews and revises, if necessary, the succession plans for members of the Board and officers with ranks from Group Directors to the President and CEO.

The Nomination Committee also provides an assessment of the Board's effectiveness in directing the process of renewing and replacing Board members and in appointing officers or advisors. It also develops and updates as necessary and recommend to the Board policies for considering nominees for directors, officers, or advisors. The Nomination Committee met 4 times in 2023.

Nomination Committee	Meetings Attended/Held
Octavio Victor R. Espiritu	4/4
Sherisa P. Nuesa	4/4
Cesar A. Buenaventura	4/4
Donato C. Almeda	4/4

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.

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.

[9]Mr. Alipio was appointed as a member of the Related Party Transactions Committee on December 6, 2023.
[10]Section 1.1 of the Charter of the Nomination Committee states that the Committee shall be composed of at least three (3) members, majority of whom shall be independent directors.
[11]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.

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, 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, removing the requirement that majority of the members of the Committee are independent directors.

The Talent and Remuneration Committee held 7 meetings in 2023.

Talent and Remuneration Committee	Meetings Attended/ Held
Octavio Victor R. Espiritu	7/7
Eric Ramon O. Recto	7/7
Antonino T. Aquino	7/7
Jose Victor Emmanuel A. de Dios	7/7

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 to 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 one 1 meeting in 2023.

Committee of Inspectors of Ballots a nd Proxies	Meetings Attended/ Held
Mailene M. Cabral	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 members of the Board 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.

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 as well as 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 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 of the Company. The orientation also covers existing policies, rules, and regulations of the Company. The curriculum of the orientation program may be revised as often as necessary to include other relevant subjects and matters relating to the Company. In addition to the corporate orientation program for new directors, the Office of the Corporate Secretary informs the Board of any updates on the matters covered by the orientation program. The corporate orientation program and updates are usually given during the regular meetings of the Board. These programs notwithstanding, 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 2023

<table>
<tr><th>Name of Director</th><th>Date of Training</th><th>Title of Training</th><th>Training Provider</th></tr>
<tr><td>Enrique K. Razon Jr.</td><td rowspan="6">December 7, 2023</td><td rowspan="6">Advanced Corporate Governance Training: The Importance of Corporate Culture for Ethics and Compliance; ESG and Strategy: A Boardroom Topic for Directors</td><td rowspan="6">Institute of Corporate Directors</td></tr>
<tr><td>Jose Victor Emmanuel A. de Dios</td></tr>
<tr><td>Donato C. Almeda</td></tr>
<tr><td>Antonino T. Aquino</td></tr>
<tr><td>Sandy A. Alipio</td></tr>
<tr><td>Katrina Maria S. Razon</td></tr>
<tr><td>Alberto M. de Larrazabal</td><td>October 3, 2023</td><td>2023 Ayala Integrated Corporate Governance, Risk Management, and Sustainability Summit</td><td>Institute of Corporate Directors</td></tr>
<tr><td rowspan="2">Sherisa P. Nuesa</td><td>October 27, 2023</td><td>ICD Masterclass: The Third Series - Session 4
“Transforming Companies with Digital-Disruption-Ready Boards of Directors”</td><td>Institute of Corporate Directors</td></tr>
<tr><td>December 4, 2023</td><td>Advanced Corporate Governance Training</td><td>Institute of Corporate Directors</td></tr>
<tr><td>Cesar A. Buenaventura</td><td>September 9, 2023</td><td>Trust and Ethical Leadership: Enhancing Corporate Governance for Sustainable Success</td><td>iPeople, Inc.</td></tr>
<tr><td rowspan="2">Octavio Victor R. Espiritu</td><td>September 26, 2023</td><td>BPI Session on AML and FinCrime Compliance 2023</td><td>SGV & Co.</td></tr>
<tr><td>October 3, 2023</td><td>2023 Ayala Integrated Corporate Governance, Risk Management, and Sustainability Summit</td><td>Institute of Corporate Directors</td></tr>
<tr><td>Eric Ramon O. Recto</td><td>December 7, 2023</td><td>Advanced Corporate Governance Training: The Importance of Corporate Culture for Ethics and Compliance; ESG and Strategy: A Boardroom Topic for Directors</td><td>Institute of Corporate Directors</td></tr>
</table>

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, and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except when a higher quorum is required in contracts binding on the Company. In the absence of a quorum, a majority of the directors present may adjourn any meeting from time to time until a quorum is obtained.

Attendance of Directors in Board Meetings
In 2023, a total of twenty (20) meetings were held by the Board (exclusive of the Annual Stockholders' Meeting), as follows:

No.	Date	Meeting
1	January 4, 2023	Special Asynchronous Meeting of the Board of Directors
2	February 1, 2023	Special Asynchronous Meeting of the Board of Directors
3	February 14, 2023	Special Asynchronous Meeting of the Board of Directors
4	February 27, 2023	Special Asynchronous Meeting of the Board of Directors
5	February 28, 2023	Special Asynchronous Meeting of the Board of Directors
6	March 28, 2023	Regular Meeting of the Board of Directors
7	April 14, 2023	Organizational Meeting of the Board of Directors
8	April 19, 2023	Special Asynchronous Meeting of the Board of Directors
9	May 10, 2023	Special Asynchronous Meeting of the Board of Directors
10	May 11, 2023	Regular Meeting of the Board of Directors
11	May 31, 2023	Special Asynchronous Meeting of the Board of Directors
12	June 30, 2023	Special Asynchronous Meeting of the Board of Directors
13	August 2, 2023	Special Asynchronous Meeting of the Board of Directors
14	August 9, 2023	Regular Meeting of the Board of Directors
15	September 16, 2023	Special Asynchronous Meeting of the Board of Directors
16	October 11, 2023	Special Meeting of the Board of Directors
17	October 11, 2023	Special Asynchronous Meeting of the Board of Directors
18	November 3, 2023	Special Asynchronous Meeting of the Board of Directors
19	November 10, 2023	Special Asynchronous Meeting of the Board of Directors
20	December 6, 2023	Regular Meeting of the Board of Directors

Corporate Governance

The Non-Executive Directors' (NED) Meeting was held on December 6, 2023.

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

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

Name	ATTENDANCE IN 2023 BOARD MEETINGS	
	Board Meetings Attended	Percentage Present
Enrique K. Razon, Jr.	20/20	100%
Jose Victor Emmanuel A. de Dios	20/20	100%
Donato C. Almeda	20/20	100%
Rafael D. Consing, Jr.[12]	1/1	100%
Antonino T. Aquino	20/20	100%
Jose Rene Gregory D. Almendras [13]	15/17	88.2%
Alberto M. de Larrazabal	19/20	95%
Sandy A. Alipio [14]	8/8	100%
Katrina Maria S. Razon [15]	3/3	100%
Sherisa P. Nuesa	20/20	100%
Cesar A. Buenaventura	20/20	100%
Octavio Victor R. Espiritu	20/20	100%
Eric Ramon O. Recto	18/20	90%

During the 2023 Annual Stockholders' Meeting (ASM) held on April 14, 2023, and conducted virtually via https://conveneagm.com/ph/MWCI2023ASM, 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.

Board Remuneration

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

In a special meeting held on April 11, 2011, the Board approved an increase in the Board remuneration. The approved remuneration for each member of the Board consists of 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

[12]Mr. Consing resigned as Director effective January 18, 2023, in view of his retirement from the Razon Group of Companies to join government service.
[13]Mr. Almendras resigned as Director effective October 12, 2023 in view of the sale by Ayala Corporation and Philwater Holdings Company, Inc. of a part of their shareholdings in the Company.
[14]Mr. Alipio was elected as a Director on August 2, 2023. He serves the unexpired term of Mr. Consing.
[15]Ms. Razon was elected as a Director on November 3, 2023. She serves the unexpired term of Mr. Almendras.

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.

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 2023:

Name	2023 Retainer Fee	Attendance in the Meetings of The Board and Stockholders#	Attendance in the Meetings of the Board Committees	TOTAL
Enrique K. Razon, Jr.	₱625,000	₱1,400,000	₱0.00	₱2,025,000
Jose Victor Emmanuel A. de Dios*	-	-	-	-
Donato C. Almeda*	-	-	-	-
Antonino T. Aquino	₱625,000	₱1,600,000	₱100,000	₱2,325,000
Jose Rene Gregory D. Almendras	₱500,000	₱1,000,000	₱0.00	₱1,500,000
Rafael D. Consing, Jr.	-	-	-	-
Alberto M. de Larrazabal	₱625,000	₱1,400,000	₱0.00	₱2,025,000
Sandy A. Alipio*	-	-	-	-
Katrina Maria S. Razon	₱125,000	₱400,000	-	₱525,000
Sherisa P. Nuesa**	₱625,000	₱1,600,000	₱600,000	₱2,825,000
Cesar A. Buenaventura **	₱625,000	₱1,600,000	₱650,000	₱2,875,000
Octavio Victor R. Espiritu**	₱625,000	₱1,600,000	₱550,000	₱2,775,000
Eric Ramon O. Recto**	₱625,000	₱800,000	₱550,000	₱1,975,000
TOTAL	**₱5,000,000**	**₱11,400,000**	**₱2,450,000**	**₱18,850,000**

#Inclusive of the remuneration for the NED Meeting
** As executive directors, Messrs. de Dios, Almeda, and Alipio do not receive remuneration for attending Board and Board Committee Meetings.*
***Independent Director.*

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

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

This evaluation enables the Board and 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 day-to-day affairs of the Company.

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

Management is accountable to the Board for the Company's operations. As part of its accountability, the 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, Chief 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 the company to identify key talents for purposes of succession in both leadership and technical roles. The development of a leadership and technical talent pool is crucial to the success of 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 as well as 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.

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, the 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.

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

The IA 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, and 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 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.

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.

Investor Relations Team
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 Sustainability Officer
The Company's Sustainability Officer monitors and reports on the environmental, sustainability, and social impacts of the Company's business operations and communicates sustainability concerns, risks, and initiatives from 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 as well as expectations of external stakeholders;
d. Manage existing and emerging business risks through collaboration with stakeholders by identifying short- and long-term tactics to address sustainability issues, in accordance with the sustainability framework and commitments of the Company;
e. Undertake material indicator assessments to determine key sustainability-related issues, in particular, those having significant impact on the external environment and stakeholders and on the long-term ability of the Company to create value;

f. Take the lead in the Company's response to evolving sustainability frameworks (and their associated indicators) vis-à-vis developments in the operating environment;
g. Identify material economic, environmental, ethical, and social impact of the Company's operations and craft strategies to address their effect on the sustainability of the business;
h. Monitor and analyze the enterprise-wide non-financial performance of the Company vis-à-vis stated sustainability targets;
i. Align sustainability performance communications with key advocacy initiatives of the Company which address operating risks and further enhance business opportunities;
j. Prepare the Sustainability Report for submission to the 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 an environmental and sustainability ethic and competencies of all employees through sharing of leading-edge sustainability knowledge and providing training; and
l. Perform other activities as requested by the ESG Committee.

The Corporate Governance Manual

The Company is 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 and 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 5) 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 and to comply with the highest standards of corporate governance. The Manual was amended on November 30, 2022.[16]

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 Company's Policy on Related Party Transactions in order to comply with the provisions of the Rules on Material Related Party Transactions for Publicly Listed Companies of the SEC. The amendments updated the definition of Company-Recognized Material Related Party Transactions, SEC-Defined Materiality Threshold, Related Party Registry, Related Party Transactions, Related Parties, Affiliate, Associate, Substantial 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 of the Company. The Code should be properly disseminated to the Board, senior management, and employees, and should also be disclosed and made available to the public through the Company website.

The Code addresses the issues and relationships between and among the Company's directors, officers and employees, and its customers, 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; (ii) 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.

Directors, officers, and employees are required to immediately report all suspected or actual fraudulent

[16]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.

or dishonest acts to the Board, in case of directors, and to the immediate supervisor or to the Office of the Compliance Officer in case of officers and employees. The Company shall promptly identify and investigate any suspected fraudulent or dishonest acts. Without prejudice to applicable administrative sanctions, the Company may pursue civil and/or criminal actions against directors, officers, and employees as may be warranted.

The Implementing Guidelines on the Reporting of Fraudulent or Dishonest Acts are contained in the Whistle blower Policy of the Company.

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

Directors, officers, employees and third parties are required to immediately report all suspected or actual fraudulent or dishonest acts to the Board in case of directors, and to the immediate supervisor or to the Office of the Compliance Officer in case of officers, employees, and third parties. The Company shall promptly identify and investigate any suspected fraudulent or dishonest acts.

Without prejudice to applicable administrative sanctions, the Company may pursue civil and/or criminal actions against directors, officers, employees, and third parties as may be warranted.

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

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

Under the policy, a conflict of interest arises when a director, 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 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 on 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 two (2) trading days have lapsed from the disclosure thereof to allow the market to absorb such information.

Directors and officers who may be covered by the reporting requirements of the SEC and the Philippine Stock Exchange (PSE) in respect of their shareholding in the Company or any changes thereof, are required to report their dealings in Company shares within three (3) business days after the transaction. Likewise, all other Covered Persons shall likewise report to the Office of the Compliance Officer within ten (10) calendar days from the end of each quarter their trades with Company's securities during such quarter. All Directors, Officers, and employees are required to report their trades on a quarterly basis to the Office of the Compliance Officer within fifteen (15) days from the end of the quarter.

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

Disclosure
The disclosure policy encourages prompt and adequate disclosure of all material facts or changes in the affairs of the Company, including any information likely to affect the market price of the Company's shares.

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

Anti-Corruption
The Anti-Corruption Policy strictly prohibits giving and facilitating of payments to any private or government officials or employees, their agents, or intermediaries, in order to expedite or secure performance of any governmental action, or to gain any perceived or actual favor or advantage from any private or government entities. The Company must ensure that it and its directors, officers and employees fully comply with the laws governing bribes, unlawful payments, and other corrupt practices.

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

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

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

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

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

The Enterprise Risk Management Policy
Manila Water has established an ERM Program which aims to use a globally accepted approach in managing imminent and emerging risks in its internal and external operating environments. Under the ERM Program, Manila Water shall appropriately respond to risks and manage them in order to increase stockholder 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, on August 11, 2015, approved the establishment of a separate Board Risk Oversight Committee (BROC). Subsequently, on November 26, 2015, the Board approved the Charter of the BROC, which transferred the risk oversight and management functions to the BROC from the Audit Committee.

Safety, Health, and Welfare Policy
Manila Water is committed to achieving customer satisfaction, upholding environmental sustainability, and ensuring safety, preservation of life and health of its employees and all stakeholders. To achieve these objectives, it is the policy of Manila Water to:

a. Continuously assess, implement, and improve its processes and business conduct by adopting best practices and keeping abreast with the latest innovations to ensure reliability and efficiency of its operations;
b. Ensure full compliance with relevant laws and standards in pollution prevention and environmental sustainability, safety, and health protection, as well as applicable regulatory standards and customer requirements related to the quality of its products and services;

c. Build a strong culture committed to customer satisfaction, environmental protection, health, and safety through education, training, and awareness at all levels of the organization that will empower its employees, contractors, suppliers, and stakeholders;
d. Actively promote the conservation and optimal use of precious resources by constantly creating and improving existing programs aimed at pollution prevention, waste minimization, resource conservation and environmental sustainability;
e. Systematically manage and control its 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 to drive continuous improvement in operations, quality, environmental, health and safety performance and services.

Stockholder Rights
It is the duty of the directors to promote 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 twenty-eight (28) days before the scheduled meeting.

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

Right to Appoint a Proxy
The stockholders shall be apprised ahead of time of their right to appoint a proxy if they cannot attend their meetings in person. Subject to the requirements of the By-laws, the exercise of that right shall not be unduly restricted and any reasonable doubt about the validity of a proxy should be resolved in the stockholders' favor.

Right to Propose the Holding of 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, 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 as an item for the consideration of such other business as may properly come before the meeting.

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

Right to Make Nominations to the Board of Directors
Every stockholder, including non-controlling 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 one (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-law
ws, the affirmative vote of stockholders as of the Record Date constituting at least a majority of the outstanding voting capital stock of the Company is necessary to approve matters requiring stockholders' action, unless otherwise provided for under existing laws,

with the exception of the following corporate acts and measures which must be ratified and/or approved by the stockholders representing or constituting at least two thirds (2/3) of the outstanding capital stock of the Company:

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

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

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 five (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 Memorandum Circular No. 14-2020 of the Securities and Exchange Commission which allows stockholders holding at least 5% of the outstanding capital stock to request to submit proposals on items for inclusion in the agenda of the meetings of stockholders.

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

Pre-Emptive Right
All stockholders have pre-emptive rights or the right to subscribe to new shares of the Company, unless there is a specific denial of this right in the Articles of Incorporation or an amendment thereto.

They shall have the right to subscribe to the capital stock of the Company.

The Articles of Incorporation may provide the specific rights and powers of 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 right under the following circumstances:

i. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
ii. In case of sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the corporate property and assets as provided in the 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 one-half of the stock present or represented is necessary to constitute a quorum. The stockholders participating in person, by proxy, through remote communication, or in absentia electronically or otherwise shall be counted in determining the existence of a quorum. 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-lads 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 one 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 or her votes by giving one 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 Ballroom where stockholders may cast their votes electronically. Both the paper ballot and computer platform for electronic voting will contain the proposed resolutions for consideration by the stockholders and each proposed resolution will be shown on screens in front of stockholders as the same is taken up at the meeting. Stockholders may cast their vote anytime during the meeting.

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

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

Name	December 31, 2023	Class of Shares	December 31, 2022	Class of Shares
Directors				
Enrique K. Razon, Jr.	900,052,260	Common	900,052,260	Common
Jose Victor Emmanuel A. de Dios	356,642	Common	278,910	Common
Donato C. Almeda	87,870	Common	1,000	Common
Antonino T. Aquino	12,749,543	Common	12,749,543	Common
Alberto M. de Larrazabal	1	Common	1	Common
Sandy A. Alipio	200	Common	N.A.	N.A.
Katrina Maria S. Razon	100	Common	N.A.	N.A.
Jose Rene Gregory D. Almendras	N.A.	Common	5,000	Common
Rafael D. Consing	N.A.	Common	100	Common
Sherisa P. Nuesa	5,093,607	Common	5,093, 607	Common
Cesar A. Buenaventura	920,001	Common	770,001	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	238,735	Common	23,500	Common
Gigi Iluminada T. Miguel	93,201	Common	18,000	Common
Amabelle C. Asuncion	47,810	Common	0	N.A.
Arnold Jether A. Mortera	377,788	Common	342,900	Common
Melvin John M. Tan	102,770	Common	29,970	Common
Ana Mari B. Bentilanon	0	N.A.	0	N.A.
Shobe Hazel B. Caong	214,500	Common	N.A.	N.A.
Joemar B. Emboltorio	348,700	Common	N.A.	N.A.
Evangeline M. Clemente	332,695	Common	309,400	Common
Janine T. Carreon	540,386	Common	514,800	Common
Liwayway T. Sevalla	90,353	Common	63,000	Common
Nestor Eric T. Sevilla	331,620	Common	N.A.	N.A.
Jhoana R. Tamayor	800	Common	N.A.	N.A.
Valerie R. Tagana	0	N.A.	N.A.	N.A.
Michael M. Mayo	0	N.A.	N.A.	N.A.
Maidy Lynne B. Quinto	198,659	Common	175,000	Common
Silverio Benny J. Tan	74,500	Common	74,500	Common
Ninez C. Maningat	0	N.A.	0	N.A.
Mailene M. Cabral	0	N.A.	0	N.A.

MAJOR STOCKHOLDERS				
	December 31, 2023	Class of Shares	December 31, 2022	Class of Shares
Trident Water Company, Inc.*	0	Common	0	Common
Ayala Corporation	577,947,464	Common	866,946,195	Common
Trident Water Company, Inc.	2,691,268,205	Participating Preferred	2,691,268,205	Participating Preferred
Philwater Holdings Company, Inc.	872,487,863	Participating Preferred	1,308,731,794	Participating Preferred

**Same as Enrique K. Razon, Jr.*
*** Includes the 22,409,000 indirect shares held through PCD Nominee Corporation (Filipino*

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

The Investor Relations section houses all information that may be required by the investors, stockholders, and stakeholders. The site has been enhanced to be user-friendly and is always 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 September 28, 2023, the Company received a 3-golden arrow award from the Institute of Corporate Directors (ICD) for its performance rating against the 2022 ASEAN Corporate Governance Scorecard (ACGS).

On January 20, 2023, the Company received its first 4-golden arrow recognition from the ICD for its performance rating against the 2021 ACGS. Previously, the Company received 3-golden arrow recognition for its rating against the 2019 and 2018 ACGS. In 2018, it was also named as one of ASEAN's Top 50 Publicly Listed Companies on Corporate Governance at the 2018 ASEAN Corporate Governance Awards, Top 10 Philippine Publicly Listed Companies, and Top 5 Industry Sector by the Institute of Corporate Directors, and Platinum Awardee for Excellence in Environmental, Social and Governance Practices by the Asset.

Awards & Citations

Manila Water's accomplishments are a tribute to the leadership and vision of the company's management, the dedication of a strong workforce, and the partnerships with various stakeholders, all of which work towards a common goal of improving not just the quality of service, but also the quality of life of communities.

Corporate Governance and Management

- 2023 Philippines' Most Outstanding Company in the Utilities Sector, Asia's Outstanding Companies Poll, Asiamoney
- 2023 Best Small-Cap Company and Best Utilities Company in the Philippines, FinanceAsia

Operations and Technical Excellence

- 2023 Special Award in Energy Efficiency Excellence to Boracay Water's "Waves of Change" Program, Energy Efficiency Excellence Awards (EEE), Department of Energy (DOE)
- 2023 Client of the Year, Annual FIDIC Contract User's Conference and Awards, International Federation of Consulting Engineers (FIDIC)
- 2023 Highly Commended for the Project of the Year Award for Calawis 80-Million-Liters-Per-Day Water Treatment Plant Project, Annual FIDIC Contract User's Conference and Awards, International Federation of Consulting Engineers (FIDIC)
- 2023 Outstanding Partner for Fire Safety Award, Bureau of Fire Protection - National Capital Region (BFP-NCR)
- 2023 Recognition to Manila Water Philippine Ventures (MWPV), Environmental Management Bureau of the Department of Environment and Natural Resources-CALABARZON

Corporate Social Responsibility and Sustainability

- 2023 Circle of Excellence, CSR Company of the Year, 2023 Asia CEO Awards
- 2023 Bronze Awards for "WASH in Pandemic," "#SafeWASH in Schools," and "WASH O'clock", Healthy Pilipinas Awards for Partners, Department of Health (DOH)
- 2023 Best Branded Photo for Manila Water Foundation's Philippine Campaign Celebrations of the World Oral Health Day, 2023 World Oral Health Day Awards

- 2023 Energy Efficiency and Conservation Award, European Chamber of Commerce of the Philippines (ECCP) Europa Awards on Sustainability
- 2023 Platinum - Best Environmental Excellence Award, Platinum - Best Workplace Practices Award and Platinum - Excellence In Provision Of Literacy and Education Award (USD 500 Million To USD 1 Billion Market Capitalization), 15th Annual Global CSR and ESG Awards

Human Resource and People Management

- 2023 Employer of the Year Regional Exemplar - National Capital Region, People Management Association of the Philippines (PMAP)

Communications

- 2023 Two (2) Silver Anvil Awards for Manila Water's "BOW: Balita on Wednesdays" and Boracay Water's "H2O: Highland to Ocean" Program, 58th Anvil Awards, Public Relations Society of the Philippines (PRSP)

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 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, Philippines AMCHAM
8. Makati Business Club (MBC)
9. People Management Association of the Philippines. (PMAP)
10. Philippine Disaster Resilience Foundation, Inc. (PDRF)

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CUSTOMER SERVICE

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1627 (Open 24 hours)
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Facebook: www.facebook.com/manilawater
Twitter: www.twitter.com/ManilaWaterPH

INQUIRIES

For inquiries or concerns from analysts, institutional investors,
the financial community, and the general public, please contact:
Investors: invrel@manilawater.com
Governance: corpgov@manilawater.com
Sustainability: sustainability@manilawater.com
Media: corpcomm@manilawater.com

SHAREHOLDER SERVICES AND ASSISTANCE

For inquiries regarding dividend payments, change of address and account status, lost or damaged stock certificates, please contact:
Stock Transfer Service, Inc.
34-D Rufino Pacific Tower
6784 Ayala Avenue, Makati City
Tel.: +63(2) 8403-2410

ANNEXES

Watershed Management Report

December 2023

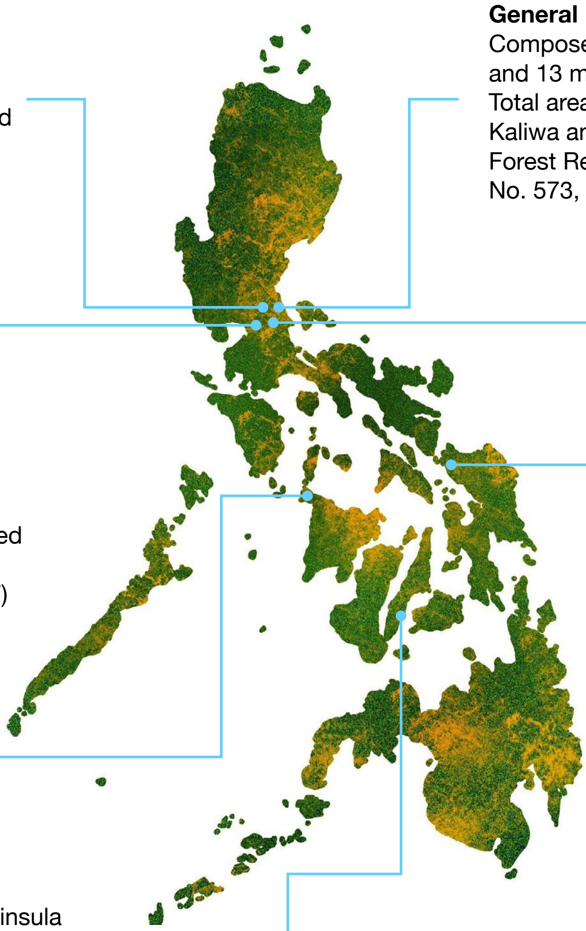
We continuously protect and reforest watersheds where we source our raw water.

With more than 90% of our raw water coming from surface water sources, we prioritize the protection, rehabilitation, and conservation of our watershed areas. Watershed degradation results in soil erosion, heavy sedimentation, water pollution, and other issues that affect the quality and quantity of our raw water sources.

This is why, at Manila Water, we remain committed to the protection and management of the watershed areas in partnership with the government and stakeholders. Watershed management is not just our collective way to mitigate water supply risk, it also enables us and our partners protect threatened species in the watershed, contributing to enhanced biodiversity and climate change mitigation through reforestation and enrichment planting.

In 2023, we safeguarded 171,902 hectares in General Nakar, Ipo, La Mesa, Nabaoy and Pan-As Hayiban by funding our partners to patrol the watersheds. With 103,624 trees planted, our total number of trees nurtured since 2006 is now 1,566,569 across the Philippines. We also supported watershed communities and indigenous people through the Water, Sanitation and Hygiene (WASH) program, livelihood interventions, and trainings.

Key watersheds of Manila Water



Upper Marikina
Total area of the watershed: 29,505.8 hectares
Protected Area as a Protected landscape (Presidential Proclamation No. 296, 2011)

General Nakar
Composed of Kaliwa, Kanan, Umiray and 13 minor watersheds
Total area of the watershed: 186,297 hectares
Kaliwa and Umiray watersheds as a Forest Reserve (Presidential Proclamation No. 573, 1969)

Ipo
Total area of the watershed: 6,600 hectares
Protected Area as a Forest Reserve (Presidential Proclamation No. 391 La Mesa, 1968)

La Mesa
Total area of the watershed: 2,659 hectares
Protected Area as a Watershed Reservation (Presidential Proclamation No. 1336, 2007)

Nabaoy
Total area of the watershed: 2,375 hectares
Part of Northwest Panay Peninsula Nature Park which is considered as Protected Area under RA7586 (NIPAS Act of 1992)

Luyang
Total area of the watershed: 5,539 hectares

Pan-As Hayiban
Total area of the watershed: 5,067 hectares
Protected Area as a Protected Landscape (RA 7586: NIPAS Act of 1992 and RA 11038: Expanded NIPAS Act of 2018)

2023 Watershed Management Performance

East Zone

Ipo Watershed

Management Action:

- Funded the continuing protection of the whole watershed through the patrolling of 60 *Bantay Gubat (Forest Rangers)*, composed of Dumagat, the indigenous people (IP) living in the watershed. This is in partnership with the Metropolitan Waterworks and Sewerage System (MWSS), the Department of Environment and Natural Resources (DENR), and Maynilad.
- Forest landscape restoration with 60,000 trees planted in 150 hectares through Yapak, the People Organization composed of Dumagat and local communities in the watershed part of Manila Water's MWSS Annual Million Tree Challenge)
- Provided water supply to Dumagat communities through Manila Water Foundation's WASH program
- Conducted Forest Carbon Accounting in partnership with the Center for Conservation Innovation (CCI)

Protected Threatened Species based on the International Union for Conservation of Nature (IUCN)[1]:
Critically endangered: Yakal saplungan (*Hopea plagata (syn H.odorata)*
Endangered: Apitong (*Dipterocarpus grandiflorus* (Blanco)), Kape (*Coffea arabica Linn.),* Narra (*Pterocarpus indicus* Willd.), Teak (*Tectona grandis)*
Vulnerable: Mahogany (*Swietenia macrophylla),* Paho (*Palaquium luzoniense* (Fern.- Vill.), Palosapis (*Anisoptera thurifera Blume.),* Sakat (*Terminalia nitens),* Takip-asin (*Macaranga grandifolia)*

Additional Protected Threatened Species based on DENR DAO 2017-11[1] :
Vulnerable: Bolong-eta (*Diospyros philosanthera* Blanco), Kalantas (*Toona calantas* Merr. & Rolfe), Makaasim (*Syzygium nitidum Benth),* Malabayabas (*Tristaniopsis decorticata* (Merr.), Pahutan (*Mangifera altissima Blanco),* Tanguile (*Shorea polysperma)*

La Mesa Watershed

Management Action:

- Funded the continuing protection through foot patrolling and maintenance of access roads of the whole watershed in partnership with ABS- CBN Foundation's Bantay Kalikasan
- Planted 30,000 native trees in 75 hectares in 2023 (part of Manila Water's MWSS Annual Million Tree Challenge)
- Conducted maintenance of enriched areas from 2020 to 2023
- Performed Forest Carbon Accounting in partnership with CCI

Protected Threatened Species based on the International Union for Conservation of Nature (IUCN)[1] :
Endangered: Teak (*Tectona grandis*), Narra (*Pterocarpus indicus*)
Vulnerable: Magabuyo (*Celtis luzonica*), Hagupit/Is-is (*Ficus ulmifolia Lam.*), Mahogany (S) (*Swietenia macrophylla*), Palosapis (*Anisoptera thurifera*)

Additional Protected Threatened Species based on DENR DAO 2017-11[1]:
Endangered: Beri/Bari *(Aquilaria malacensis Lam.)*, Molave (*Vitex parviflora*)
Vulnerable: Kalantas (*Toona calantas Merr.*), Kamagong (*Diospyros discolor*), Lauan (*Shorea contorta*), Makaasim (*Syzygium nitidum Benth*)

Biodiversity Value[2]:
Flora: Shannon Diversity (H) Index = 1.8184. High biodiversity value for it falls within the range of 1.5-3.5
Fauna: 29 bird families, 47 species

[1]Threatened Species that were observed in Ipo and La Mesa watersheds during the Forest Carbon Accounting by CCI, Manila Water's partner in the project
[2]Source: Integrated Watershed Management Plan for the La Mesa Watershed Reservation for 25 Years

East Zone

General Nakar (Kaliwa, Kanan, Umiray, and 13 minor watersheds)

Management Action:

- Funded the General Nakar Sustainable Integrated Area Development (GNSIAD) Project for the management of General Nakar watersheds with the following 2023 accomplishments:
  - Protection of the entire watersheds of Kaliwa, Kanan, Umiray, and 13 minor watersheds through the patrolling of 47 *Bantay Gubat* (forest rangers)
  - Planted 9,719 native forest and fruit trees in 2023
  - Assisted IPs and Non-Ips communities on community development, WASH, and livelihood programs
  - Improved solid waste management through the establishment of Materials Recovery Facilities and provision of vehicles for the collection of recyclables and wastes
  - Conducted IECs for the communities and schools on environmental protection, watershed conservation, and climate change
  - Continuous profiling of flora and fauna in the watersheds
  - Launched the General Nakar Automated Tracking Watershed Patrol Application for forest protection and biodiversity conservation program

Protected Threatened Species based on IUCN[3] :
Endangered: Apitong (*Dipterocarpus grandiflorus*), Narra (*Pterocarpus indicus*), Tiaong (*Shorea ovata*)
Vulnerable: Dalindingan (*Hopea malibato*), Almaciga (*Agathis philippinensis*),*Nato (Palaquium luzoniense)*

Additional Protected Threatened Species based on DENR DAO 2017-11[3]:
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*),
Vulnerable: Pahutan (*Mangifera altissima*), Bolong-eta (*Diospyros philosanthera Blanco*)

Biodiversity Value[4]:
Flora: Shannon Diversity (H') = 4.71. Very High Diversity
Fauna: Shannon Diversity = 2.795. Moderate Diversity

Upper Marikina

Management Action:

- Through the People's Organization, Tulungan sa Kabuhayan ng Calawis, Inc (TSKC), we conducted the protection and the first year maintenance of the 93,750 trees planted in 150 hectares in 2022.
- Based on the validation of the DENR, the survival rate of the trees planted in 2022 was 89%.
- TSKC replanted the seedlings that did not survive as part of the maintenance activities.

[3]*Threatened species were inventoried during the foot patrolling in General Nakar Watershed*
[4]*Source: New Centennial Water Source - Kaliwa Dam Project Environmental Impact Statement (EIS)*
Link: https://emb.gov.ph/wp-content/uploads/2019/08/Kaliwa-Dam_EIS.pdf

Non-East Zone

Nabaoy Watershed (Boracay Water)

Management Action:
Planted 350 Maguilomboy, Tabao, and Baslayan seedlings, which were brought from Nabaoy Forest Farmers Development Association (NAFFDA), as part of the adopted 40 hectares in Nabaoy Watershed

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Luyang Watershed (Cebu Water)

Management Action:
Planted 1,500 Narra and Mahogany seedlings together with stakeholders

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Pan-As Hayiban Watershed (Calbayog Water)

Management Action:
- Planted 625 Cacao, Coffee, Toog, Guyabano, Caiomito & Pili trees in the adopted 1.25 hectares per year. This is in partnership with DENR, the Protected Area Management Office, Calbayog City Water District, and the Calbayog LGU
- Forest patrolling through DENR

Laguna Water

Management Action:
- Planted 500 guyabano and cacao in Silang, Cavite for groundwater recharge



Tree planting with our employees and stakeholders in Pan-As Hayiban, La Mesa, Nabaoy and Luyang watersheds.

Total Trees Planted

Watershed	Years Covered	Hectares Reforested	Total Number of Trees Planted
Ipo Watershed	2006-2023	878	379,868
La Mesa Watershed	2008-2023	1,172	470,429
Upper Marikina Watershed	2010-2023	907	566,813
General Nakar Watershed	2018-2023	129	65,353
Nabaoy Watershed	2013-2023	28	67,371
Clark Water	2014-2023	9	7,640
Laguna Water	2014-2023	9	4,520
Pan-As Hayiban Watershed	2021-2023	4	1,875
Luyang Watershed	2022-2023	3	2,500
Estate Water	2023	1	200
Total		**3,139**	**1,566,569**

2023 Watershed Accomplishments

Business Unit	Watershed/ Location	Protected Area, ha	Area Planted, ha	Number of Trees planted	Species of planted trees
East Zone	Ipo Watershed	6,600[5]	150	60,000	Narra, Kupang, Palosapis, Dungon, Malamangga
	La Mesa Watershed	2,659[6]	75	30,000	White Lauan, Yakal, Palosapis, Red Lauan, Malaruhat, Bitanghol, Kalumpit, Makaas-im, Sandal wood, Bitaog, Lago, Banaba, Tindalo, Malapapaya, Libas
	General Nakar Watershed	162,613[7]	19.4	9,719	Agoho, Adwas, Amamaho, Bagtikan, Balobo, Bamboo, Batikuling, Bitaog, Botong, Caimito, Guyabano, Kalubkob, Kamagong, Kamansi, Kape, Katmon, Lauan, Lipote, Malabayabas, Malaruhat, Mangga, Nangka, Narra, Putting Paa, Rambutan, Santol, Talisay,Tanguile, Tuai, Water Tree
Boracay Water	Nabaoy Watershed	20	0.2	350	Maguilomboy, Tabao, and Baslayan
Calbayog Water	Pan-as Hayiban Watershed	2.5	1.25	625	Cacao, Coffee, Toog, Guyabano, Caiomito, Pili
Cebu Water	Luyang Watershed	-	1.8	1,500	Narra, Mahogany
Clark Water	Clark STP		1.1	730	Ylang Ylang, Dama de Noche, Narra
	Villa Maria	7.75	-	-	
Laguna Water	Laguna Lake	-	0.75	500	Guyabano, Cacao
Estate Water	Anvaya Cove	-	0.5	200	
Total		**171,902**	**250**	**103,624**	

[5] *Through Bantay Gubat*
[6] *Through ABS-CBN Foundation's Bantay Kalikasan*
[7]*Through SIAD Project of Gen. Nakar; Includes protection of Kaliwa, Kanan, Umiray and minor watersheds*

Sustainability Content Index

The data covering the period from January 1 to December 31, 2023, as presented in the Sustainability Content Index of our 2023 Integrated Report, has been compiled and reported in alignment with the guiding principles and requirements set forth in the following standard disclosures:

- Global Reporting Initiative 2021 (GRI)
- Sustainability Accounting Standards Board 2023 (SASB)
- Task Force on Climate-Related Financial Disclosures Recommendations (TCFD)

Furthermore, we also include additional disclosures beyond the scope of these standards.

TABLE OF CONTENTS:

Definition of Material Topics

Material Topics	IR Capital	Definition
Business Continuity	Natural	Approaches to the prevention, preparedness, response and recovery of the organization, the communities it serve, and the environment brought by a disruption from normal conditions.
Climate Change	Manufactured Natural	Management of impact and risk related to the shifts in global temperatures and weather patterns.
Community Relations	Financial Manufactured Natural Social and Relationship Intellectual	Programs to engage with individuals or groups of individuals living or working in areas affected by the organization's operation such as customers, indigenous people (IP), and other organizations
Corporate Governance	Intellectual Human	Organizational structures and policies in place to manage the risk associated to and the impact of environmental, social and governance indicators.
Cybersecurity	Intellectual Social and Relationship	Application of technologies, processes and controls to protect systems, networks, devices and data from unauthorized access or criminal use, while ensuring confidentiality, integrity and availability of information.
Economic Contribution	Financial	Addresses the flow of capital from the organization to the rest of its value chain, and the impacts on the economic conditions of its stakeholders.
Strategy and Risk	Intellectual Social and Relationship	Outlook and plan for the organization's long-term positioning and performance, and the management of potential risks and opportunities in terms of the concession agreement, regulation, and compliance to legal requirements
Water and Effluents	Natural Manufactured	Management of water and wastewater, and impacts on ecosystems and biodiversity.
Biodiversity	Natural	Management of risks and impact of the organization's operation on natural resources, ecosystems and wildlife.
Customer Service	Intellectual Social and Relationship	Management of responsibilities and assistance extended to customers to address questions, clarifications or grievances.
Emissions	Natural	Management risk related to the discharge from an organization's operation into the air/atmosphere.
Energy	Natural Manufactured	Utilization and management of fuel and electricity as energy sources across the organization's value chain.

Definition of Material Topics

Material Topics	IR Capital	Definition
Human Capital	Human Social and Relationship	Programs and practices to engage and develop the organization's workforce to contribute to a person's ability to perform work in a manner that produces economic value.
Labour Practices	Human Social and Relationship	Practices of the organization to manage its relationship with its workforce and communicate significant operational changes.
Materials	Natural Manufactured	Management of the resources used by the organization for its products and services, and the subsequent impact on land, air, water, and biodiversity.
Occupational Health and Safety	Human Social and Relationship	Practices to eliminate hazards and ensure healthy and safe work conditions for employees, and on-site contractors and service providers.
Supply Chain	Social and Relationship	Management of procurement practices and impact to support local and foreign suppliers.
Waste	Natural Manufactured	Practices to properly manage by-products and waste

Global Reporting Initiative (GRI)

Standard	Code	Disclosure Description	Material Topic	Manila Water Disclosure
General Disclosures				
GRI 2: General Disclosures 2021	2-1	Organizational details		Manila Water Company, Inc. MWSS Administration Building 489 Katipunan Road, Balara Quezon City, Philippines 1105 About this Integrated Report Geographic Presence
	2-2	Entities included in the organization's sustainability reporting		About this Integrated Report
	2-3	Reporting period, frequency and contact point		1st January 2023 - 31st December 2023 invrel@manilawater.com sustainability@manilawater.com
	2-4	Restatements of information		Restatements are in the Notes portion of the ESG Performance Data
	2-5	External assurance		Independent Assurance Report
	2-6	Activities, value chain and other business relationships	Strategy and Risk	Value Creation Framework Our Sustainability Approach
	2-7	Employees	Human Capital	ESG Performance Data - Employee Demographics Empowering Water Stewards, page 81
	2-8	Workers who are not employees	Human Capital	Empowering Water Stewards, page 82 ESG Performance Data - Indirect Jobs Created
	2-9	Governance structure and composition	Corporate Governance	Board of Directors Corporate Governance Report
	2-10	Nomination and selection of the highest governance body	Corporate Governance	Corporate Governance Report
	2-11	Chair of the highest governance body	Corporate Governance	Mr. Enrique K. Razon, Jr. is the Chairman of the Board of Manila Water. His profile may be viewed on our company website. 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 the only executive directors.
	2-12	Role of the highest governance body in overseeing the management of impacts	Corporate Governance	Corporate Governance Report
	2-13	Delegation of responsibility for managing impacts	Corporate Governance	Corporate Governance Report
	2-14	Role of the highest governance body in sustainability reporting	Corporate Governance	Corporate Governance Report
	2-15	Conflicts of interest	Corporate Governance	Corporate Governance Report
	2-16	Communication of critical concerns	Corporate Governance	The Whistleblowing Policy

GRI Standards

Standard	Code	Disclosure Description	Material Topic	Manila Water Disclosure
			Corporate Governance	The Board of Directors has received 0 critical concerns regarding potential and actual negative impacts on stakeholders raised through grievance mechanisms and other processes.
	2-17	Collective knowledge of the highest governance body	Corporate Governance	Corporate Governance Report
	2-18	Evaluation of the performance of the highest governance body	Corporate Governance	Corporate Governance Report
	2-19	Remuneration policies	Corporate Governance	Corporate Governance Report
	2-20	Process to determine remuneration	Corporate Governance	Corporate Governance Report
	2-21	Annual total compensation ratio	Corporate Governance	We do not disclose this information. However, the compensation for both our board members and employees is determined by the remuneration committee.
	2-22	Statement on sustainable development strategy		Statement of Responsibility from the Board, page 3 Sustainability Agenda, pages 42-43
	2-23	Policy commitments	Corporate Governance	Code of Business Conduct and Ethics Child Labor Prevention and Elimination Policy Diversity, Equity, and Inclusion Policy Non-Discrimination and Anti-Harassment Policy (Including Disability-related Issues) Other Corporate Policies
	2-24	Embedding policy commitments	Corporate Governance	Every corporate policy, whether new or revised, is approved by the President and CEO. These policies are communicated to employees through email and are published on the company's corporate website. In the case of the Employee Code of Conduct and its annex policies, an annual online employee acknowledgment is conducted.
	2-25	Processes to remediate negative impacts	Corporate Governance	Our Whistleblower Policy empowers directors, officers, employees, and third parties to express concerns about illegal or unethical practices without the fear of retaliation. It includes mechanisms for supervision and enforcement. Aligned with the Code of Business Conduct and Ethics, particularly the policy on Honesty and Fair Dealing, the Whistleblower Policy promotes a culture of integrity. We have established dedicated Whistleblower Channels that provide a secure environment for individuals to report fraud, violations of laws, rules, and regulations, or misconduct to authorities without the apprehension of retaliation. For further details, please refer to our Whistleblowing Policy.

GRI Standards

Standard	Code	Disclosure Description	Material Topic	Manila Water Disclosure
	2-26	Mechanisms for seeking advice and raising concerns	Corporate Governance	To address concerns, Whistleblower Channels are accessible to directors, officers, employees, and third parties. 'Additionally, our pool of vendors can utilize Vendor 360 to raise their comments, complaints or inquiries.
	2-27	Compliance with laws and regulations	Corporate Governance	There have been no incident of non-compliance with environmental laws and regulations during the reporting period.
	2-28	Membership associations		Membership and Affiliations
	2-29	Approach to stakeholder engagement	Strategy and Risk	Our Sustainability Approach, page 45-46
	2-30	Collective bargaining agreements	Labour Practices	87% of eligible East Zone employees are covered by a collective bargaining agreement. We employ diverse communication channels to engage with our employees, including townhall meetings, *kamustahan* (one-on-one or team meetings with department or group heads), *Mahalaga Ka!* (engagement surveys), and KJAM (an online bulletin board providing regular updates on company events, policies, organizational announcements, and more).
Material topics				
GRI 3: Material Topics 2021	3-1	Process to determine material topics	Strategy and Risk	Our Sustainability Approach, page 47
	3-2	List of material topics	Strategy and Risk	Our Sustainability Approach, page 48-49
Economic Performance				
GRI 3: Material Topics 2021 GRI 201: Economic Performance 2016	3-3	Management of material topics	Strategy and Risk	Investing in Nature and in Future Infrastructure, page 60-61
	201-1	Direct economic value generated and distributed	Economic Contribution	Investing in Nature and in Future Infrastructure, page 63-65 ESG Performance Data - Economic Contribution Value Creation Framework, page 32-33
	201-2	Financial implications and other risks and opportunities due to climate change	Climate Change	Securing Water Amidst Climate Change, page 54
	201-3	Defined benefit plan obligations and other retirement plans	Labour Practices	Retirement at 60, and early retirement at 50 with a 10-year tenure: We offer a one-month salary for each year of service for employees opting for normal retirement at age 60, as well as for those choosing early retirement at age 50 with a minimum tenure of 10 years.
	201-4	Financial assistance received from government	Economic Contribution	We did not receive financial assistance from the government during the reporting period.
Market Presence				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	Empowering Water Stewards, page 70-71

GRI Standards

Standard	Code	Disclosure Description	Material Topic	Manila Water Disclosure
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Labour Practices	Our established Performance Management System (PMS) prioritizes achieving targets and evaluating employees based on their performance. We guarantee fair treatment for all eligible employees by providing adjustments tied to performance, irrespective of gender or hierarchical level. Equal treatment is consistently applied to everyone based on their performance, and notably, during the reporting period, the minimum pay for Rank and File employees was set at 61% above the minimum wage.
	202-2	Proportion of senior management hired from the local community	Human Capital	
Indirect Economic Impact				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	Investing in Nature and in Future Infrastructure, page 60-61 Empowering Water Stewards, page 82
GRI 203: Indirect Economic Impact 2016	203-1	Infrastructure investments and services supported	Community Relations	Investing in Nature and in Future Infrastructure, page 63-65 Manila Water Foundation
	203-2	Significant indirect economic impacts	Community Relations	The total number of jobs supported in the supply chain is estimated to be 6,028 as of November 2023. Investing in Nature and in Future Infrastructure, page 63-65 Empowering Water Stewards, page 82 Manila Water Foundation ESG Performance Data - Indirect Jobs Created
Procurement Practices				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	Our Vendors' Code of Conduct outlines the rules that guide us in fulfilling our obligations and conducting business with integrity, ensuring compliance with standards, policies, laws, and ethical principles.
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	Supply Chain	Our total procurement spending can be accessed in our ESG Performance Data - Supply Chain. We are developing the capability to distinguish our spending based on operational locations.
Anti-corruption				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	The Code of Business Conduct and Ethics sets forth the standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the Company.

GRI Standards

Standard	Code	Disclosure Description	Material Topic	Manila Water Disclosure
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	Corporate Governance	As part of our ERM Program, we assess all aspects of our business and operations for potential risks. In the reporting period, we have not identified any significant risks related to corruption.
	205-2	Communication and training about anti-corruption policies and procedures	Corporate Governance	As a testament to our commitment to transparency, all corporate policies and guidelines are accessible to the public on our corporate website. Each full- and part-time employee is required to complete an annual online declaration, confirming their understanding and compliance with our Employee Code of Conduct. New hires undergo orientation, where they acquaint themselves with the Code of Business Conduct and Ethics, along with other relevant corporate policies.
				Furthermore, our Vendor Code of Conduct, sets forth ethical principles for business conduct that we expect vendors across our value chain to uphold
	205-3	Confirmed incidents of corruption and actions taken	Corporate Governance	No incidents of confirmed corruption have been reported during the reporting period.
Materials				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	We continuously innovate and implement resource efficiency initiatives to reduce the use of raw materials in our operations. Investing in Nature and in Future Infrastructure, page 66-67
GRI 301: Materials 2016	301-1	Materials used by weight or volume	Materials	ESG Performance Data - Materials
	301-2	Recycled input materials used	Materials	ESG Performance Data - Materials
	301-3	Reclaimed products and their packaging materials		Not applicable to Manila Water context
Energy				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	Securing Water Amidst Climate Change, page 50-51
GRI 302: Energy 2016	302-1	Energy consumption within the organization	Energy	ESG Performance Data - Energy
	302-2	Energy consumption outside of the organization	Energy	Energy consumption outside the organization amounts to 165,847 GJ. The methodology and conversion factors used are the same as GRI 302-1.
	302-3	Energy intensity	Energy	ESG Performance Data - Energy
	302-4	Reduction of energy consumption	Energy	Securing Water Amidst Climate Change, page 57
	302-5	Reductions in energy requirements of products and services	Energy	We do not monitor the energy requirements of products but we regularly-assess the need for such information during our materiality exercise.

GRI Standards

Standard	Code	Disclosure Description	Material Topic	Manila Water Disclosure
Water and Effluents				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	We source water responsibly from rivers, lakes, and dams in non-water-stressed regions (based on the World Resources Institute Aqueduct Tool and WWF Water Risk Filter, using a total of 946.67 million cubic meters (MCM) freshwater in 2023. Surface water is the main source of business units in the East Zone, Boracay, Calbayog, Cebu, Tagum, and Vietnam. Laguna, Clark, and other non-east zone business units primarily rely on groundwater. We use groundwater sustainably and we conduct regular studies to ensure sustainable withdrawal practices. We reduce water usage by recycling backwash waterfrom our treatment facilities in the East Zone, Kenh Dong Water and Tagum Water. In 2023, we recycled 13.75 MCM of backwash water with a 13x increase in backwash recovery. We increased backwash recovery in the East Zone to extend cross-border sharing to Maynilad.
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	Water and Effluents	Securing Water Amidst Climate Change, page 51-53
	303-2	Management of water discharge-related impacts	Water and Effluents	As part of our service commitment, East Zone, Boracay Water, Clark Water, Estate Water, and Laguna Water treat wastewater before its safe discharge into water bodies. Across the Philippines, we operate 79 wastewater treatment facilities treating 76.76 million cubic meters in 2023. Adhering strictly to DENR DAO 2016-08 and DAO 2021-19 effluent standards, our operations consistently meet or even surpass the required effluent quality of the receiving bodies of water. In 2023, we maintained full compliance with all wastewater-related permits and regulations.
	303-3	Water withdrawal	Water and Effluents	ESG Performance Data - Water Supply
	303-4	Water discharge	Water and Effluents	ESG Performance Data - Wastewater
	303-5	Water consumption	Water and Effluents	Our water consumption is mainly the water production of our water facilities. In 2023, we produced 911.71 mcm of potable water. ESG Performance Data - Water Supply

GRI Standards

Standard	Code	Disclosure Description	Material Topic	Manila Water Disclosure
Biodiversity				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	Investing in Nature and in Future Infrastructure, page 60-61
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Biodiversity	Watershed Management Report
	304-2	Significant impacts of activities, products and services on biodiversity	Biodiversity	Watershed Management Report
	304-3	Habitats protected or restored	Biodiversity	Investing in Nature and in Future Infrastructure, page 61 Watershed Management Report
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Biodiversity	Watershed Management Report
Emissions				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	Securing Water Amidst Climate Change, page 50-51
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Emissions	ESG Performance Data - GHG Emissions
	305-2	Energy indirect (Scope 2) GHG emissions	Emissions	ESG Performance Data - GHG Emissions
	305-3	Other indirect (Scope 3) GHG emissions	Emissions	ESG Performance Data - GHG Emissions
	305-4	GHG emissions intensity	Emissions	ESG Performance Data - GHG Emissions
	305-5	Reduction of GHG emissions	Emissions	Securing Water Amidst Climate Change, page 57-59
	305-6	Emissions of ozone-depleting substances (ODS)	Emissions	Disclosure is not applicable as Manila Water does not emit a material amount of these emissions. We will regularly assess to determine the need to track this information.
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Emissions	Manila Water plans to monitor the non-GHG air emissions in the future. In 2023, monitoring is through the air emission testing of generator sets and vehicles. All our tests passed the air emission requirements.
Waste				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	We adhere to proper waste management by observing the waste management hierarchy which includes avoidance, recycling, resource recovery, and safe disposal of wastes.
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	Waste	We generate non-hazardous wastes like water treatment sludge, sewer sludge, wastewater grits, screenings, and office waste. Additionally, our operations and laboratories produce hazardous wastes. We manage all wastes responsibly to minimize our environmental impact.

GRI Standards

Standard	Code	Disclosure Description	Material Topic	Manila Water Disclosure
	306-2	Management of significant waste-related impacts	Waste	Management of wastes by type: 1. Water treatment sludge is hauled and landfilled by third-party service providers. 2. Sewer sludge or biosolids of wastewater are hauled by a third party, composted and used as soil conditioner (East Zone and Boracay Water); hauled by a third party and used as raw material in a Waste-To-Energy facility (Laguna Water and Estate Water); and stored in drying beds (Clark Water). 3. Grits and screenings from wastewater operations are properly landfilled. 4. Office wastes are hauled by LGUs, segregated in a Materials Recovery Facility to recover recyclables, and the residual wastes are landfilled. 5. Hazardous wastes from operations and laboratories are transported, treated, and properly disposed of by a DENR-accredited service provider.
	306-3	Waste generated	Waste	ESG Performance Data - Wastes
	306-4	Waste diverted from disposal	Waste	ESG Performance Data - Wastes
	306-5	Waste directed to disposal	Waste	ESG Performance Data - Wastes
Supplier Environmental Assessment				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	Manila Water ensures the compliance of vendors to financial and technical requirements by implementing a robust accreditation and pre-qualification processes. Compliance by these vendors and suppliers with environmental laws and other relevant standards is checked extensively through these processes, and is consistently monitored throughout the period of engagement with the company. Suppliers are screened using environmental criteria for their accreditation or re-accreditation. Environmental criteria includes: - Compliance to applicable environmental laws - Environmental sustainability programs on energy, water, solid waste, wastewater, and hazardous waste management
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	Supply Chain	As of November 2023, 499 out of 601 of the suppliers for accreditation and re-accreditation were screened using the environmental criteria.
	308-2	Negative environmental impacts in the supply chain and actions taken	Supply Chain	No negative environmental impacts in the supply chain in 2023.
Employment				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	Empowering Water Stewards, page 70-71
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Human Capital	Empowering Water Stewards, page 82 and 84 ESG Performance Data - New Employee Hires ESG Performance Data - Employee Turnover

GRI Standards

Standard	Code	Disclosure Description	Material Topic	Manila Water Disclosure
	401-2	Benefits provided to full-time employees that are not provided to temporary or part time employees	Human Capital	All permanent employees are entitled to health and life insurance coverage plus one free dependent and eligibility to enroll paying dependents, annual leave benefits, standard allowances, and loan facility. Empowering Water Stewards, page 84
	401-3	Parental leave	Human Capital	We strictly adhere to existing laws on parental leaves in the regions where our business operates. For employees governed by Philippine laws, parents are entitled to paid maternity leave of up to 105 days and paternity leave of 7 days. Additionally, under existing Philippine laws, solo parents who have rendered at least 1 year of service are entitled to not more than 7 working days of leave every year. ESG Performance Data - Benefits to Full Time Employees
Labor/Management Relations				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	Empowering Water Stewards, page 87-88
GRI 402: Labor/ Management Relations 2016	402-1	Minimum notice periods regarding operational changes	Labour Practices	We adhere to the provisions prescribed by Philippine law, and we ensure effective communication of any changes to concerned employees through various channels such as one-on-one sessions, townhall meetings, and more.

GRI Standards

Standard	Code	Disclosure Description	Material Topic	Manila Water Disclosure
Occupational Health and Safety				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	Empowering Water Stewards, page 70-71
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Occupational Health and Safety	While we are not accredited, we align with the key elements of ISO 45001, encompassing leadership commitment, worker participation, hazard identification and risk assessment, legal and regulatory compliance, emergency planning, incident investigation, and a commitment to continual improvement. Health and Safety Policy
	403-2	Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety	Our safety and precautionary measures undergo regular risk assessment reviews to ensure alignment with industry best practices. This includes conducting hazard identification, risk assessment, and risk control exercises for our managed buildings, construction sites, and corporate office. We foster a culture where all employees actively acknowledge, report, and address hazards and unsafe behaviors that could pose potential harm to themselves, colleagues, or others. Furthermore, we promote a culture of actively embracing and sharing safe behaviors among all employees. Empowering Water Stewards, page 72-74
	403-3	Occupational health services	Occupational Health and Safety	To ensure the confidentiality of worker data, health-related incident reports submitted to DOLE are exclusively handled by the dedicated Wellness Team within the Human Resource Department. This restricted access prevents unauthorized individuals from viewing potentially sensitive information. Empowering Water Stewards, page 72-74
	403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Health and Safety	Empowering Water Stewards, page 72-74
	403-5	Worker training on occupational health and safety	Occupational Health and Safety	Empowering Water Stewards, page 72-74
	403-6	Promotion of worker health	Occupational Health and Safety	Empowering Water Stewards, page 72-74
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health and Safety	Health and Safety Officers collaborate closely with project contractors to ensure that workers, both on-site and in our offices, adhere to sound EHS practices. This collaboration aims to foster a robust EHS-minded culture throughout our company.

GRI Standards

Standard	Code	Disclosure Description	Material Topic	Manila Water Disclosure
	403-8	Workers covered by an occupational health and safety management system	Occupational Health and Safety	While we do not possess an accredited Occupational Health and Safety Management System, we strictly adhere to the OHS standards and guidelines stipulated by DOLE and/or the relevant government agency overseeing occupational health and safety in the country where we operate. This commitment extends to more than 3,000 construction workers engaged at our project sites and 2,663 permanent and temporary employees.
	403-9	Work-related injuries	Occupational Health and Safety	ESG Performance Data - OHS (Employees) Empowering Water Stewards, page 72-74
	403-10	Work-related ill health	Occupational Health and Safety	There were no incidents of work-related ill-health during the reporting period.
Training and Education				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	Empowering Water Stewards, page 70-71
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Human Capital	ESG Performance Data - Training & Education
	404-2	Programs for upgrading employee skills and transition assistance programs	Human Capital	Empowering Water Stewards, page 84-86
	404-3	Percentage of employees receiving regular performance and career development reviews	Human Capital	Empowering Water Stewards, page 84
Diversity and Equal Opportunity				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	Empowering Water Stewards, page 76-81
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Human Capital	For information on diversity of employees, refer to Empowering Water Stewards, page 81 and ESG Performance Data - Employee Demographics For information on the composition of our Board of Directors, refer to the Corporate Governance Report, page 110; and ESG Performance Data - Employee Demographics
	405-2	Ratio of basic salary and remuneration of women to men	Human Capital	Rank and File - Average salary of Female is higher by 5% than Male Middle Manager - Average salary of Male is higher by 3% than Female Sr. Manager - Average salary of Male and Female are at the same level Director - Average salary of Female higher by 8% than Male *Note: Gender pay ratio applies only to permanent employees.*
Non-discrimination				

GRI Standards

Standard	Code	Disclosure Description	Material Topic	Manila Water Disclosure
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	Non-Discrimination and Anti-Harassment Policy (Including Disability-related Issues)
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Labour Practices	There were no reported incidents of discrimination during the reporting period.
Freedom of Association and Collective Bargaining				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	Empowering Water Stewards, page 87-88
GRI 407: 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	Labour Practices	Our Vendor Code of Conduct, adhered to by our accredited vendors, is fully compliant with Department Order No. 18-1. This regulation focuses on promoting employment and ensuring the observance of workers' rights to just and humane conditions of work, security of tenure, as well as the principles of self-organization and collective bargaining.
Child Labor				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	We do not tolerate the exploitation of children below eighteen (18) years of age in any of our operations, services, engagements, and business dealings. We support all undertakings that protect the rights of children below eighteen (18) years of age against unnecessary, forced, and hazardous forms of labor.
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	Labour Practices	Child Labor Prevention and Elimination Policy Our Vendor Code of Conduct, followed by all accredited vendors, prioritizes the prevention and elimination of child labor in accordance with Department Order No. 18-1.
Forced or Compulsory Labor				
GRI 3: Material Topics 2021	3-3	Management of material topics		Our Vendor Code of Conduct, followed by all accredited vendors, is fully compliant with Department Order No. 18-1, emphasizing the prohibition and prevention of Forced or Compulsory Labor.
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Labour Practices	
Rights of Indigenous Peoples				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	We acknowledge the vital role of indigenous peoples as partners for change, ensuring that our operations do not adversely affect their way of life.
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	Community Relations	There have been no incidents of violations involving the rights of indigenous peoples during the reporting period.
Local Communities				

GRI Standards

Standard	Code	Disclosure Description	Material Topic	Manila Water Disclosure
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	Our Sustainability Approach, page 45-46
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	Community Relations	Our Sustainability Approach, page 45-46 Empowering Water Stewards, page 88-90 Manila Water Foundation
	413-2	Operations with significant actual and potential negative impacts on local communities	Community Relations	To mitigate public inconvenience during project construction, we implement traffic management plans, acquire permits, conduct pre-construction environmental impact assessments, and obtain environmental compliance certificates from DENR.
Supplier Social Assessment				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	We prioritize the evaluation of suppliers' adherence to labor regulations and other pertinent social regulations, alongside their compliance with financial and technical requirements through rigorous accreditation and pre-qualification processes.
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	Supply Chain	Documents related to health and safety, labor practices, and compliance with laws and regulations stipulated in the Vendor Code of Conduct are integrated into the accreditation requirements for new suppliers. As of November 2023, 499 out of 601 suppliers for accreditation and reaccrediation underwent screening using these documents.
	414-2	Negative social impacts in the supply chain and actions taken	Supply Chain	While we do not conduct assessments of suppliers specifically on their actual and potential negative social impacts, a dedicated team is responsible for evaluating the overall performance of our vendors.
Public Policy				
GRI 3: Material Topics 2021	3-3	Management of material topics	Corporate Gover-nance	We abstain from making political contributions. Additionally, our Code of Business Conduct and Ethics explicitly prohibits the offering of facilitating payments to any private or government officials or employees with the intent of gaining perceived or actual favor or advantage.
GRI 415: Public Policy 2016	415-1	Political contributions	Corporate Governance	

GRI Standards

Standard	Code	Disclosure Description	Material Topic	Manila Water Disclosure
Customer Health and Safety				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	Investing in Nature and in Future Infrastructure, page 60-61
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	Water and Effluents	Investing in Nature and in Future Infrastructures, page 67 ESG Performance Data - Water Quality
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Water and Effluents	ESG Performance Data - Incidents of Non-Compliance
Marketing and Labeling				
GRI 3: Material Topics 2021	3-3	Management of material topics		This topic is not considered material for Manila Water at the moment. Nevertheless, we will conduct regular assessments to determine whether it becomes necessary to start tracking it in the future.
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling		
	417-2	Incidents of non-compliance concerning product and service information and labeling		
	417-3	Incidents of non-compliance concerning marketing communications		
Customer Privacy				
GRI 3: Material Topics 2021	3-3	Management of material topics	Strategy and Risk	Our Data Privacy Statement and Policy commits to protect the privacy of the personal information of our clients, employees, or any other individuals in connection with the water, used water and sanitation services we provide in accordance with the Data Privacy Act of 2012.
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Cybersecurity	There have been no incidents of non-compliance concerning breaches of customer privacy and losses of customer data during the reporting period.

Sustainability Accounting Standards Board (SASB)

Topic	Code	Metric	Material Topic	Manila Water Disclosure
Energy Management				
Energy Management	IF-WU-130a.1	(1) Total energy consumed, (2) percentage grid electricity and (3) percentage renewable	Energy	ESG Performance Data - Energy
Distribution Network Efficiency				
Distribution Network Efficiency	IF-WU-140a.1	Water main replacement rate	Water and Effluents	ESG Performance Data - Distribution Network Efficiency
	IF-WU-140a.2	Volume of non-revenue real water losses	Water and Effluents	ESG Performance Data - Water Supply
Effluent Quality Management				
Effluent Quality Management	IF-WU-140b.1	Number of incidents of non-compliance associated with water effluent quality permits, standards, and regulations	Water and Effluents	ESG Performance Data - Incidents of Non-Compliance
	IF-WU-140b.2	Discussion of strategies to manage effluents of emerging concern	Strategy and Risk	We regularly monitor detergents (as surfactants), classified as effluent of emerging concern in SASB, as a requirement of the Department of Environment and Natural Resources effluent standards. We continuously enhances our ability to detect other contaminants of emerging concerns. For more information refer to this news.
Water Affordability & Access				
Water Affordability & Access	IF-WU-240a.1	Average retail water rate for (1) residential, (2) commercial, and (3) industrial customers	Customer Service	Average Residential CustomersTariff for Major Subsidiaries, PhP/30 cu.m., excluding taxes East Zone - Php 28.13 Laguna Water - Php 46.54 Boracay Water - Php 109.43 Clark Water - Php 16.28 Includes environmental charges for East Zone, Boracay Water, and Laguna Water
	IF-WU-240a.3	Number of residential customer water disconnections for non-payment, percentage reconnected within 30 days	Customer Service	ESG Performance Data - Reconnection Rate
	IF-WU-240a.4	Discussion of impact of external factors on customer affordability of water, including the economic conditions of the service territory	Customer Service	Empowering Water Stewards, page 90

SASB Index

Topic	Code	Metric	Material Topic	Manila Water Disclosure
Drinking Water Quality				
Drinking Water Quality	IF-WU-250a.1	Number of (1) acute health-based, (2) nonacute health-based, and (3) non-health-based drinking water violations	Water and Effluents	For total number of drinking water violations, refer to: ESG Performance Data - Incidents of Non-Compliance For compliance to drinking water standards, refer to: ESG Performance Data - Water Quality
	IF-WU-250a.2	Discussion of strategies to manage drinking water contaminants of emerging concern	Strategy and Risk	Investing in Nature and in Future Infrastructure, page 67
End-Use Efficiency				
End-Use Efficiency	IF-WU-420a.1	Percentage of water utility revenue from rate structures designed to promote conservation and revenue resilience		Disclosure may not be applicable to the Philippine context. We will regularly assess to determine the need to track this information.
	IF-WU-420a.2	Customer water savings from efficiency measures, by market		Disclosure may not be applicable to the Philippine context. We will regularly assess to determine the need to track this information.
Water Supply Resilience				
Water Supply Resilience	IF-WU-440a.1	Total water sourced from regions with High or Extremely High Baseline Water Stress; percentage purchased from a third party	Water and Effluents	No water was withdrawn from regions with high or extremely high baseline water stress. This is based on the WRI Aqueduct Tool and the WWF Water Risk Filter as of May 2023. % water purchased from third party - 0% ESG Performance Data - Water Supply
	IF-WU-440a.2	Volume of recycled water delivered to customers	Water and Effluents	ESG Performance Data - Water Supply
	IF-WU-440a.3	Discussion of strategies to manage risks associated with the quality and availability of water resources	Strategy and Risk	Securing Water Amidst Climate Change, page 54-55 Investing in Nature and in Future Infrastructure, page 62 Risk Management
Network Resiliency & Impacts of Climate Change				
Network Resiliency & Impacts of Climate Change	IF-WU-450a.1	Wastewater treatment capacity located in 100-year flood zones	Water and Effluents	Fifteen of our wastewater treatment facilities with a total capacity of 270,000 m3/day are in medium to high flood zones (0.5-meter to more than 1.5-meter flood level). This is based on the WRI Aqueduct Floods. 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.

SASB Index

Topic	Code	Metric	Material Topic	Manila Water Disclosure
	IF-WU-450a.2	(1) Number and (2) volume of sanitary sewer overflows (SSO) and (3) percentage of volume recovered		Manila Water does not monitor sanitary sewer overflows. We are still building the capacity to monitor this information.
	IF-WU-450a.3	(1) Number of unplanned service disruptions and (2) customers affected, each by duration category	Customer Service	ESG Performance Data - Service Disruptions
	IF-WU-450a.4	Description of efforts to identify and manage risks and opportunities related to the impact of climate change on distribution and wastewater infrastructure	Customer Service	Securing Water Amidst Climate Change, page 50-51
Activity Metrics				
Activity Metrics	IF-WU-000.A	Number of: (1) residential, (2) commercial, and (3) industrial customers served, by service provided	Water and Effluents	ESG Performance Data - Water Access
	IF-WU-000.B	Total water sourced, percentage by source type	Water and Effluents	For volume of water sourced by per type, refer to: ESG Performance Data - Water Supply
	IF-WU-000.C	Total water delivered to: (1) residential, (2) commercial, (3) industrial, and (4) all other customers	Water and Effluents	For total potable water delivered to customers, refer to: ESG Performance Data - Water Access
	IF-WU-000.D	Average volume of wastewater treated per day, by (1) sanitary sewer, (2) stormwater, and (3) combined sewer	Water and Effluents	For total treated water, refer to: ESG Performance Data - Wastewater
	IF-WU-000.E	Length of (1) water mains and (2) sewer pipe	Water and Effluents	ESG Performance Data - Distribution Network Efficiency

Task Force on Climate-related Financial Disclosures (TCFD)

Element	Recommended Disclosure	Material Topic	Manila Water Disclosure
Governance			
Governance	Describe the Board's Oversight of Climate-related risks and opportunities.	Corporate Governance	Securing Water Amidst Climate Change, page 53-54
	Describe management's role in assessing and managing climate-related risks and opportunities.	Corporate Governance	Securing Water Amidst Climate Change, page 53-54
Strategy			
Strategy	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Strategy and Risk	Securing Water Amidst Climate Change, page 53-54
	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Strategy and Risk	Securing Water Amidst Climate Change, page 53-54
	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Strategy and Risk	Securing Water Amidst Climate Change, page 53-54
Risk Management			
Risk Management	Describe the organization's processes for identifying and assessing climate-related risks.	Strategy and Risk	Climate risk is included in the Risk Management Process as a risk driver. In addition, we engaged third-party consultants to conduct resiliency and business interruption studies for East Zone and Laguna Water. These studies assessed the impact of specific scenarios, such as a 180-year rainfall event and a tropical cyclone with 220 kph sustained winds. We also had the enterprise-wide climate scenario assessment for RCPs 4.5 and 8.5 to identify potential financial impacts of climate-related risks and opportunities to the company. Feasibility studies and Environmental Impact Assessments for projects also take into account climate-related risks and impacts. Securing Water Amidst Climate Change, page 53-54
	Describe the organization's processes for managing climate-related risks.	Business Continuity	Securing Water Amidst Climate Change, page 53-54
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Strategy and Risk	Securing Water Amidst Climate Change, page 54-59

TCFD Recommendations

Element	Recommended Disclosure	Material Topic	Manila Water Disclosure
Metrics and Targets			
Metrics and Targets	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Climate Change	Climate-related metrics of Manila Water: 1. Water Security 2. Watershed protected 3. Watershed reforested and enriched 4. Non-Revenue Water 5. GHG Emissions 6. GHG Emission Intensities
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Emissions	In 2023, we enhanced our greenhouse gas accounting, covering Scope 1 (fuel, refrigerants, wastewater, and fugitive emissions), Scope 2 (electricity use), and significant Scope 3 categories. This update aligns with our 2021 baseline GHG emissions, performed by a third-party consultant for our net-zero roadmap development. ESG Performance Data - GHG Emissions Securing Water Amidst Climate Change, page 58-59
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Climate Change	We have set climate-related targets for 2025, focusing on water security, watershed protection, reforestation, NRW reduction, and GHG reduction and avoidance. Refer to our ESG Commitments to 2025 Additionally, we are refining our Scope 1 and 2 GHG reduction targets to align with science-based targets aiming to limit global mean temperatures to 1.5°C.

Additional Indicators

Disclosure	Material Topic	IR Capital	Location/Page
Septic tanks desludged	Community Relations	Manufactured Intellectual Human Social + Relationship	ESG Performance Data - Wastewater Services
Non-Revenue Water, %	Water and Effluents	Manufactured Intellectual Capital	ESG Performance Data - Water Supply
Biochemical Oxygen Demand (BOD) of organic pollution removed	Water and Effluents	Manufactured Intellectual Capital	ESG Performance Data - Wastewater
Trees Planted	Biodiversity	Natural	ESG Performance Data - Biodiversity
Watershed Area Reforested	Biodiversity	Natural	ESG Performance Data - Biodiversity
Customer Concerns Received and Resolved	Customer Service	Intellectual Human Social + Relationship	ESG Performance Data - Customer Concerns
Customer Satisfaction Score	Customer Service	Intellectual Human Social + Relationship	ESG Performance Data - Customer Satisfaction Score
Vendors Engaged	Supply Chain	Financial Manufactured Social + Relationship	ESG Performance Data - Supply Chain
Greenhouse Gas Avoided due to Wastewater Treatment	Emissions	Manufactured Natural	ESG Performance Data - Wastewater

ESG Performance Data

This document is Manila Water's Enivronment, Social, and Governance (ESG) Data Book, which reflects the company's performance and impact for the period January 1- December 31, 2023. The indicators for which data has been collected are in reference to the Global Reporting Initiative (GRI) 2021 and Sustainability Accounting Standards Board (SASB) 2023. In addition to the previously reported indicators, we are also presenting data for the first time this year on a number of indicators to expand compliance to these standards.

This is intended to be examined alongside the Manila Water 2023 Integrated Report, which can be found here:

LIST OF INDICATORS

Economic Data

Economic Contribution
Supply Chain

Environment Data

Materials
Water Supply
Wastewater
Biodiversity
Wastes
Energy
Greenhouse Gas Emissions

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Economic Contribution

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Economic value generated	Billion PHP	GRI 2016:201-1	20.6	22.9	31.0	35.2%
Revenue	Billion PHP	GRI 2016:201-1	20.6	22.9	31.0	35.2%
Economic value distributed[1]	Billion PHP	GRI 2016:201-1	16.1	17.4	21.2	21.6%
Operating cost	Billion PHP	GRI 2016:201-1	5.9	8.1	7.9	-2.0%
Employee wages and benefits	Billion PHP	GRI 2016:201-1	2.5	2.5	2.5	0.2%
Payments to providers of capital	Billion PHP	GRI 2016:201-1	4.9	4.1	7.1	73.6%
Payments to government	Billion PHP	GRI 2016:201-1	2.8	2.7	3.6	32.9%
Community investments	Billion PHP	GRI 2016:201-1	0.02	0.05	0.05	-7.3%
Economic value retained	Billion PHP	GRI 2016:201-1	4.4	5.5	9.8	78.2%
Capital expenditure[2]	Billion PHP	GRI 2016:201-1	16.2	22.4	21.6	-3.6%

Notes:

1. 2021-2022 are restated due to training expense reclassification
2. Includes cash flow and accrued expense

Click here to go back to: List of Indicators

Supply Chain

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total Procurement Spend[1]	Billion PHP		3.04	15.59	25.58	64.1%
Total number of vendors engaged[2]	count		386	708	775	9.5%

Notes:
1. Recorded payments made to vendors
2. Includes vendors paid within the reporting period

Click here to go back to: List of Indicators

Materials

KPI	Unit of measurement	Reference	2021	2022	2023	% Change
Total chemical consumption	tons	GRI:2016 301-1	24,015.28	24,638.74	22,033.93	-10.6%
Chemical consumption, water supply	tons	GRI:2016 301-1	18,345.64	19,563.63	19,158.13	-2.1%
Chemical consumption, wastewater[1]	tons	GRI:2016 301-1	5,669.64	5,075.12	2,875.80	-43.3%

KPI	Unit of measurement	Reference	2021	2022	2023	% Change
Chemical intensity						
Chemical intensity, water supply	tons/MCM withdrawn	GRI:2016 301-1	20.25	21.25	20.24	-4.8%
Chemical intensity, wastewater[1]	tons/MCM WW received[2]	GRI:2016 301-1	81.21	66.44	37.46	-43.6%

KPI	Unit of measurement	Reference	2021	2022	2023	% Change
Renewable Materials Consumption[1,2]	tons	GRI:2016 301-1	-	107.82	72.52	-32.7%
Water Supply	tons	GRI:2016 301-1	-	-	-	
Wastewater	tons	GRI:2016 301-1	-	107.82	72.52	-32.7%
Non-Renewable Materials Consumption	tons	GRI:2016 301-1	24,015.28	24,530.92	21,961.41	-10.5%
Water Supply	tons	GRI:2016 301-1	18,345.64	19,563.63	19,158.13	-2.1%
Wastewater	tons	GRI:2016 301-1	5,669.64	4,967.30	2,803.28	-43.6%
% Renewable materials consumption	%	GRI:2016 301-2	0.0%	0.4%	0.3%	-0.1%
Water Supply	%	GRI:2016 301-2	-	-	-	
Wastewater	%	GRI:2016 301-2	-	2.1%	2.5%	0.4%

Notes:

1. Decrease in chemical consumption and intensity for wastewater is due to operational adjustments and improved effectiveness of chemicals used, particularly of molasses.
2. Renewable materials include glycerine and molasses used for wastewater treatment

Click here to go back to: [List of Indicators]

Water Supply

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total water withdrawal[1]	MCM	GRI:2018 303-3	905.84	920.73	946.67	2.8%
Groundwater	MCM	GRI:2018 303-3	112.25	112.74	123.26	9.3%
Third-party Groundwater[2,3]	MCM	GRI:2018 303-3	0.34	0.35	0.65	83.3%
Surface water	MCM	GRI:2018 303-3	788.57	801.93	817.84	2.0%
Third-party Surface water[2,4]	MCM	GRI:2018 303-3	4.68	5.09	4.93	-3.1%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total water production[5]	MCM	GRI:2018 303-3	886.37	899.48	911.71	1.4%
Groundwater	MCM	GRI:2018 303-3	109.22	111.88	106.88	-4.5%
Third-party Groundwater	MCM	GRI:2018 303-3	0.34	0.35	0.65	83.3%
Surface water	MCM	GRI:2018 303-3	771.78	782.16	799.25	2.2%
Third-party Surface water	MCM	GRI:2018 303-3	5.02	5.09	4.93	-3.1%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Backwash recovered[6]	MCM	GRI:2018 303-3	1.08	11.11	13.75	23.8%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Non-revenue water %, end-of-period	%	GRI:2018 303-3	13.4%	11.5%	11.7%	1.1%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Non-revenue real water losses	MLD	GRI:2018 303-3	3,795.32	3,448.09	3,753.48	8.9%

Notes:
1. All water withdrawn is classified as freshwater (≤1,000 mg/L Total Dissolved Solids).
No raw water was withdrawn from high to extremely high baseline water stress regions, based on the World Resources Institute Aqueduct tool.
2. Previously reported as Bulk Groundwater and Bulk Surface Water, respectively
3. Increase in third party groundwater withdrawal and production is due to increased demand in Estate Water's commercial bulk accounts.
4. 2022 third party surface water withdrawal data is restated to correct accounting of East Zone's cross border flow.
5. Total water production is defined as (Water Withdrawal) - (Discharge) as prescribed in GRI 303-5: Water Consumption.
6. Increase in backwash recovered is a deliberate effort to ensure water security through resource efficiency and maximizing available water in facilities

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Wastewater

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total wastewater treated	MCM	GRI:2018 303-4	69.82	76.38	76.76	0.5%
Disposed to seawater	MCM	GRI:2018 303-4	1.33	1.93	2.24	15.9%
Disposed to surface water	MCM	GRI:2018 303-4	68.48	74.45	74.53	0.1%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Organic pollution load removed through wastewater treatment[1]	tons BOD		8,793.41	7,995.10	8,079.46	1.1%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
CO_2 avoided due to wastewater treatment	tons CO_2e		61,672.12	55,906.72	63,391.11	13.4%

Notes:
1. 2021 and 2022 data used AR4 guidance (Methane = 25 GWP), while 2023 data used AR5 guidance (Methane = 28 GWP).

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Biodiversity

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Trees planted[1]	count, cumulative		1,255,612	1,462,945	1,566,569	7.1%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Reforested area[1]	hectares, cumulative		2,459	2,889	3,139	8.7%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Protected area	hectares, cumulative		171,901	171,902	171,902	0.0%

Notes:
1. Covers trees planted and area reforested since 2006.

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Wastes

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total Wastes Generated	tons	GRI 2020:306-3	31,419.65	32,795.94	20,234.15	-38.3%
Non-hazardous Waste[1,2]	tons	GRI 2020:306-3	31,356.47	32,650.77	19,761.57	-39.5%
Hazardous Waste[3]	tons	GRI 2020:306-3	63.18	145.17	472.58	225.5%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Waste Diverted from Disposal	tons	GRI 2020:306-4	30,612.57	31,222.11	18,337.08	-41.3%
Non-hazardous Waste	tons	GRI 2020:306-4	30,606.25	31,215.06	17,907.27	-42.6%
Recycled Offsite[4]	tons	GRI 2020:306-4	30,606.25	31,215.06	17,907.27	-42.6%
Other Recovery Operations	tons	GRI 2020:306-4	-	-	-	
Hazardous Waste[3,5]	tons	GRI 2020:306-4	6.33	7.05	429.81	5994.9%
Recycled Offsite[3,6]	tons	GRI 2020:306-4	6.33	7.05	429.81	5994.9%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Waste Directed to Disposal	tons	GRI 2020:306-5	764.71	1,523.71	1,991.97	30.7%
Non-hazardous Waste	tons	GRI 2020:306-5	750.23	1,435.71	1,937.79	35.0%
Landfilling[7]	tons	GRI 2020:306-5	750.23	1,435.71	1,937.79	35.0%
Hazardous Waste[5]	tons	GRI 2020:306-5	14.48	87.99	54.18	-38.4%
Landfilling[8]	tons	GRI 2020:306-5	14.45	87.99	54.18	-38.4%
Other Disposal Operations[9]	tons	GRI 2020:306-5	0.03	-	-	

Notes:
1. Restated 2021 and 2022 non-hazardous waste data to include water supply sludge in addition to biosolids, and grits and screening
2. The decrease in non-hazardous waste generated is due to lower pollution load of influent wastewater, resulting to less biosolids produced in wastewater treatment.
3. The increase in hazardous waste generated and directed from disposal is due to Estate Water's increase in fats, oils, and grease (H802) received in its wastewater treatment facilities. These facilities cater to mostly commercial establishments, which saw an increase in activity compared to the past two years.
4. Includes biosolids from all wastewater treatment operations except Clark Water
5. Refers to hazardous waste that was transported, treated, and disposed by a government-accredited service provider. Explanation for increase is same with Note #3
6. Composed of Waste Oil (WO-I101), Fats, Oil, and Grease (H802), Waste Electrical and Electronic Equipment (M506), and Used Lead Acid batteries (ULAB-D406)
7. Includes grits and screening and recyclables.
8. Includes Busted fluorescent lamps (BFL-D407), COD Vials (D407), Contaminated materials (J201), Grease trap waste (H802), Polymerized Wastes (F604), Spent Chemicals (D405/D407/G704), Used Filter Media (K302), and Other hazardous wastes
9. Includes Pathological wastes (M501) with thermal decomposition as its disposal method.

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Energy

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Energy Consumption within the Organization	GJ	GRI 2016:302-1, SASB 2023:IF-WU-130a.1	1,046,689.77	1,180,965.30	1,130,690.07	-4.3%
Fuel Consumption from Non-Renewable Sources[1,2]	GJ	GRI 2016:302-1, SASB 2023:IF-WU-130a.1	66,357.42	174,959.15	72,699.63	-58.4%
Diesel	GJ	GRI 2016:302-1, SASB 2023:IF-WU-130a.1	61,712.45	169,609.30	67,377.20	-60.3%
Gasoline	GJ	GRI 2016:302-1, SASB 2023:IF-WU-130a.1	4,644.96	5,349.84	5,322.43	-0.5%
Fuel Consumption from Renewable Sources[1,2]	GJ	GRI 2016:302-1, SASB 2023:IF-WU-130a.1	1,757.57	4,038.72	1,949.90	-51.7%
Diesel	GJ	GRI 2016:302-1, SASB 2023:IF-WU-130a.1	1,266.00	3,469.40	1,381.32	-60.2%
Gasoline	GJ	GRI 2016:302-1, SASB 2023:IF-WU-130a.1	491.57	569.32	568.58	-0.1%
Electricity Consumption[3]	GJ	GRI 2016:302-1, SASB 2023:IF-WU-130a.1	978,574.78	1,001,967.43	1,056,040.53	5.4%
Non-renewable Sources	GJ	GRI 2016:302-1, SASB 2023:IF-WU-130a.1	929,430.87	906,365.21	1,034,224.98	14.1%
Renewable Sources	GJ	GRI 2016:302-1, SASB 2023:IF-WU-130a.1	49,143.90	95,602.21	21,815.56	-77.2%

Energy

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Electricity Consumption outside the Organization[4]	GJ	GRI 2016:302-2			165,846.83	
Downstream Transportation[5]	GJ	GRI 2016:302-2	21,977.70	24,028.81	23,029.39	-4.2%
Investments	GJ	GRI 2016:302-2			138,401.03	
Upstream Leased Assets	GJ	GRI 2016:302-2			4,416.40	

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Enterprise Energy Intensity[6,7]	GJ/ PHP Revenue	GRI 2016:302-3	50,892.95	51,517.14	36,473.50	-29.2%
Energy Intensity for Water Supply[6,8]	GJ/MCM Billed Volume	GRI 2016:302-3	1,166.03	1,280.53	1,175.80	-8.2%
Energy Intensity for Wastewater[4]	GJ/MCM WW received	GRI 2016:302-3	1,656.43	1,742.42	1,705.68	-2.1%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Percent Grid Electricity	%	SASB 2023: IF-WU-130a.1	88.8%	76.7%	91.5%	14.7%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Percent Renewable Energy[9,10]	%	SASB 2023: IF-WU-130a.1	4.9%	8.4%	2.10%	-6.3%

Energy

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Percent Fuel (Non-renewable)	%	SASB 2023: IF-WU-130a.1	6.3%	14.8%	6.4%	-8.4%

Notes:

No data for the reporting year. Reporting for this topic began in 2023.
1. Fuel blend considered for Philippine business units was 2% Biofuel for Diesel and 10% Biofuel for Gasoline. For Vietnam business units, fuel blend considered was is 5% Biofuel for Diesel and 5% Bioduel for Gasoline.
2. Decrease in energy consumption from fuels is due to lower fuel consumption for vehicles and less usage of generator sets in new facilities. These facilities have been connected to grid electricity in 2023.
3. Increase in electricity consumption is due to the higher production of water supply and treatment of wastewater. It is also due to the shift from genset use to grid electricity in new facilities as indicated in Note #2.
4. Accounting for energy outside the organization in 2023 was expanded to include energy consumed by Leased Assets and Affiliates.
5. Refers to energy consumed from desludging operations of service provider for East Zone and Laguna Water.
6. Based on energy consumption within the organization only
7.Decrease in enterprise energy intensity is due to lower energy consumed and higher revenue performance.
8. Restated 2021 and 2022 energy intensities for water supply and wastewater after re-alignment of facility tagging.
9. Renewable energy consists of energy sourced from biogas and biodiesel component in fuels, renewable energy generated onsite, and purchased renewable energy from open access and power purchase agreements (PPA).
10. Decrease in percent renewable energy is due to market and contractual changes in East Zone and Cebu Water in 2023.

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GHG Emissions

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total GHG Emissions[1]	tons CO_2e	GRI 2016:305-1	240,198.42	235,485.72	784,940.18	
Scope 1[2,3,4]	tons CO_2e	GRI 2016:305-1	44,400.30	42,457.45	31,608.14	-25.6%
Scope 2 (Location-based)[5,6]	tons CO_2e	GRI 2016:305-1	202,147.07	207,184.57	217,822.44	5.1%
Scope 2 (Market-based)[5,6]	tons CO_2e	GRI 2016:305-1	194,265.46	191,352.59	214,829.90	12.3%
Scope 3[7,8,9,10,11]	tons CO_2e	GRI 2016:305-1	1,532.65	1,675.68	538,502.14	

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Enterprise GHG Intensity[12]	GJ/ PHP Revenue	GRI 2016:302-3	11,604.59	10,199.47	7,949.53	-22.1%
GHG Intensity for Water Supply[12]	GJ/MCM Billed Volume	GRI 2016:302-3	217.30	221.85	234.10	5.5%
GHG Intensity for Wastewater[12,13]	GJ/MCM WW received	GRI 2016:302-3	851.34	687.84	657.96	-4.3%

Notes:

1. Scope 1, 2 and 3 GHG emissions computations were based on the methodologies of the GHG Protocol and the 2006 IPCC Guidelines on National Greenhouse Gas Inventory - Wastewater. Total GHG Emissions is based on Scope 1, and Market-based Scope 2 and Scope 3.
2. Restated Scope 1 2021 and 2022 emissions to include Wastewater Process and Fugitive emissions.
3. Scope 1 emission factors are based on UK Business Energy and Industrial Strategy (BEIS) 2023 and the 2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
4. Decrease in Scope 1 emissions is due to lower fuel and refrigerants consumption as well as lower wastewater process and fugitive emissions.
5. Scope 2 emission factors are based on the National Grid Emission Factors (NGEFs).
6. Increase in Scope 2 emissions is due to increased electricity consumption. In addition to this, renewable energy consumption decreased after the end of Open Access contracts in 2023.
7. Where available, the Scope 3 emission factors used are based on UK BEIs 2021 and 2023, latest available NGEFs, 2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, Sustainability Reports, and various studies. Scope 3 emission factors that are not publicly available are based on the emission factors used by MWC's 2021 full greenhouse gas accounting consultant.
8. 2021 and 2022 Scope 3 accounted for Downstream Transportation only. 2023 Accounting was expanded partially to cover eight (8) Scope 3 major categories.
9. All Scope 3 data is based on primary activity data except for Purchased Goods and Services and Capital Goods, which is based on spend data.
10. For Scope 3 accounting from Investments, the following fuel compositions were assumed for each location:
Thailand: Gasoline at 10% bioethanol, Diesel at 7% biofuel
Vietnam: Gasoline at 5% bioethanol, Diesel at 5% biofuel
Indonesia: Gasoline at 0% bioethanol, Diesel at 30% biofuel
Emission factors for each were computed based on these assumptions, with reference to the 2023 UK BEIs.
11. For Scope 3 accounting on Use of Sold Products, 0.07659 kWh electricity consumption was assumed for a mobile phone per visit to the MWC app.
12. GHG intensity includes Scope 1 and Scope 2 emissions only. Decrease is due to higher revenues for the reporting period.
13. Restated 2021 and 2022 GHG Intensity for wastewater to include emissions for process and fugitive emissions. process and fugitive emissions.
13. Increase in Scope 2 emissions is due to increased electricity consumption. In addition to this, renewable energy consumption decreased after the end of Open Access contracts in 2023.

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Customer Satisfaction Score

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Customer Satisfaction Score[1]	%		90%	90%	89%	-1.0%
East Zone	%		90%	90%	89%	-1.0%

Note:

1. Survey was conducted by an external service provider and covers East Zone only

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Customer Concerns

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total customer concerns received	count		160,981	175,992	162,354	-7.7%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total customer concerns resolved within SLA[1]	count		157,683	174,277	161,684	-7.2%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Customer concern resolution rate within SLA[1]	%		98%	99%	100%	0.6%

Note:
1. SLA or Service Level Agreement varies per business unit

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Water Access

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Households served[1]	count		1,737,813	1,820,690	1,914,557	5.2%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total Population served[2,]	count		10,756,606	10,957,585	12,773,087	16.6%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total water service connections	count	SASB 2023: IF-WU-000.A	1,249,186	1,293,448	1,321,716	2.2%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Potable water delivered	MCM	SASB 2023: IF-WU-000.A	1,270	1,254	1,267	1.0%

Note
1,2. Restated 2021 and 2022 household served to reflect changes in estimation methodology for Tagum Water, Cebu Water and Laguna Water.

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Water Quality

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Compliance to drinking water standards[1]	%	GRI 2016:416-2	100%	100%	100%	0.0%

Note

1. Excludes business units with different key performance indicator for water quality

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Wastewater Services

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total sewer connections[1]	count		272,254	292,729	303,724	3.8%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total desludged septic tanks[2]	count		81,828	117,267	121,001	3.2%

Note

1,2. Restated 2021 and 2022 household served to reflect changes in estimation methodology for Tagum Water, Cebu Water and Laguna Water.

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Incidents of Non-Compliance

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total incidents of drinking water violations	count	SASB 2023: IF-WU-250a.1	0	0	0	

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total incidents of effluent quality violations	count	SASB 2023: IF-WU-140b.1	0	0	0	

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Service Disruptions

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Number of planned service disruptions	count	IF-WU-450a.3			1,375	
Less than 4 hours	count	IF-WU-450a.3			866	
Between 4 to 12 hours	count	IF-WU-450a.3			472	
More than 12 hours	count	IF-WU-450a.3			37	

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Number of customers affected	count	IF-WU-450a.3			2,682,992	
Less than 4 hours	count	IF-WU-450a.3			1,435,668	
Between 4 to 12 hours	count	IF-WU-450a.3			1,041,622	
More than 12 hours	count	IF-WU-450a.3			205,701	

Note:
No data for the reporting year. Reporting for this topic began in 2023.

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Distribution Network Efficiency

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total length of water mains distribution system[1]	kilometers, cumulative	SASB 2023: IF-WU-000.E			8,230.84	

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total length of water mains replacements, rehabilitations or renewal[2]	kilometers	SASB 2023: IF-WU-000.E			38.33	

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Water Main Replacement Rate	%	SASB 2023: IF-WU-140a.1			0.47%	

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total length of sewer lines	kilometers, cumulative	SASB 2023: IF-WU-000.E	589.01	628.04	648.36	3.2%

Notes:

No data for the reporting year. Reporting for this topic began in 2023.

1. Includes primary and network lines
2. Excludes pipe repairs

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Water Affordability

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total no. of disconnections due to non-payment[1]	count	SASB 2021: IF-WU-240a.3			231,961	

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total no. of reconnections[1]	count	SASB 2021: IF-WU-240a.3			66,673	

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Reconnection Rate[1]	%	SASB 2021: IF-WU-240a.3			29%	

Note:
No data for the reporting year. Reporting for this topic began in 2023.
1. Covers the East Zone business unit only.

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Employee Demographics

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total employees by gender	count	GRI 2021:2-7	2,464	2,616	2,663	1.8%
Male	count	GRI 2021:2-7	1,610	1,723	1,764	2.4%
Permanent	count	GRI 2021:2-7			1,676	
Temporary[1]	count	GRI 2021:2-7			88	
Female	count	GRI 2021:2-7	854	893	899	0.7%
Permanent	count	GRI 2021:2-7			848	
Temporary	count	GRI 2021:2-7			51	

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total employees by age	count	GRI 2021:2-7	2,464	2,616	2,663	1.8%
Under 30 years old	count	GRI 2021:2-7	720	679	677	0.3%
Permanent	count	GRI 2021:2-7			612	
Temporary	count	GRI 2021:2-7			65	
30-50 years old	count	GRI 2021:2-7	1,351	1,592	1,679	5.5%
Permanent	count	GRI 2021:2-7			1,630	
Temporary	count	GRI 2021:2-7			49	
Over 50 years old	count	GRI 2021:2-7	393	345	307	11.0%
Permanent	count	GRI 2021:2-7			282	
Temporary	count	GRI 2021:2-7			25	

Employee Demographics

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total employees by region	count	GRI 2021:2-7	2,464	2,616	2,663	1.8%
NCR	count	GRI 2021:2-7			1,931	
Permanent	count	GRI 2021:2-7			1,796	
Temporary	count	GRI 2021:2-7			135	
Luzon	count	GRI 2021:2-7			513	
Permanent	count	GRI 2021:2-7			509	
Temporary	count	GRI 2021:2-7			4	
Visayas	count	GRI 2021:2-7			199	
Permanent	count	GRI 2021:2-7			199	
Temporary	count	GRI 2021:2-7			-	
Mindanao	count	GRI 2021:2-7			16	
Permanent	count	GRI 2021:2-7			16	
Temporary	count	GRI 2021:2-7			-	
Outside Philippines	count	GRI 2021:2-7			4	
Permanent	count	GRI 2021:2-7			4	
Temporary	count	GRI 2021:2-7			-	

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Employees by Type of Contract	count	GRI 2021:2-7	2,464	2,616	2,663	1.8%
Permanent	count	GRI 2021:2-7	2,320	2,455	2,524	2.8%
Temporary	count	GRI 2021:2-7	144	161	139	-13.7%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Board of Directors by gender	count	GRI 2016:405-1	11	10	11	10.0%
Male	count	GRI 2016:405-1	10	9	9	0.0%
Female	count	GRI 2016:405-1	1	1	2	100.0%

Employee Demographics

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Board of Directors by age	count	GRI 2016:405-1	11	10	11	10.0%
Under 30 years old	count	GRI 2016:405-1	-	-	-	
30-50 years old	count	GRI 2016:405-1	-	-	1	
Over 50 years old	count	GRI 2016:405-1	11	10	10	0.0%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Permanent employees by rank and gender	count	GRI 2021:2-7			2,524	
Senior Management	count	GRI 2021:2-7			207	
Male	count	GRI 2021:2-7			107	
Female	count	GRI 2021:2-7			100	
Middle Management	count	GRI 2021:2-7			1,690	
Male	count	GRI 2021:2-7			1,001	
Female	count	GRI 2021:2-7			689	
Rank and File	count	GRI 2021:2-7			627	
Male	count	GRI 2021:2-7			564	
Female	count	GRI 2021:2-7			63	

Employee Demographics

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Permanent employees by rank and age	count	GRI 2021:2-7			2,524	
Senior Management	count	GRI 2021:2-7			207	
Under 30 years old	count	GRI 2021:2-7			4	
30-50 years old	count	GRI 2021:2-7			179	
Over 50 years old	count	GRI 2021:2-7			24	
Middle Management	count	GRI 2021:2-7			1,690	
Under 30 years old	count	GRI 2021:2-7			524	
30-50 years old	count	GRI 2021:2-7			1,025	
Over 50 years old	count	GRI 2021:2-7			141	
Rank and File	count	GRI 2021:2-7			627	
Under 30 years old	count	GRI 2021:2-7			84	
30-50 years old	count	GRI 2021:2-7			426	
Over 50 years old	count	GRI 2021:2-7			117	

Notes:

No data for the reporting year. Reporting for this topic began in 2023.
1. Previously reported as "Project-based/Fixed Term Hires"

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Indirect Jobs Created

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total workers who are not employees[1]	count	GRI 2021:2-8			6,028	
Service Providers	count	GRI 2021:2-8			2,945	
Contractors	count	GRI 2021:2-8			3,083	

Note:

No data for the reporting year. Reporting for this topic began in 2023.

1. Reflects estimated numbers only as of November 2023. Manila Water is building the capability to generate precise data

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New Employee Hires

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total new employee hires by gender[1]	count	GRI 2016:401-1	458	486	494	1.6%
Male	count	GRI 2016:401-1	287	309	316	2.3%
Female	count	GRI 2016:401-1	171	177	178	0.6%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total new employee hires by age[1]	count	GRI 2016:401-1	458	486	494	1.6%
Under 30 years old	count	GRI 2016:401-1	257	242	269	11.2%
30-50 years old	count	GRI 2016:401-1	195	233	213	-8.6%
Over 50 years old	count	GRI 2016:401-1	6	11	12	9.1%

Note:

1. Includes internal transfers and consolidates both permanent and temporary employees.

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Employee Turnover

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total employee turnover by gender[1,2]	count	GRI 2016:401-1	311	339	431	27.1%
Male	count	GRI 2016:401-1	184	197	263	33.5%
Female	count	GRI 2016:401-1	127	142	168	18.3%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total employee turnover by age[1,2]	count	GRI 2016:405-1	311	339	431	27.1%
Under 30 years old	count	GRI 2016:405-1	85	101	133	31.7%
30-50 years old	count	GRI 2016:405-1	144	151	232	53.6%
Over 50 years old	count	GRI 2016:405-1	82	87	66	-24.1%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total attrition rate by gender[3]	count	GRI 2016:401-1		13%	16%	3.0%
Male	count	GRI 2016:401-1		12%	15%	3.3%
Female	count	GRI 2016:401-1		16%	19%	2.5%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total attrition rate by age[4]	count	GRI 2016:405-1		13%	16%	3%
Under 30 years old	count	GRI 2016:405-1		14%	20%	5%
30-50 years old	count	GRI 2016:405-1		10%	14%	4%
Over 50 years old	count	GRI 2016:405-1		24%	20%	-3%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total attrition rate[5]	count	GRI 2016:405-1		13%	16%	3%

Note:

No data for the reporting year. Reporting for this topic began in 2023.
1,2. Includes internal transfers and consolidates both permanent and temporary employees.
3,4,5. Turnover Rate = Total Turnover of the current year/Ave workforce of previous and current year

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Training and Education

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total training hours by gender[1]	number of hours	GRI 2016:401-1	47,991	65,892	73,178	11.1%
Male	number of hours	GRI 2016:401-1	28,521	41,476	48,023	15.8%
Female	number of hours	GRI 2016:401-1	19,471	24,416	25,155	3.0%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total training hours by rank[1]	number of hours	GRI 2016:404-1	47,991	65,892	73,178	11.1%
Senior Management	number of hours	GRI 2016:404-1	6,578	6,268	6,707	7.0%
Middle Management	number of hours	GRI 2016:404-1	36,215	50,540	51,598	2.1%
Rank and File	number of hours	GRI 2016:404-1	5,199	9,084	14,873	63.7%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Count of trained employees by gender[2]	count	GRI 2016:404-1	2,223	2,635	2,896	9.9%
Male	count	GRI 2016:404-1	1,384	1,668	1,900	13.9%
Female	count	GRI 2016:404-1	839	967	996	3.0%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Count of trained employees by age[2]	count	GRI 2016:404-1	2,223	2,635	2,896	9.9%
Under 30 years old	count	GRI 2016:404-1	183	185	280	51.4%
30-50 years old	count	GRI 2016:404-1	1,606	2,027	1,956	-3.5%
Over 50 years old	count	GRI 2016:404-1	434	423	660	56.0%

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Average training hours by gender[3,4]						
Male	Average hours	GRI 2016:404-1	21	25	29	15.2%
Female	Average hours	GRI 2016:404-1	23	25	30	17.5%

Training and Education

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Average training hours by rank[3,4]	Average hours					
Senior Management	Average hours	GRI 2016:404-1	36	34	32	-4.4%
Middle Management	Average hours	GRI 2016:404-1	23	25	31	22.5%
Rank and File	Average hours	GRI 2016:404-1	12	21	24	10.5%

Note:
1,2,3. Starting 2023 training data covers permanent employees only
4. The ave training hours for 2021 and 2022 was calculated using the total count of trained employees.
Starting 2023, average training hours = total training hours of permanenet employees/total permanent employees

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Benefits to Full Time Employees

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total Employees entitled to parental leave	count	GRI 2016:401-2			1,915	
Number of employees entitled to maternity leave	count	GRI 2016:401-2			900	
Number of employees entitled to paternity leave	count	GRI 2016:401-2			980	
Number of employees entitled to solo parent leave	count	GRI 2016:401-2			35	

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total employees who took parental leave		GRI 2016:401-2			203	
Maternity leave	count	GRI 2016:401-2			67	
Paternity Leave	count	GRI 2016:401-2			80	
Solo Parent Leave	count	GRI 2016:401-2			56	

KPI	Unit of measurement	Reference Standard	2021	2022	2023	% Change
Total employees who returned to work in the reporting period after parental leave ended		GRI 2016:401-2			191	
Maternity leave	count	GRI 2016:401-2			50	
Paternity Leave	count	GRI 2016:401-2			85	
Solo Parent Leave	count	GRI 2016:401-2			56	

Note:
No data for the reporting year. Reporting for this topic began in 2023.

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Occupational Health and Safety - Employees

KPI	Unit of measure	Reference Standard	2021	2022	2023	% Change
Fatality as a result of a work-related injury	count	GRI 2018:403-9	-	1	1	0.0%
Disabling or high-consequence work-related injury, excluding fatality	count	GRI 2018:403-9	-	-	-	
Recordable work-related injury[1]	count	GRI 2018:403-9	6	3	6	100.0%

KPI	Unit of measure	Reference Standard	2021	2022	2023	% Change
Total number of hours worked	number of hours	GRI 2018:403-9			5,710,001	

KPI	Unit of measure	Reference Standard	2021	2022	2023	% Change
Total Lost Time Injury Rate[2]	rate			0.38	0.46	

KPI	Unit of measure	Reference Standard	2021	2022	2023	% Change
Total rate of fatalities as a result of work-related injury[3]	rate	GRI 2018:403-9			0.23	

KPI	Unit of measure	Reference Standard	2021	2022	2023	% Change
Total rate of high-consequence work-related injuries (excluding fatalities)[4]	rate	GRI 2018:403-9			0	

Occupational Health and Safety - Employees

KPI	Unit of measure	Reference Standard	2021	2022	2023	% Change
Total rate of recordable work-related injuries[5]	rate	GRI 2018:403-9			1.37	

Notes:
No data for the reporting year. Reporting for this topic began in 2023.
1. Previously reported as a non-disabling injury, this covers incidents that have resulted in consequences for an employee's safety.
2. Lost-time injury rate = (No. of Lost Time Incidents/Safe Manhours)*1,000,000
3. Rate of fatalities as a result of work-related injury = (No. of Fatality/Safe Manhours)*1,000,000
4. Rate of high-consequence work-related injuries (excluding fatalities) = (No. of high-consequence work-related injuries/Safe Manhours)*1,000,000
5. Rate of recordable work-related injuries = (Number of recordable work-related injuries/Safe Manhours)*1,000,000

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Progress on ESG Commitments to 2025

Agenda	ESG Commitments to 2025	Unit of Measurement	2022	2023
Help Communities Thrive	At least 15% raw water supply	%	28%	24%
	< 15% NRW level[1]	%	12.1%	13.5%
	100% compliance to national drinking water standards	%	100%	100%
Protect the Environment	60% Reduction and avoidance through renewable energy and wastewater treatment	%	36%	42%
	1000 hectares of Watershed areas reforested bet. 2022 – 2025	hectares	430	680
	580,000 trees planted and nurtured between 2022-2025	number of trees	207,333	310,957
Build a Culture of Trust and Care	Building infrastructure sufficient to satisfy service commitments and improvements[2]	PHP Billion	21.7	20.2
	Zero Lost Time injury rate (LTIR)	rate	0.38	0.46

Notes:

1. Target scope is MWC East Zone business
2. Target considers concession business units (East Zone, Laguna Water, Boracay Water, Clark Water)

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Governance Data

KPI	2021	2022	2023
ESG Ratings[1]			
CDP - Water Security	(B) Management Level	(B) Management Level	(A-) Leadership Level
CDP - Climate Change	(C) Awareness Level	(B) Management Level	(B) Management Level
Sustainalytics	34 - High Risk	27.1 - Medium Risk	22.1 - Medium Risk
MSCI	B	B	BB
Refinitv	A -	A -	A -
ASEAN Corporate Governance Score Card	3-golden arrow	3-golden arrow	4-golden arrow

KPI	2021	2022	2023
Whistleblower Reports Reported whistleblowing cases through various reporting channels		3	6

Notes:
No data for the reporting year. Reporting for this topic began in 2022.
1. The ESG rating score corresponds to the time of its release by the rating agency.

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Independent Limited Assurance Report

The Stockholders and Board of Directors
Manila Water Company, Inc.
MWSS Administration Building
489 Katipunan Road, Balara
Quezon City, 1105 Philippines

Scope
We have been engaged by Manila Water Company, Inc. (MWC) to perform a 'limited assurance engagement,' as defined by Philippine Standard on Assurance Engagements 3000 (Revised) [PSAE 3000 (Revised)], *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, hereafter referred to as the engagement, to report on MWC's sustainability information (the "Subject Matter") contained in the 2023 MWC Integrated Report for the year ended December 31, 2023 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by MWC
In preparing the Subject Matter, MWC applied the Global Reporting Initiative (GRI) Standards, the Sustainability Accounting Standards Board (SASB) Standard for Water Utilities and Services, and the Recommendations of the Task Force for Climate-related Financial Disclosures (TCFD).

MWC's responsibilities
MWC's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

SGV's responsibilities
Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the *Philippine Standard on Assurance Engagements* 3000 (Revised) [PSAE 3000 (Revised)], *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, and the terms of reference for this engagement as agreed with MWC on 30 November 2023 and as amended on 12 April 2024. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be with reference to the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

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We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality management
We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants in the Philippines and have the required competencies and experience to conduct this assurance engagement.

SGV also applies Philippine Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed
Procedures performed in a limited assurance engagement vary in nature and timing from and are less 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 had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

1. Conducted interviews with management and relevant process owners to:
   a. Understand the principal business operations and reporting process;
   b. Understand the processes for collecting, collating and reporting the Subject Matter during the reporting period;

2. Checked that calculation criteria used have been correctly applied in accordance with the methodologies outlined in the Criteria;

3. Undertook analytical procedures of the data and made inquiries of management to obtain explanations for any significant differences we identified;

4. Identified and tested assumptions supporting calculations; and

5. Tested, on a sample basis, underlying source documentation/reports to check accuracy of information disclosed.

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We also performed such other procedures as we considered necessary in the circumstances.

Conclusion
Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter for the year ended December 31, 2023, in order for it to be based on the Criteria.

SYCIP, GORRES, VELAYO & CO.

Katrina F. Francisco
Katrina F. Francisco
Partner
CPA Certificate No. 0106371
PTR No. MKT 10079939, Jan. 05, 2024

14 April 2024

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", "Enterprise" 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.

On November 9, 2023, after due notice to the public, the MWSS-RO conducted a public hearing for the extension of the expiration date of the RCA. This is in view of Company's application to extend the term of the RCA for another 10 years or until 2047 to align with the term of its Franchise.

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 May 10, 2023, the Company and MWSS executed a seventh Amendment to the RCA (the "Amendment"). The parties agreed that the RCA and the seventh Amendment are deemed to be effective as of June 29, 2022. The Republic also issued a new Undertaking Letter effective as of July 1, 2022, superseding the Undertaking Letter dated June 24, 2022.

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. (MWPVI). Currently under MWPVI are (1) bulk water supply businesses 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 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 MWPVI is a division, Estate Water, 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, 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, wherein it states that 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 several excluded developments. On December 29, 2021, MWPVI entered into a Deed of Absolute Sale with Amaia Land Corp. (Amaia) and BellaVita Land Corp. (BellaVita) whereby MWPVI 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, MWPVI 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 (YEAR-END 2023 VS. YEAR-END 2022)

Group net income for the year ended December 31, 2023 decreased 6% from the same period last year to ₱5,593 million. Excluding one-offs, core income stood at ₱9,628 million.

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

(in millions)	For the years ended December 31 **2023**	2022	Increase (Decrease)	%
Total revenues	**₱30,710**	₱22,799	₱7,911	35%
Total cost and expenses (excluding depreciation and amortization)	**10,794**	10,822	(29)	0%
Other income (expenses) - net	**598**	812	(215)	(26%)
Equity share in net income of associates	**502**	520	(18)	(3%)
Other income (expenses) - net	**96**	292	(196)	(67%)
Earnings before interest, income taxes, depreciation, and amortization (EBITDA)	**20,514**	12,789	7,725	60%
Depreciation and amortization expense	**4,308**	3,046	1,262	41%
Earnings before interest and taxes (EBIT)	**16,206**	9,743	6,463	66%
Interest expense - net	**(3,472)**	(2,694)	(778)	29%
Foreign exchange gains - net	**54**	662	(608)	(92%)
Other income (expenses) - net	**(3,812)**	450	(4,262)	(947%)
Income before income tax	**8,976**	8,161	815	10%
Provision for income tax	**3,105**	2,013	1,092	54%
Net income from continuing operations	**5,871**	6,148	(277)	(5%)
Net loss after tax from discontinued operations[2]	**(1)**	(6)	5	(83%)
Net income	**5,870**	6,142	(272)	(4%)
Non-controlling interests*	**277**	219	58	26%
Net income attributable to MWC	**₱5,593**	₱5,923	(₱330)	(6%)

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

Consolidated operating revenues increased 35% to ₱30,710 million in 2023 from ₱22,799 million last year. Said increase was primarily driven by billed volume growth, coupled with higher average tariff and cross border charges in the Company. This growth was further supported by the 20% increase in Non-East Zone revenues due mainly to tariff increases in several business units. The Group derived 74% of its operating revenues from the sale of water, while 19% 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.

[2] For years ended December 31, 2023 and 2022, the Group presented as a single amount in its consolidated statement of income the post-tax net loss of its discontinued operations in Zamboanga Water and the Healthy Family division of MWIS.

	For the years ended December 31			
(in millions)	**2023**	2022	Increase (Decrease)	%
Personnel costs	**₱2,492**	₱2,471	₱21	1%
Direct costs	**5,431**	5,730	(299)	(5%)
Overhead costs	**943**	1,127	(184)	(16%)
Premises costs	**549**	453	96	21%
Other cost and expenses	**1,379**	1,042	337	32%
Total cost and expenses	**₱10,794**	₱10,823	(₱29)	0%

Consolidated cost of services and expenses remained steady at ₱10,794 million as 2023 cost increases in East Zone were offset by certain non-recurring items in 2022. On a per costs category, personnel costs slightly increased in 2023 due primarily to additional head count. Direct costs were lower by 5% from last year at ₱5,431 million, driven by lower repairs and maintenance and contractual services which were partially offset by higher power costs due to higher consumption and rates. Overhead costs decreased in 2023 mainly due to lower taxes and licenses as a result of the Company's shift to franchise law in 2022 and lower management and professional fees; this was partially offset by higher provision for Expected Credit Losses (ECL) in 2023. Premises costs increased 21% from last year, driven mainly by higher insurance costs and premiums related to new facilities and higher security costs. Other costs and expenses also increased due to consumer price index adjustment on concession fees and higher systems costs, among others. The significant decrease in other income pertains to the Company's deferred input VAT and accrual adjustments booked in 2022, among others.

Consequently, consolidated EBITDA increased 60% to end at ₱20,514 million for the year, with an EBITDA margin of 67%. Depreciation and amortization increased by 41% to ₱4,308 million, driven mainly by the newly completed CAPEX projects and standardization of depreciation methods across facilities, offset by the extension of the useful life of service concession assets under the Franchise law.

Net interest expense was higher by 29% from last year at ₱3,472 million, driven mainly by interest on loans which were fully capitalized in 2022 and accretion of East Zone's bulk water contract; these increases were slightly offset by higher interest income from peso and dollar investments.

Net foreign exchange gains decreased for the year due to East Zone's writeback of deferred forex losses in 2022 in line with the reversion to the Original Concession Agreement and higher forex gains from cash and other assets last year due to Peso depreciation. Moreover, below EBITDA other expense - net in 2023 was mainly due to the recognition of impairment provision for East Water investment, countered by the accrued liquidated damages and adjustment to SCO related to EZ's bulk water contract. Lastly, provision for income tax increased to ₱3,105 million mainly driven by higher taxable income.

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

Net income of the Company stood at ₱8,809 million for the year, 60% higher than last year. This was driven primarily by the 38% increase in average tariff, as the Company implemented the first tranche of the approved Rate Rebasing adjustment. This was further supported by the notable consumption recovery by the commercial and industrial segments, coupled with higher cross border charges. Cost and expenses remained steady as 2023 cost increases were offset by certain non-recurring items in 2022. Amortization and depreciation increased 56% to ₱3,554 million due mainly to the newly completed CAPEX projects and standardization of depreciation methods across facilities, offset by the extension of the useful life of service concession assets under the Franchise law. Improvement in the topline revenue was further offset by higher interest costs and provision for tax expense.

	For the years ended December 31			
	2023	2022	Increase (Decrease)	%
Operating Highlights				
Billed volume (in million cubic meters)*	**516.4**	501.4	15.0	3%
Average tariff (in Pesos per cubic meter)**	**44.8**	32.5	12.30	38%
Number of billed connections***	**1,088,146**	1,063,216	24,930	2%
Collection efficiency****	**99.2%**	102.4%	(3.2 ppts)	
Non-revenue water*****	**13.5%**	12.2%	1.3 ppts	
Financial Highlights (in millions)				
Revenues	**₱24,106**	₱17,131	₱6,975	41%
Cost and expenses (excluding depreciation and amortization)	**7,165**	7,181	(16)	0%
EBITDA	**17,040**	10,207	6,833	67%
Net income	**₱8,809**	₱5,499	₱3,310	60%

**Billed volume is the amount of water billed to customers, which is measured in million cubic meters (mcm).*
***Average tariff is operating 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 41% to ₱24,106 million from ₱17,131 million last year driven by tariff adjustments, billed volume growth and cross-border charges. In 2023, total cost and expenses for the year remained flat at ₱7,165 million due mainly to the combined effect current year cost increases, offset by by certain non-recurring cost items in 2022 and further tempered by continued prudent cost management.

With these movements, EBITDA increased by 67% to ₱17,040 million from ₱10,207 million last year. EBITDA margin stood at 71%.

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 MWPVI).

	For the years ended December 31			
	2023*	2022*	Increase (Decrease)	%
Operating Highlights				
Billed volume (in million cubic meters)	**116.3**	115.9	0.4	0%
Financial Highlights (in millions)				
Revenues	**₱6,990**	₱5,827**	₱1,163	20%
Cost and expenses (excluding depreciation and amortization)	**3,848**	3,467	381	11%
EBITDA	**3,138**	2,395	743	31%
Net income attributable to MWC	**₱750**	₱137	₱613	447%

**Includes MWIS to show total domestic operations*
*** Certain prior year amounts have been reclassified by the Group to conform to current year presentation*

NEZ – Philippines ended the year with ₱750 million net income, which marked its complete positive turnaround mainly driven by tariff increases from several business units.

On a consolidated MWPVI level, revenues were higher by 20% at ₱6,990 million, mostly attributable to tariff hike implementation, higher revenues from construction projects, higher sewer revenues from Estate Water, and higher revenues from MWIS from pipelaying projects and integrated water services.

Total cost and expenses increased by 11% year-on-year to ₱3,848 million mainly in line with continued recovery of economic activity. The major increase in direct cost was from higher contractual services, power costs due to higher consumption and rates, as well as repairs and maintenance costs. Premises costs, personnel and overhead costs also increased in 2023.

The movements in MWPVI Group's revenues and costs resulted to better EBITDA by 31% or an improvement of ₱743 million from ₱2,395 million in 2022 to ₱3,138 million in 2023. EBITDA margin was at 45% which is an increase of 4 percentage points compared from last year's 41%.

Net interest expense was slightly lower in 2023 at ₱980 million compared to ₱998 million in 2022 driven by lower interest expense on service concession obligations and higher interest income from savings and investment accounts. The improvement in top line revenue was further offset by higher provision for income tax.

Below is a summary of the results of MWPVI's core subsidiaries which contribute 72% of total revenues of NEZ - Philippines:

	For the years ended December 31			
	2023	2022	Increase (Decrease)	%
Clark Water				
Billed volume (in million cubic meters)*	**13.5**	13.5	-	0%
Average tariff (in Pesos per cubic meter)**	**₱33.6**	₱32.7	₱0.9	3%
Revenues (in millions)	**₱460**	₱451	₱9	2%
Net income (in millions)	**₱42**	₱78	(₱36)	(46%)
Billed Connections***	**1,987**	2,003	(16)	(1%)
Non-Revenue Water****	**5.8%**	5.8%	0.0 ppts	
Laguna Water				
Billed volume (in million cubic meters)	**45.0**	45.9	(0.9)	(2%)
Average Tariff (in Pesos per cubic meter)	**₱57.3**	₱44.6	₱12.7	28%
Revenues (in millions)	**₱2,663**	₱2,172	₱491	23%
Net income (in millions)	**₱904**	₱621	₱283	46%
Billed Connections	**128,480**	123,705	4,775	4%
Non-Revenue Water	**27.4%**	22.9%	4.5 ppts	
Boracay Water				
Billed volume (in million cubic meters)	**3.3**	3.5	(0.2)	(6%)
Average tariff (in Pesos per cubic meter)	**₱184.2**	₱115.6	₱68.6	59%
Revenues (in millions)	**₱613**	₱417	₱196	47%
Net income (loss) (in millions)	**₱41**	(₱102)	₱143	140%
Billed Connections	**5,355**	4,647	708	15%
Non-Revenue Water	**20.6%**	23.5%	2.9 ppts.	
Estate Water				
Supervision fees*****	**₱216.3**	₱238.9	(₱22.6)	(9%)
Billed volume (in million cubic meters)	**12.0**	10.3	1.7	17%
Average tariff (in Pesos per cubic meter)	**₱73.9**	₱65.2	₱8.7	13%
Revenues (in millions)	**₱1,310**	₱1,076	₱234	22%
Net income (in millions)	**₱94**	₱75	₱19	25%
Billed Connections	**17,321**	16,143	1,178	7%

**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 Business Units.*
******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 2023, the same as its billed volume last year. The steady billed volume coupled with the 3% tariff increase resulted in Clark Water's revenue growth by 2% in 2023. Moreover, Non-revenue Water remained flat at 5.80% from 2022. Meanwhile, total costs and expenses rose by 14% to ₱282 million from ₱248 million last year mainly driven by increase in repairs and maintenance. These movements resulted in a 46% decrease to Clark Water's net income at ₱42 million for the year ended December 31, 2023.

Laguna Water's billed volume declined by 2% to 45.0 mcm in 2023 from 45.9 mcm in 2022 driven by lower consumption of industrial and commercial accounts. Even amid this decline, Laguna Water's revenues grew 23% year-on-year to ₱2,663 million, driven by a 28% improvement in average effective tariff to ₱57.3 per cubic meter with the implementation of tariff hikes beginning 2023. Non-revenue Water, however, increased 5.1ppts to 27.4% from 22.3% last year due to two mainline leaks. Meanwhile, cost and expenses were held to a 16% increase from 2022 to ₱1,035 million in 2023 mainly driven by higher direct and overhead costs and higher technical service cost, countered by decrease in personnel cost. These movements resulted in a 27% EBITDA growth to ₱1,629 million and a 46% increase in net income to ₱904 million for the year ended December 31, 2023.

Boracay Water's 2023 billed volume for commercial and residential accounts remained flat at 3.3 mcm compared last year, countered by the nonrenewal of its bulk water account. The 59% increase in average effective tariff primarily led to the 47% increase in Boracay Water's revenue to ₱613 million for the year. In line with the recovery of demand and activity in the island, total cost and expenses increased by 18% versus last year, with increases in all cost categories. These movements in Boracay Water resulted in a complete turnaround of prior year's net loss position to net income of ₱41 million for the year ended December 31, 2023.

Estate Water, a division of MWPVI, posted billed volume growth of 17% to 12.0 mcm for the year ended December 31, 2023. This was due to higher consumption from all customer segments, and further supported by the 7% increase in billed connections primarily due to new residential accounts, countered by slight decrease in commercial and industrial accounts. Estate Water's supervision fees declined due to decrease in greenfield projects . Furthermore, its average tariff increased 13% due to the implementation of tariff increase in its developments. Estate Water closed the year with a net income of ₱94 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			
	2023	2022	Increase (Decrease)	%
Operating Highlights				
Billed volume (in million cubic meters)*	**636.7**	637.6	(1)	(0%)
Financial Highlights (in millions)				
Equity share in net income of associates**	**₱499**	₱520	(₱21)	(4%)
Cost and expenses (excluding depreciation and amortization)	**118**	252	(134)	(53%)
EBITDA	**385**	290	95	24%
Net income / (loss) attributable to MWC	**(₱3,961)**	₱154	(₱4,115)	(2,672%)

**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's prior-year net income turned around to a net loss position in 2023 amounting to ₱3,961 million, driven by the recognition of provision for impairment loss on the investment in East Water. Excluding the impairment, net income amounts to ₱102 million.

Equity share in net income of associates decreased by 4% from ₱520 million to ₱499 million, mainly driven by the decline in East Water's performance due to lower billed volume driven by the handover of pipelines to another contractor, higher electricity cost and higher depreciation of newly completed maintenance CAPEX. These were offset by improved performance of the Vietnam associates (i.e., Thu Duc Water and Kenh Dong Water) and Saudi associates (IWP and IWP2). Consequently, 2023 EBITDA amounted to ₱385 million for the year ended December 31, 2023, 24% higher than last year.

Below is a summary of the results of associates under NEZ - International:

	For the years ended December 31			
(in millions)	**2023**	2022	Increase (Decrease)	%
East Water at 18.72% contribution, before adjustment	**₱97.2**	₱205	(₱107.8)	(53%)
Impact of fair value amortization	**151.4**	144.1	7.3	5%
East Water at 18.72% contribution, adjusted	**(54.2)**	60.5	(114.7)	(190%)
Thu Duc Water at 49.00% contribution	**325.2**	315.9	9.3	3%
Kenh Dong Water at 47.35% contribution	**217.5**	197.9	19.6	10%
Saigon Water at 37.99% contribution	**(39.2)**	(77.6)	38.4	(49%)
PT STU at 20.00% contribution	**1.0**	0.1	0.9	900%
IWP at 20.00% contribution	**27.0**	11.8	15.2	129%
IWP2 at 30.00% contribution	**21.3**	11.4	9.9	87%
Total equity share in net income of associates	**₱498.6**	₱520.0	(₱21.4)	(4%)

	For the years ended December 31			
	2023	2022	Increase (Decrease)	%
East Water				
Billed volume (in million cubic meters)	**319.3**	323.7	(4.4)	(1%)
Net income (in million THB)	**(188)**	208	(396)	(190%)
East Water at 18.72% contribution (in thousand Php)	**(₱54,210)**	₱60,478	(₱114,688)	(190%)
Revenues (in million THB)	**3,201**	3,289	(88)	(3%)
COS and Operating Expenses (in million THB)	**1,973**	1,608	365	23%
EBITDA (in million THB)	**1,228**	1,681	(453)	(27%)
Thu Duc Water				
Billed volume (in million cubic meters)	**109.5**	109.5	–	–
Net income - VAS (in million VND)	**164,161**	170,707	(6,546)	(4%)
Thu Duc Water at 49.00% contribution (in thousand Php)	**₱325,182**	₱315,926	₱9,256	3%
Revenues (in million VND)	**396,920**	389,965	6,955	2%
COS and Operating Expenses (in million VND)	**137,018**	136,273	745	1%
EBITDA (in million VND)	**259,902**	253,692	6,210	2%
Kenh Dong Water				
Billed volume (in million cubic meters)	**68.5**	68.5	–	–
Net income - VAS (in million VND)	**123,127**	118,947	4,180	4%
Kenh Dong Water at 47.35% contribution (in thousand Php)	**₱217,531**	₱197,941	₱19,590	10%
Revenues (in million VND)	**316,698**	316,568	130	0%
COS and Operating Expenses (in million VND)	**136,689**	131,790	4,899	4%
EBITDA (in million VND)	**180,009**	184,779	(4,770)	(3%)
Saigon Water				
Billed volume (in million cubic meters)	**132.5**	129.5	3.0	2%
Net income (loss) - VAS (in million VND)	**(45,167)**	(88,983)	43,816	(49%)
Saigon Water at 37.99% contribution (in thousand Php)	**(₱39,245)**	(₱77,586)	₱38,341	(49%)
Revenues (in million VND)	**331,992**	295,801	36,191	12%
COS and Operating Expenses (in million VND)	**203,206**	215,110	(11,904)	(6%)
EBITDA (in million VND)	**128,787**	80,690	48,097	60%
PT STU				
Billed volume (in million cubic meters)	**5.9**	6.3	(0.4)	(6%)
Net income (in million IDR)	**2,891**	3,026	(135)	(4%)
PT STU at 20% contribution (in thousand Php)	**₱0.99**	₱0.14	₱0.85	607%
Revenues (in million IDR)	**25,602**	26,879	(1,277)	(5%)
COS and Operating Expenses (in million IDR)	**20,355**	21,215	(860)	(4%)
EBITDA (in million IDR)	**5,247**	5,663	(416)	(7%)
International Water Partners (IWP)				
Billed volume (in million cubic meters)	**–**	–	–	–
Net income (in million SAR)	**10**	9	1	11%
IWP at 20% contribution (in thousand Php)	**₱26,993**	₱11,770	₱15,223	129%
Revenues (in million SAR)	**46**	43	3	7%
COS and Operating Expenses (in million SAR)	**37**	32	5	16%
EBITDA (in million SAR)	**12**	11	1	9%
International Water Partners the Second (IWP2)				
Net income (in million SAR)	**5**	3	2	67%
IWP at 20% contribution (in thousand Php)	**₱21,293**	₱11,355	₱9,938	88%
Revenues (in million SAR)	**33**	21	12	57%
COS and Operating Expenses (in million SAR)	**26**	17	9	53%
EBITDA (in million SAR)	**7**	4	3	75%

**Billed volume is the amount of water billed to customers, which is measured in million cubic meters (mcm)*

East Water, a water supply and environmental services company in Thailand, registered a total of 319.3 mcm billed volume in 2023, which was lower by 1% versus last year. This was primarily driven by lower consumption from raw water customers due to handover of pipelines to the Treasury Department in April 2023. The decrease in raw water billed volume was partly offset by higher tap water billed volume coming from increase in consumption in the Sattahip area, and billed volume from new customer accounts. These factors led to a net decrease in East Water revenues of 3%. Moreover, costs and expenses were higher in 2023 compared to 2022 due to higher direct costs from electricity and increased in depreciation from newly completed maintenance CAPEX. These movements resulted in a 27% decrease in EBITDA at THB1.2 billion and a 55% decrease in net income at TBH 314 million versus last year. In peso terms, the income reflected in the consolidated financial statements as equity share in net loss of associates amounted to ₱54 million as of the end of 2023, 190% lower than in 2022, equivalent to Manila Water's 18.72% stake in East Water.

Thu Duc Water's billed volume in 2023 remained steady from 2022 at 109.5 mcm. Using Vietnamese Accounting Standards ("VAS"), revenues were 2% higher at VND325 billion. Meanwhile, Thu Duc Water's cost and expenses decreased 1% to VND745 billion due to lower power and repairs and maintenance. As a result, EBITDA for the year increased by 2% or VND6,210 billion. Topline revenue and costs improvements were offset by below EBITDA items such as Forex, depreciation and provision for income taxes. Accordingly, net income decreased to VND164 billion, 4% lower from the same period in 2022. 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 ₱325 million in 2023, 3% higher from previous year. This is equivalent to MWAP's 49.00% stake in Thu Duc Water.

Kenh Dong Water's billed volume in 2023 remained flat from 2022 at 68.5 mcm resulting to a steady revenue amounting to VND317 billion. Meanwhile, its cost and expenses increased 4% to VND137 billion. This led to a net decrease in EBITDA by 3% to VND180 billion. Despite these movements, Kenh Dong Water managed to register a higher net income in 2023 to VND123 billion, 4% higher from 2022. Kenh Dong Water's equity share in net income recognized in the consolidated financial statements amounted to ₱218 million for the year ended December 31, 2023, equivalent to MWAP's 47.35% ownership stake.

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), recorded total consolidated billed volume of 132.5 mcm in 2023, higher by 2% from 2022 due to 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 12% to VND332 billion from increase in billed volume coupled with higher tariffs for nearly all of its business units. On the other hand, cost and expenses decreased by 6% to VND203 billion due to lower spending on operating expenses. Consequently, EBITDA increased by 60% to VND129 billion. Topline revenue and costs improvements were offset by below EBITDA items such as FOREX, depreciation and provision for income taxes. As a result, Saigon Water posted a net loss of VND45 billion in 2023, 49% lower than the previous year. The PFRS-translated loss of Manila Water's 37.99% stake in Saigon Water amounted to ₱39 million as of the end of 2023.

PT STU's, an industrial bulk water operation in Indonesia, billed volume decreased by 6% to 5.9 mcm in 2023 from 6.3 mcm in 2022. Consequently, in 2023, PT STU posted a 5% decrease in revenues to IDR26 billion and a 7% decrease in EBITDA to IDR5 billion. Net income decreased to about IDR3 billion, lower by 4% from 2022 due to lower billed volume in 2023. Income from PT STU reported as equity share in net income of associates in the consolidated financial statements amounted to ₱1 million, representing a 20.00% stake of Manila Water.

Lastly, the Consortium of Saur SAS, Miahona Company, and the Company in the Kingdom of Saudi Arabia. IWP and IWP2 posted equity share for the year ended December 31, 2023 of ₱27 million and ₱21 million, respectively, representing Manila Water's 20% stake.

CONSOLIDATED BALANCE SHEET

Total assets increased to ₱210 billion from December 31, 2022 mainly due to the increase in the Group's capital expenditures. Cash and cash equivalents increased by 22% to ₱10.8 billion driven by net loan drawdowns, countered by capital expenditures, operating expenses and dividend payments.

The Group's balance sheet remains strong, with the Company compliant with loan covenants. Debt maturity profile is spread out.

(in millions)	**December 31, 2023**	December 31, 2022	Increase (Decrease)	%
Assets	**₱209,687**	₱194,804	14,883	8%
Cash and cash equivalents	**10,753**	8,812	1,941	22%
*Other assets**	**27,608**	33,763	(6,155)	(18%)
*Service concession assets** and Property, plant and equipment*	**171,326**	152,229	19,097	13%
Liabilities	**₱139,568**	₱121,351	18,217	15%
Equity	**₱70,119**	₱73,453	(3,334)	(5%)
Ratios				
Bank debt to equity	**1.23x**	1.01x		
Debt service coverage ratio (DSCR)	**1.29x**	1.29x		
Return on equity (ROE)	**8%**	8%		

**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 and payments to be made for Wawa Bulk Water Contract.*

With regard to liabilities, total debt as of December 31, 2023 increased to ₱139.6 billion from ₱121.4 billion as of December 31, 2022. Bank debt increased due to additional drawdowns for capital expenditures and operating requirements

Total equity decreased by 5% mainly driven by 2023 Group net earnings less dividends declared, acquisition of treasury shares and OCI reversal from the unwinding of the derivative on the Euro-loan.

Bank debt to equity was at 1.23x while DSCR stood at 1.29x. Average cost of debt for the Group was at 6.11%, while ROE was at 8%.

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 decreased by 14% to end at ₱21.59 billion for the year, with ₱19.20 billion or 89% 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. 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 11% or ₱2.39 billion for the year. Estate Water spent ₱1.3 billion for its greenfield and brownfield projects, while the balance was taken on by the remaining subsidiaries for their various projects.

RECENT MATERIAL EVENTS

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.

Effective January 1, 2024, the Parent Company implemented the second tranche of the approved Rate Rebasing Adjustment equivalent to 14.35% and adjustment due to changes in Consumer Price Index equivalent to 3.53% on the existing Basic Charge, based on MWS-RO Resolution No. 2023-16-CA dated November 14, 2023 and as approved by the MWSS Board Resolution No. 2023-145-RO dated November 22, 2023. Accordingly, the Parent Company was allowed to raise its rate by an average of P6.41 per cubic meter.

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 ₱ 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.

Declaration of Cash Dividends

On March 28, 2023, the Board of Directors during its meeting, approved the declaration of cash dividends amounting to ₱0.619 per share on the outstanding common shares, Php0.062 per share on the outstanding unlisted participating preferred shares, and accumulated fixed cash dividends of PHP0.01 per share on the outstanding unlisted participating preferred shares.

The record date was April 14, 2023, and payment date was on April 28, 2023.

The Parent Company's Revised Concession Agreement with MWSS

On March 31, 2021, the Parent Company and MWSS entered into the Revised Concession Agreement (RCA) which has a term of up to July 31, 2037.

The RCA removed the recovery of the Corporate Income Taxes and adjustment for foreign currency differential (FCDA). It likewise lowered the inflation factor to 2/3 on 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). In lieu of a market-driven appropriate discount rate, the Parent Company is subjected to a 12.00% fixed nominal discount rate for expenditures. Lastly, the Revised Concession Agreement will be covered by an Undertaking Letter of the Republic which will apply to contracts and obligations existing at the time of execution of the agreement.

The Parent Company and MWSS executed six (6) amendments to the RCA extending its Effective Date to on or before June 30, 2022. On June 30, 2022, the Parent Company received an Undertaking Letter issued by the Republic dated June 24, 2022.

On May 10, 2023, the Parent Company and MWSS executed a seventh Amendment to the RCA (the "Amendment"). The parties agreed that the RCA and the seventh Amendment are deemed to be effective as of June 29, 2022. The Republic also issued a new Undertaking Letter effective as of July 1, 2022, superseding the Undertaking Letter dated June 24, 2022.

Below are the key changes in the seventh amendment to the RCA:

- Tariff adjustments must observe the cap on "C" which is 75% of the July inflation as published by PSA. *(Amended RCA Sec 9.4.2)*
- FCDA will be based on the following (1) Forex gains or losses arising from the payments to service the debt of MWSS Loans; and (2) forex arising from principal payments of loans, limited to the list of loans provided in the RCA. *(Amended RCA Section 9.8)*. Forex gains/losses on additional or new foreign currency denominated loans secured and drawn after June 29, 2022 onwards shall be recovered through Modified FCDA. *(Amended RCA Sec 9.8.1)*
- Revised provision for MAGA (*Amended Article 10)*

On November 9, 2023, after due notice to the public, the MWSS-RO conducted a public hearing for the extension of the expiration date of the RCA. This is in view of Parent Company's application to extend the term of the RCA for another 10 years or until 2047 to align with the term of its Franchise.

Parent Company's Buy-back of Shares from Ayala and Philwater

On October 11, 2023, the Parent Company's BOD approved a buy-back program of its shares with Ayala and Philwater. The Parent Company re-acquired its 288,998,734 common shares and 436,243,932 participating preferred shares, respectively, for a total amount of ₱5.72 billion. This transaction reduced Ayala Corporation's effective economic stake from 30.40% as of December 31, 2022 to 22.54% as of December 31, 2023.

As of December 31, 2023, Ayala holds 577,947,462 common shares and 872,487,862 preferred shares in the Parent Company.

Declaration of Cash Dividends

On February 29, 2024, the Board of Directors during its meeting, approved the declaration of cash dividends amounting to ₱1.129 per share on the outstanding common shares, Php0.113 per share on the outstanding unlisted participating preferred shares, and accumulated fixed cash dividends of PHP0.01 per share on the outstanding unlisted participating preferred shares.

The record date is March 18, 2024 and payment date is on April 12, 2024.

Report of the Audit Commitee to the Board of Directors

For the year ended December 31, 2023

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 members in 2023 who are independent directors;
- The Committee had four (4) regular meetings with the internal auditors, three of which were with external auditors;
- The Committee recommended to the Board of Directors the re-appointment of SGV & Co. as independent external auditors for 2023 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, 2023, 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, 2023 and the filing thereof with the Securities and Exchange Commission.

February 26, 2024

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") Is Responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of and for the years ended December 31.2023 and 2022, 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 financial statementsthat are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. disclosing, as applicable, matters related to going concer and using the going concern basis of accounting unless management either intends to liquidate the Company, or to ccase operations, or has no rcalistic altemative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors revicws and approves the 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 financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairess 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. Migue
Chief Finance Officer and Treasurer

SyCip Gorres Velayo & Co.
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Manila Water Company, Inc.

Opinion

We have audited the consolidated financial statements of Manila Water Company, Inc. (the Parent Company) and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, 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, 2023, 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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Revenue recognition for Manila Concession (East Zone)

The Group's revenue from the East Zone accounts for 79% of total consolidated revenue and the revenue recognition process therein requires processing of data from a large number of customers with different billing cycles and are classified as either residential, semi-business, commercial, or industrial. The amounts billed to customers consist of a number of components, including basic charge, environmental charge and 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 exposures in the ordinary conduct of business. This matter is significant to our audit because the estimation of the potential liability resulting from these assessments require significant judgment and estimates by management. The inherent uncertainty over the outcome of these tax 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 assessments and the tax positions of the Group based on the merits of the arguments against the assessments, previous court decisions, implementing rules and opinions issued by relevant government and regulatory agencies. In addition, we performed a recalculation of the amount of the provisions and compared this with the outstanding provisions as of year-end. We also evaluated the disclosures made in the consolidated financial statements.

Amortization of service concession assets using the units-of-production (UOP) method

The service concession assets (SCA) of the Group is related to its concession agreements. The Group uses UOP method in amortizing its SCA based on the actual billed volume over the estimated billable water volume for the remaining period of the concession agreement. The UOP amortization method is a key audit matter as the method involves significant management judgment, estimates, and assumptions, particularly in determining the total estimated billable water volume over the remaining periods of the concession agreements. It considers different factors such as population growth rate, supply and consumption and service coverage, including ongoing and future expansions.

Refer to Note 3 to the consolidated financial statements for the relevant disclosures related to this matter.

Audit response

We obtained an understanding of management's processes and controls in the estimation of billable water volume. We evaluated the competence, capabilities, and objectivity of management's external specialist who estimated the total billable water volume. We also reviewed the report of the management's specialist and gained an understanding of the methodology and the basis of computing the forecasted billable volume. 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 of investment in an associate

The Group has an investment in Eastern Water Resources Development and Management Public Company Limited (East Water) that is accounted for under the equity method. As at December 31, 2023, the carrying value of the Group's investment in East Water amounted to Php3,717 million. East Water's market capitalization as of December 31, 2023 is significantly lower compared to its net book value. Further, unfavorable business development in 2023 necessitated significant changes in the business plan. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the Group's investment in East Water. The assessment of the recoverable amount of the Group's investment in East Water requires significant judgment and involves estimation and assumptions about forecasted cashflows, revenue growth, long-term growth rate and discount rate.

The Group's disclosures on investment in an associate and the amount of impairment loss recognized are included in Notes 3 and 12 to the consolidated financial statements.

Audit response

We involved our internal specialist in evaluating the methodology and discount rate used. We compared the key assumptions used such as revenue growth against industry forecast and the long-term growth rate against relevant economic and external data. We also reviewed the forecasted cash flows based on East Water's historical performance and current business environment. We tested the parameters used in the determination of discount rate against market data. We also reviewed the Group's disclosure about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of its investment in an associate.

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, 2023, 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, 2023 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.

- 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
BIR Accreditation No. 08-001998-102-2021, September 16, 2021, valid until September 15, 2024
PTR No. 10079941, January 5, 2024, Makati City

February 29, 2024

Consolidated Statements of Financial Position

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, and 23)	₱10,752,734,174	₱8,811,939,212
Short-term investments (Notes 5 and 23)	–	128,417,810
Receivables (Notes 6 and 23)	2,904,919,846	2,782,499,912
Contract assets - current portion (Notes 6, 23 and 29)	549,872,454	934,780,675
Inventories (Note 7)	380,615,118	450,657,769
Other current assets (Note 8)	1,534,552,165	2,002,445,492
Total Current Assets	16,122,693,757	15,110,740,870
Noncurrent Assets		
Property, plant and equipment and software (Notes 9 and 23)	9,108,755,273	7,163,920,549
Service concession assets - net (Notes 10, 23 and 24)	162,217,498,951	145,065,205,551
Right-of-use assets (Note 11)	328,465,866	426,136,195
Contract assets - net of current portion (Notes 6 and 29)	1,168,784,073	1,729,817,675
Investments in associates (Note 12)	11,191,568,307	15,434,604,040
Goodwill (Note 4)	6,247,010	6,247,010
Deferred tax assets - net (Note 20)	499,689,152	635,223,298
Other noncurrent assets (Notes 13 and 29)	9,043,699,328	9,232,277,139
Total Noncurrent Assets	193,564,707,960	179,693,431,457
Total Assets	₱209,687,401,717	₱194,804,172,327
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 14 and 23)	₱18,761,072,969	₱16,194,519,558
Short-term debt (Notes 15 and 23)	135,000,000	252,872,324
Current portion of:		
Long-term debt (Notes 15 and 23)	16,971,501,294	6,024,171,860
Service concession obligations (Notes 10, 24 and 29)	910,632,846	729,984,535
Lease liabilities (Note 11)	117,029,647	120,860,143
Contract liabilities (Notes 14 and 23)	389,570,970	347,150,494
Income tax payable (Note 20)	339,116,369	415,028,621
Total Current Liabilities	37,623,924,095	24,084,587,535
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Notes 15 and 23)	82,275,949,853	78,645,612,772
Service concession obligations (Notes 10, 24 and 29)	15,214,188,022	15,313,404,443
Lease liabilities (Note 11)	215,348,111	315,487,289
Contract liabilities (Note 14)	921,419,562	590,112,583
Pension liabilities - net (Note 16)	388,222,417	288,213,851
Deferred tax liabilities - net (Note 20)	1,052,304,983	338,020,390
Provisions (Notes 3 and 30)	402,658,841	653,750,967
Other noncurrent liabilities (Notes 17 and 29)	1,473,942,280	1,121,724,232
Total Noncurrent Liabilities	101,944,034,069	97,266,326,527
Total Liabilities	139,567,958,164	121,350,914,062

(Forward)

	December 31	
	2023	2022
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	14,458,016,211	14,427,621,413
Treasury shares (Note 21):		
Common stock	(4,996,646,260)	(43,313,195)
Preferred stock	(752,978,046)	–
Subscriptions receivable (Note 1 and 21)	(5,607,257,718)	(5,644,968,396)
Total paid-up capital	6,385,973,804	12,024,179,439
Retained earnings (Note 21):		
Appropriated	56,500,000,000	40,610,000,000
Unappropriated	5,717,748,773	18,087,151,743
Cumulative translation adjustment (Notes 2 and 12)	741,911,347	533,548,708
Hedging reserves (Note 28)	(64,919,310)	1,310,852,803
Remeasurement loss on defined benefit plans (Note 16)	(231,816,570)	(167,831,265)
Equity in other comprehensive loss of associates (Note 12)	2,734,309	(1,906,738)
Other equity reserves (Note 21)	(144,458,138)	(144,458,138)
	68,907,174,215	72,251,536,552
Noncontrolling interests (Notes 2 and 19)	1,212,269,338	1,201,721,713
Total Equity	70,119,443,553	73,453,258,265
Total Liabilities and Equity	₱209,687,401,717	₱194,804,172,327

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2023	2022	2021
CONTINUING OPERATIONS			
REVENUE FROM CONTRACTS WITH CUSTOMERS			
Water and used water revenues (Notes 23 and 26)	₱28,503,979,253	₱20,640,724,233	₱19,287,138,596
Other operating revenues (Notes 18, 23 and 26)	1,924,089,124	1,901,722,029	1,005,249,021
FINANCE INCOME FROM CONTRACT ASSETS (Note 6)	281,798,935	256,537,754	237,712,035
	30,709,867,312	22,798,984,016	20,530,099,652
COST OF SERVICES			
Depreciation and amortization (Notes 9, 10 and 11)	3,681,639,665	2,703,323,804	3,328,979,343
Power, light and water (Note 23)	2,359,536,778	2,203,365,424	1,450,438,453
Salaries, wages and employee benefits (Notes 16, 21 and 23)	1,259,655,907	1,146,524,894	1,259,467,394
Contractual services	659,087,015	804,080,940	504,006,045
Repairs and maintenance	575,862,379	660,399,635	529,447,395
Regulatory costs (Note 1)	391,601,200	331,785,859	273,907,788
Water treatment chemicals	361,716,919	429,804,871	430,600,800
Water tankering and bulk water costs	242,689,984	189,237,497	177,007,383
Wastewater costs	201,439,112	246,199,021	195,695,652
Amortization of water service connections	191,314,332	204,760,977	142,967,905
Collection fees	172,903,754	173,759,450	135,772,209
Management, technical and professional fees (Note 23)	31,181,940	41,271,558	338,930,431
Rent (Notes 11 and 25)	10,801,112	5,020,642	3,653,385
Other expenses	292,227,199	424,027,969	170,207,075
	10,431,657,296	9,563,562,541	8,941,081,258
GROSS PROFIT	20,278,210,016	13,235,421,475	11,589,018,394
OPERATING EXPENSES (Notes 18 and 23)	4,670,225,019	4,279,500,594	3,906,937,740
INCOME BEFORE OTHER INCOME (EXPENSES)	15,607,984,997	8,955,920,881	7,682,080,654
OTHER INCOME (EXPENSES)			
Revenue from rehabilitation works (Notes 1, 2, 6 and 10)	19,774,862,538	23,626,424,275	16,970,072,793
Cost of rehabilitation works (Notes 1, 2, 6 and 10)	(19,774,862,538)	(23,626,424,275)	(16,970,072,793)
Interest expense (Notes 10, 11, 15 and 18)	(3,773,677,075)	(2,816,244,442)	(2,473,334,462)
Equity in net earnings (loss) of associates (Note 12)	(3,561,491,909)	520,067,157	569,460,003
Interest income (Note 18)	301,229,071	121,758,500	70,548,460
Foreign exchange gains (losses) – net	80,917,973	(1,870,416,962)	(781,039,952)
Foreign currency differentials (Notes 1 and 3)	(26,863,199)	2,532,900,291	433,279,731
Gains (losses) on disposal of property and equipment - net	(10,780,662)	2,995,037	(34,110,548)
Amortization of deferred credits (Note 17)	12,270,995	13,216,379	16,996,570
Other income (losses) - net (Notes 9 and 18)	346,274,429	700,768,319	(175,485,709)
	(6,632,120,377)	(794,955,721)	(2,373,685,907)
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	8,975,864,620	8,160,965,160	5,308,394,747
PROVISION FOR INCOME TAX - NET (Note 20)	3,104,576,762	2,013,199,468	1,539,293,408
NET INCOME FROM CONTINUING OPERATIONS	5,871,287,858	6,147,765,692	3,769,101,339
NET LOSS AFTER TAX FROM DISCONTINUED OPERATIONS (Note 19)	(830,860)	(6,358,029)	(14,962,821)
NET INCOME	5,870,456,998	6,141,407,663	3,754,138,518

(Forward)

	Years Ended December 31		
	2023	2022	2021
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment (Note 12)	₱180,036,875	₱445,649,634	₱566,135,946
Gain on cash flow hedge (Note 28)	541,884,513	1,353,851,939	1,522,605,373
Costs of hedging (Note 28)	(299,870,745)	(169,035,456)	(959,618,119)
Gain (loss) on net investment hedge (Note 28)	37,767,686	(466,574,121)	(121,415,238)
Income tax effect	(69,945,363)	(149,206,781)	(140,746,813)
	389,872,966	1,014,685,215	866,961,149
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain (loss) on pension liabilities and long-term SL/VL - net (Notes 16 and 17)	(85,313,740)	(172,427,788)	112,819,432
Equity share in other comprehensive gain / (loss) of an associate (Note 12)	4,641,047	–	–
Income tax effect	21,328,435	43,106,947	(35,798,062)
	(59,344,258)	(129,320,841)	77,021,370
TOTAL COMPREHENSIVE INCOME	₱6,200,985,706	₱7,026,772,037	₱4,698,121,037
Net income attributable to:			
Common equity holders of Manila Water Company, Inc. (Notes 19 and 22)	₱5,593,568,776	₱5,922,776,410	₱3,673,328,608
Noncontrolling interests (Notes 1 and 19)	276,888,222	218,631,253	80,809,910
	₱5,870,456,998	₱6,141,407,663	₱3,754,138,518
Total comprehensive income attributable to:			
Common equity holders of Manila Water Company, Inc.	₱5,924,097,484	₱6,808,140,784	₱4,617,130,349
Noncontrolling interests (Note 1)	276,888,222	218,631,253	80,990,688
	₱6,200,985,706	₱7,026,772,037	₱4,698,121,037
Earnings per Share before Discontinued Operations (Note 22)			
Net income attributable to common equity holders of Manila Water Company, Inc.:			
Basic	₱1.75	₱1.79	₱1.23
Diluted	₱1.75	₱1.79	₱1.23
Earnings per Share (Note 22)			
Net income attributable to common equity holders of Manila Water Company, Inc.:			
Basic	₱1.75	₱1.79	₱1.23
Diluted	₱1.75	₱1.79	₱1.23

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

December 31, 2023

	Paid-in Capital (Note 21)	Retained Earnings (Note 21)	Other Comprehensive Income: Cumulative Translation Adjustments (Notes 2 and 12)	Other Comprehensive Income: Hedging Reserves (Note 28)	Other Comprehensive Income: Remeasurement Losses on Defined Benefit Plans (Note 16)	Other Comprehensive Income: Equity Share in Other Comprehensive Gain / (Loss) of Associate (Note 12)	Other Equity Reserves (Note 21)	Noncontrolling Interests (NCI) (Notes 1, 2, and 19)	Total
Balance at beginning 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
Net income	–	5,593,568,776	–	–	–	–	–	276,888,222	5,870,456,998
Other comprehensive income	–	–	208,362,639	181,510,327	(63,985,305)	4,641,047	–	–	330,528,708
Total comprehensive income	–	5,593,568,776	208,362,639	181,510,327	(63,985,305)	4,641,047	–	276,888,222	6,200,985,706
Unwinding of cash flow hedge	–	–	–	(1,557,282,440)	–	–	–	–	(1,557,282,440)
Purchase of treasury shares	(5,716,314,028)	–	–	–	–	–	–	–	(5,716,314,028)
Cost of share-based payment	62,545,273	–	–	–	–	–	–	–	62,545,273
Dividends declared	–	(2,072,971,746)	–	–	–	–	–	(266,340,597)	(2,339,312,343)
Collections	15,563,120	–	–	–	–	–	–	–	15,563,120
Balance at end of year	₱6,385,973,804	₱62,217,748,773	₱741,911,347	(₱64,919,310)	(₱231,816,570)	₱2,734,309	(₱144,458,138)	₱1,212,269,338	₱70,119,443,553

December 31, 2022

	Paid-in Capital (Note 21)	Retained Earnings (Note 21)	Other Comprehensive Income: Cumulative Translation Adjustments (Notes 2 and 12)	Other Comprehensive Income: Hedging Reserves (Note 28)	Other Comprehensive Income: Remeasurement Losses on Defined Benefit Plans (Note 16)	Other Comprehensive Income: Equity Share in Other Comprehensive Loss of Associate (Note 12)	Other Equity Reserves (Note 21)	Noncontrolling Interests (NCI) (Notes 1, 2, and 19)	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 Translation 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 19)	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

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	₱8,975,864,620	₱8,160,965,161	₱5,308,394,747
Loss before income tax from discontinued operations (Note 19)	(889,935)	(6,295,651)	(15,006,292)
Income before income tax	8,974,974,685	8,154,669,510	5,293,388,455
Adjustments for:			
Depreciation and amortization (Notes 3, 9, 10 and 11)	4,307,544,344	3,045,797,752	3,628,406,392
Provision for (reversal of) probable losses and impairment losses (Notes 4, 6 and 18)	75,000,000	(402,271,823)	444,040,940
Interest expense (Notes 10, 11, 15 and 18)	3,773,677,075	2,816,244,442	2,473,334,462
Equity in net loss (earnings) of associates (Note 12)	3,561,491,909	(520,067,157)	(569,460,003)
Interest income (Note 18)	(301,229,071)	(121,758,500)	(70,548,460)
Share-based payments (Note 21)	62,545,273	19,911,639	3,390,655
Unrealized foreign exchange loss (gain) on non-cash accounts	(10,903,018)	99,428,585	1,859,372,984
Pension expense, contribution, and benefit payment - net (Note 16)	(13,585,115)	74,330,251	71,860,185
Amortization of deferred credits (Note 17)	(12,270,995)	(13,216,379)	(16,996,570)
Loss (gain) on disposal of property and equipment - net	10,780,662	(2,995,037)	34,454,367
Operating income before changes in operating assets and liabilities	20,428,025,749	13,150,073,283	13,151,243,407
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	(121,945,695)	(74,826,614)	410,589,161
Contract assets	(15,348,536)	(177,158,594)	23,965,142
Inventories	70,042,651	34,747	(125,764,514)
Service concession assets	(13,529,051,686)	(21,336,547,720)	(15,352,647,788)
Other current assets	319,248,424	(32,509,786)	399,251,291
Increase in:			
Accounts and other payables	(1,312,572,919)	2,205,408,446	2,553,795,411
Contract liabilities	373,727,455	263,399,815	173,477,814
Net cash generated from (used in) operations	6,212,125,443	(6,002,126,423)	1,233,909,924
Income tax paid	(1,705,312,051)	(1,069,036,920)	(1,253,803,089)
Net cash provided by (used in) operating activities	4,506,813,392	(7,071,163,343)	(19,893,165)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment and software (Note 9)	(1,943,172,555)	(1,102,388,720)	(1,519,658,210)
Investments in associates (Notes 1 and 12)	–	(2,063,600)	(1,280,802)
Dividends received from associates (Note 12)	311,198,411	443,259,393	418,300,404
Interest received	300,754,833	116,696,914	73,117,766
Proceeds from sale of property and equipment (Note 9)	5,393,219	4,948,132	2,988,665
Decrease (increase) in short-term investments (Note 5)	128,417,810	140,098,427	(135,871,114)
Increase in other noncurrent assets (Note 13)	(1,191,553,397)	(230,206,726)	(2,015,342,546)
Net cash used in investing activities	(2,388,961,679)	(629,656,180)	(3,177,745,837)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of (Note 15):			
Long-term debt	21,259,614,621	14,995,888,934	8,898,721,967
Short-term debt	210,000,000	8,699,503,225	–
Payments of:			
Long-term debt (Note 15)	(6,722,268,341)	(5,415,719,209)	(12,365,905,958)
Dividends to equity holders of the Parent Company (Note 21)	(2,072,971,746)	(1,284,253,284)	(1,863,849,837)
Interest	(4,778,431,859)	(3,517,060,569)	(3,012,274,103)
Service concession obligations (Note 10)	(1,683,326,593)	(1,039,219,993)	(925,759,914)
Short-term debt (Note 15)	(327,872,324)	(8,455,000,000)	–
Dividends to noncontrolling interests	(266,340,597)	(138,087,916)	(29,027,433)
Principal portion of lease liabilities (Note 11)	(133,017,393)	(105,995,513)	(141,470,517)
Acquisition of treasury shares (Note 21)	(5,716,314,028)	(49,407,905)	–
Proceeds from subscription of shares (Note 21)	15,563,120	–	5,341,912,897
Reissuance of treasury shares	–	6,094,710	–
Movements in noncontrolling interests (Note 1)	–	(452,934,970)	3,804,850
Increase (decrease) in provisions and other noncurrent liabilities	38,396,916	20,790,801	(97,609,252)
Net cash provided by (used in) financing activities	(176,968,224)	3,264,598,311	(4,191,457,300)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,940,883,489	(4,436,221,212)	(7,389,096,302)
UNREALIZED FOREIGN EXCHANGE GAIN (LOSS) ON CASH AND CASH EQUIVALENTS	(88,527)	(89,551,149)	(450,148)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,811,939,212	13,337,711,573	20,727,258,023
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	₱10,752,734,174	₱8,811,939,212	₱13,337,711,573

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, 2023, the economic and voting ownership of Trident Water Company Holdings, Inc. (Trident Water) were 39.62% and 58.32%, respectively, while the economic and voting ownership of Ayala Corporation (Ayala) were 22.54% and 23.55%, respectively. As of December 31, 2022, the economic and voting ownership of Trident Water were 35.59% and 52.16%, respectively, while the economic and voting ownership of Ayala were 30.40% 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 47.86% 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, 2023	2022
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) Co., Ltd. (MWTC) [5]	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**	100.00
Tagum Water Company, Inc. (Tagum Water)[3]	-do-	**90.00**	90.00
Manila Water Consortium, Inc. (MW Consortium)	-do-	**79.63**	79.63
Cebu Manila Water Development, Inc. (Cebu Water)[4]	-do-	**56.21**	56.21
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% by virtue of its 100.00% ownership interest in Davao Water as of both December 31, 2023 and 2022.
[4]Cebu Water is 70.58% owned by MW Consortium. MWPVI's effective ownership interest in Cebu Water is 56.21% by virtue of its 79.63% ownership interest in MW Consortium as of both December 31, 2023 and 2022.
[5]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.

Notes to Consolidated Financial Statements

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, 2023 and 2022, Trident Water holds 900,052,160 common shares and 2,691,268,205 preferred shares in the Parent Company.

Parent Company's Buy-back of Shares from Ayala and Philwater

On October 11, 2023, the Parent Company's BOD approved a buy-back program of its shares with Ayala and Philwater. The Parent Company re-acquired its 288,998,734 common shares and 436,243,932 participating preferred shares, respectively, for a total amount of ₱5.72 billion. This transaction reduced Ayala Corporation's effective economic stake from 30.40% as of December 31, 2022 to 22.54% as of December 31, 2023 (see Note 21).

As of December 31, 2023, Ayala holds 577,947,462 common shares and 872,487,862 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 duly 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 right and obligation 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 (2^{nd}) 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.

Notes to Consolidated Financial Statements

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 6, 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 19, 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 related to the extension of the concession period of the Parent Company from 2022 to 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 an 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 reinforced provisions on penalties from the Original Concession Agreement (OCA) where originally, the trigger is whether the failure to meet the Service Obligation continues for more than 60 days (or 15 days if it will adversely affect public health or welfare). Penalty is based on 25% to 50% of the cost to restore the service obligation. This was revised in the RCA where the failure to meet the Service Obligation continues for more than 15 days (or 3 days if it will adversely affect public health or welfare). Penalty is based on the highest among: (1) 25% of the cost to restore; (2) based on the SO affected, formula is provided for each; or (3) liquidated damages for delay of related project equal to 1/10 of 1% of the cost of the unperformed portion for every day of delay. Regulators will now be appointed by the President of the Republic.

The RCA also identified the drivers for Material Adverse Government Action (MAGA) that will excuse the Concessionaire, if they fail to deliver the financial and other contractual obligations under the RCA due to the occurrence of MAGA *(Article 10).*

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. Concessionaire's borrowing plans and service improvement plans, as well as deviation to such plans shall be approved by the Regulatory Office at each Rate Rebasing exercise (Section 6.11). Publication of tariff are required to be 15 days before effectivity (Section 9.7) 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. Performance Bond is based on 2% to 10% of the Total Project Cost depending on the form to be issued in favor of MWSS (Section 6.10).

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)*.

On May 10, 2023, the Parent Company and MWSS executed a seventh Amendment to the RCA (the "Amendment"). The parties agreed that the RCA and the seventh Amendment are deemed to be effective as of June 29, 2022. The Republic also issued a new Undertaking Letter effective as of July 1, 2022, superseding the Undertaking Letter dated June 24, 2022. The revised RCA is deemed effective on June 29, 2022.

Below are the key changes in the seventh amendment to the RCA:

- Tariff adjustments must observe the cap on "C" which is 75% of the July inflation as published by PSA. *(Amended RCA Sec 9.4.2)*
- FCDA will be based on the following (1) Forex gains or losses arising from the payments to service the debt of MWSS Loans; and (2) forex arising from principal payments of loans, limited to the list of loans provided in the RCA. *(Amended RCA Section 9.8).* Forex gains/losses on additional or new foreign currency denominated loans secured and drawn after June 29, 2022 onwards shall be recovered through Modified FCDA. *(Amended RCA Sec 9.8.1)*
- Revised provision for MAGA (*Amended Article 10)*

On November 9, 2023, after due notice to the public, the MWSS-RO conducted a public hearing for the extension of the expiration date of the RCA. This is in view of Parent Company's application to extend the term of the RCA for another 10 years or until 2047 to align with the term of its Franchise.

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.

On May 10, 2023, the seventh Amendment of the RCA includes FCDA that will be based on the following (1) Forex gains or losses arising from the payments to service the debt of MWSS Loans; and (2) forex gains or losses arising from principal payments of loans, limited to the list of loans provided in the RCA. Forex gains or losses on additional/new foreign currency denominated loans secured and drawn after June 29, 2022 onwards shall be recovered through Modified FCDA.

As of December 31, 2023 and 2022, the Parent Company's deferred FCDA on the consolidated statement of financial position amounted to ₱2,510.95 million and ₱2,512.71 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.

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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. (Note 18)

On February 9, 2023, the Parent Company has paid the fines in full amounting to ₱202.26 million.

<u>Parent Company's Water Franchise Approval</u>
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 within the franchise area. 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 MWCI and MWSS executed on February 21, 1997, as revised by the "Revised Concession Agreement" dated March 31, 2021, and further amended on July 1, 2022, by the "7th Amendment to the Revised Concession Agreement", or as may thereafter be amended.

When public interest for affordable water security requires and upon application by the Parent Company, MWSS shall be authorized to approve the amendment of the Concession Agreement to extend its term up to the term of the franchise, after appropriate notice and hearing.

As franchisee, the Parent Company is obligated to submit to the RO 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
d. Latest General Information Sheet (GIS) officially submitted to the SEC, if applicable;
e. A certification of the MWSS RO on the status of its permits and operations; and
f. 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.

On November 9, 2023, after due notice to the public, the MWSS-RO conducted a public hearing for the extension of the expiration date of the RCA. This is in view of Parent Company's application to extend the term of the RCA for another 10 years or until 2047 to align with the term of its Franchise.

<u>Parent Company's, MWSS', and WawaJVCo, Inc.'s Raw Water Supply Offtake Agreement</u>
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 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.

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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 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 million liters per day of raw water in October 2022, while the second phase will supply the additional 438 million liters per day of raw water by December 31, 2025.

On October 25, 2022, the construction of the Tayabasan Multibasin System Project was completed, and the Joint Venture commenced the provision of initial 80 million liters per day of raw water 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 are 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.

On November 28, 2023, Boracay Water submitted the proposal for the 14.02% second tranche of the rebasing convergence adjustment plus 6.1% CPI which was approved by TIEZA on December 14, 2023. Approved tariff for second tranche was implemented starting January 1, 2024.

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 December 20, 2023, CDC Board approved the 60% tariff increase following 60-20-20 tranches to be implemented effective January 1, 2024.

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.

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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. On August 29, 2023, the discharge permit was extended until February 29, 2024.

On February 21, 2024, DENR issued Discharge permit renewal until February 21, 2025.

On December 21, 2023, penalties related to Pollution Adjudication Board (PAB) case amounting to ₱1.06 million was settled.

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 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) million liters per day of water for the first year and thirty-five (35) million liters per day of water for years two (2) up to twenty (20). Cebu Water delivered its initial eighteen (18) million liters per day bulk water supply to MCWD on January 5, 2015. Cebu Water increased its bulk water delivery to thirty-five (35) 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.

On September 2022, PGC and Cebu Water, started negotiating the tariff increase with MCWD, in order to improve the financial returns of the JIA and to meet the 19.29% pooled internal rate of return (PIRR), as stated in the JIA between PGC and Cebu Water.

On October 3, 2023, Cebu Water issued a termination notice for the bulk water supply and purchase agreement between MCWD and Cebu Water which became effective December 1, 2023. From December 1, 2023 to January 31, 2024, Cebu Water continued to supply bulk water to MWCD through PGC invoking Section 16 of the Local Government Code or the general welfare clause to solve the problem on loss of water supply.

On January 17, 2024, MWPVI submitted all requirements on the bidding conducted by MCWD for the new bulk water supply. MWPVI will deliver water to MCWD by leasing the facilities of Cebu Water.

On January 25, 2024, a Notice of Award was issued by MCWD to MWPVI on the supply and delivery of potable bulk water.

On January 30, 2024, MWPVI and MCWD signed a ten (10)-year Bulk Water Supply Contract for the supply of eighteen (30) million liters per day of water. MWPVI delivered its initial thirty (30) million liters per day bulk water supply to MCWD on February 1, 2024.

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, 2023, 2022 and 2021 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. As of December 31, 2023, receivable remains outstanding, as ZCWD filed its appeal on the last quarter of 2023.

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 million liters of water per day for the first year, 32 million liters of water per day for years 4 to 6, and 38 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 to 8 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 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 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 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 caused a significant shift in the ownership structure of Davao Water. Starting from March 15, 2022, Davao Water is a wholly-owned subsidiary of MWPVI.

<u>MWPVI's Memorandum of Agreement (MOA) with Ayala Land Inc. (ALI)</u>
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, 2023 and 2022, 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.

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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 remains 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, if 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 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.

On June 27, 2023, LWUA Board of Trustees (BOT) approved and confirmed the 20.00% Proposed Water Rates increase per BOT Resolution No. 29 series of 2023 and was implemented in August 2023.

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, 2023, 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, 2023, MWPVI and TPGI are still in the process of incorporating the joint venture company.

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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 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, 2023, construction phase of the WTP 1 is on-going.

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.

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 was reflected in the January 2023 billing. On December 29, 2023, Bulakan Water through BuWD submitted the documentary requirements for its second tranche tariff request.

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.

On November 12, 2023, projects from the municipality of Sta. Barbara particularly in Baranga Leet and Barangay Balingueo have been energized with initial water service connections of 19 households.

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.

<u>Parent Company's JVA with Lambunao Water District (LWD)</u>
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 designation to Aqua Centro as the Project Company to implement and carry out the concession project awarded by LWD to the Parent Company.

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.

<u>Aqua Centro's and Laguna Water's APAs with Extraordinary Development Corporate Group (EDCG)</u>
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, 2023 and 2022, 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.

<u>Calbayog Water's JVA with Calbayog City Water District (CCWD)</u>
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 was exclusive of VAT which was 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.

Initial payment amounting to ₱2.24 million was received on December 28, 2020. The remaining balance of ₱46.93 million was supposedly due on December 31,2022 in accordance with subscription agreement but was fully settled in May 11, 2023. As a result, TPGI paid penalties amounting to ₱1.40 million.

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 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, 2023, 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.

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 operating cash flows of MWIS-Healthy Family as of December 31, 2023, 2022 and 2021 are presented in Note 19.

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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, 2023 and 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 MWPVI 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 29, 2024.

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, 2023 and 2022, and for each of the three (3) years in the period ended December 31, 2023.

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.

Notes to Consolidated Financial Statements

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 consolidated financial statements are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise stated, the new standards and amendments did not have any material impact to the Group.

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.

b. Amendments to PAS 8, *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.

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).

d. Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

   The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

   The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

   The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023.

The Group adopted and applied the exceptions introduced by PAS 12. Current income tax expense related to Pillar Two income taxes amounted to nil in 2023.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions where the Group operates. As at February 29, 2024, the Group is in the process of gathering information and assessing the potential exposure arising from the Pillar Two legislation.

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, 2024 -

a. Amendments to PAS 1, 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.
- 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, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

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.

Notes to Consolidated Financial Statements

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.

b. Amendments to PAS 21, *Lack of exchangeability*

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

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, 2023 and 2022, 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 and 6).

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, 2023 and 2022, the Group’s financial liabilities comprise of financial liabilities at amortized cost.

Notes to Consolidated Financial Statements

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.

Derivative Financial Instruments and Hedge Accounting
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.

Notes to Consolidated Financial Statements

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 change.

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 "Equity in net earnings (losses) of associates" 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.

Notes to Consolidated Financial Statements

An asset's recoverable amount is calculated as the higher of the asset's or CGU's fair value less cost of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other fair value indicators. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

<u>Leases</u>

The Group assesses at contract inception whether a contract is, or contains, a lease. 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.

Revenue Recognition
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 five percent (25%) 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.

  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.

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- *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 and non-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 and are recognized at a point in time when the control over these good or services have been transferred to the customer. Liquidated damages are presented under non-operating income and recognized at a point in time.

<u>Contract Balances</u>
Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to a customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

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.

On May 10, 2023, the 7th Amendment of the RCA includes FCDA that will be based on the following (1) Forex gains or losses arising from the payments to service the debt of MWSS Loans; and (2) forex gains or losses arising from principal payments of loans, limited to the list of loans provided in the RCA. Forex gains or losses on additional/new foreign currency denominated loans secured and drawn after June 29, 2022 onwards shall be recovered through Modified FCDA.

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 and MSEA 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 amount 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.

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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.

Treasury shares are recorded at acquisition cost. The total amount of treasury shares is shown in the consolidated statement of financial position as a deduction from the total equity. Upon re-issuance or resale of the treasury shares, cost of common shares held in treasury account is credited for the cost of the treasury shares.

Other equity reserves pertain to items of equity that were not presented in either retained earnings or other comprehensive income.

Taxes
Value Added Tax (VAT)
Input VAT pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services. Deferred input VAT pertains to input VAT on accumulated purchases of property, plant and equipment and service concession assets for each month amounting to ₱1.00 million or more. This is amortized over five (5) years or the life of the property, plant and equipment or service concession assets, whichever is shorter, in accordance with the Bureau of Internal Revenue (BIR) regulation.

Output VAT pertains to the 12% tax due on the local sale of goods and services by the Group.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Trade payables" in the "Accounts and other payables" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under the "Other current assets" account.

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.

<u>Discontinued Operations</u>
A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

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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 (excluding treasury shares) 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 (excluding treasury 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 Period
Any event after the reporting period 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 million liters per day of raw water from the Wawa and Tayabasan rivers. The first phase of the agreement will involve supply of 80 million liters per day of raw water in October 2022, while the second phase will supply the additional 438 million liters per day of raw water by December 31, 2025.

On October 25, 2022, the construction of the Tayabasan Multibasin System Project was completed, and the joint venture 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 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).

On December 1, 2023, the bulk water sale and purchase agreement with MCWD was terminated. The termination, however, does not qualify Cebu Water's operation to be discontinued. Accordingly, the Group ceased to recognize the agreement under the requirements of Philippine Interpretation IFRIC 12 and applied PAS 16, *Property, Plant and Equipment* as the ownership of the assets was retained by Cebu Water based on its concession agreement (see Notes 6 and 9).

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, 2023 and 2022, 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, 2023 and 2022, 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).

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Provisions and contingencies
The Group is currently involved in 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).

As of December 31, 2023 and 2022, the provision for estimated probable losses amounting to ₱402.66 million and ₱653.75 million, respectively, 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).

Discontinued operations
As of December 31, 2023 and 2022, 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 in 2022.

Use of Estimates
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 ₱19,774.86 million, ₱23,626.42 million, and ₱16,970.07 million in 2023, 2022 and 2021, 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.

The Parent Company also incorporated factors brought about by the impact of enhanced community quarantine (ECQ) or modified ECQ (MECQ) during the coronavirus pandemic in the determination of its historical observed default rates. This includes disconnection activities, extended payment terms and installment payment schemes, among others.

As of December 31, 2023 and 2022, allowance for expected credit losses of receivables from customers amounted to ₱1,521.88 million and ₱1,631.68 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.

Estimating 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, 2023 and 2022, the carrying amount of inventories, at NRV, amounted to ₱380.62 million and ₱450.66 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 until 2047, following the approval of the Parent Company's legislative water franchise and RR23 business development plan. Previously, 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 in 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. Reversal of impairment loss was recognized in 2023 amounting to ₱12.40 million (see Notes 8 and 18).

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As of December 31, 2023, East Water's market capitalization is significantly lower compared to its net book value. Further in 2023, pursuant to the lease termination notice issued by Thailand's Treasury Department, East Water delivered back its leased transmission pipeline assets to the new operator appointed by the Treasury Department

The handover of these pipelines has resulted in the recognition of losses on East Waters' books and management expects that this will result in lower future raw water revenues. East Water is in the process of constructing additional water distribution pipelines of approximately 139 kilometers to replace the lost leased pipelines. These events are considered as indicators of impairment. The Group has assessed that the recoverable amount of its investment in East Water based on its value-in-use was lower than the investment's net book value. Accordingly, in 2023, the Group recognized provision for impairment loss on its investment in East Water amounting to ₱4,063.26 million recorded under "Equity in net earnings (losses) of associates" in the statement of comprehensive income (see Note 12).

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 amount of the investment in East Water based on the higher of fair value less costs of disposal and value-in-use calculation using a revenue growth rate of 1.2%, terminal growth rate of 1.82% and pre-tax discount rate of 6.80% as of December 31, 2023.

In 2022, the 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.

As of December 31, 2023 and 2022, 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, 2023, and 2022, the Group has accumulated allowance for impairment on its investments in associates amounting to ₱4,543.96 million and ₱480.70 million, respectively (see Note 12).

As of December 31, 2023 and 2022, 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, 2023 and 2022 (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 period of the concession agreements and franchise period. The demand study to arrive at the estimated billable volume is performed by a third-party expert and 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 of the coronavirus pandemic on the future billable volume, which has affected the billed volume mix and consumption. For the years ended December 31, 2023, 2022, and 2021, 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, 2023 and 2022, the Parent Company and Boracay Water's deferred FCDA classified under "Other noncurrent assets" amounted to ₱2,631.23 million and ₱2,654.59 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.

On May 10, 2023, the seventh amendment of the RCA includes the basis of FCDA and the Parent Company's FCDA recovery mechanism.

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).

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 ₱388.22 million and ₱288.21 million as of December 31, 2023 and 2022, 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

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(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 ₱332.38 million and ₱436.35 million as of December 31, 2023 and 2022, respectively (see Note 11).

4. Business Combination and Goodwill

As of December 31, 2023 and 2022, 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, 2023 and 2022, goodwill arose from the Group's acquisitions 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:

	2023	2022
Cash on hand and in banks (Note 23)	₱1,109,921,916	₱810,243,824
Cash equivalents (Note 23)	9,642,812,258	8,001,695,388
	₱10,752,734,174	₱8,811,939,212

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, 2023 and 2022, the Group's short-term investments amounted to nil and ₱128.42 million, respectively.

Interest income earned from cash in banks, cash equivalents and short-term investments amounted to ₱300.99 million, ₱120.98 million, and ₱70.25 million in 2023, 2022, and 2021, respectively (see Note 18).

6. Receivables and Contract Assets

a. *Receivables*

This account consists of receivables from:

	2023	2022
Customers of:		
Water and used water services:		
Residential	₱2,669,185,160	₱2,227,997,941
Commercial	478,464,544	422,721,776
Semi-business	193,395,912	190,211,986
Industrial	41,862,421	48,331,747
Pipework services	172,132,353	583,659,030
Supervision fees	291,522,067	235,770,406
Distributor's fees	117,107,215	117,204,130
Technical due diligence services	3,283,405	6,204,141
ZCWD	39,509,823	39,509,823
Employees	17,150,278	26,978,065
Interest from banks	13,141,587	12,667,348
Others	390,044,570	502,928,062
	4,426,799,335	4,414,184,455
Less: Allowance for ECLs	1,521,879,489	1,631,684,543
	₱2,904,919,846	₱2,782,499,912

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 sixty (60) days.

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. Provision for ECL pertaining to this receivable amounted to ₱39.51 million as at December 31, 2023 and 2022.

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 by MWAP to IWP1 and IWP2, receivable from Maynilad for cross-border billings and receivable from MWSS for shared facilities.

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Movements in the Group's allowance for ECLs follow:

	2023					
	Receivable from Customers				Other	
	Residential	Commercial	Semi-business	Industrial	Receivables	Total
Balance at beginning of year	₱1,103,241,327	₱124,725,640	₱101,017,709	₱5,844,840	₱296,855,027	₱1,631,684,543
Net Provisions / (Reversals) (Note 18)	188,416,906	(11,202,913)	(11,461,026)	30,172,376	20,157,915	216,083,258
Write-off	(280,499,120)	(29,163,331)	(14,702,273)	(1,523,588)	–	(325,888,312)
Balance at end of year	₱1,011,159,113	₱84,359,396	₱74,854,410	₱34,493,628	₱317,012,942	₱1,521,879,489

	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
Net Provisions / (Reversals) (Note 18)	(113,290,967)	(36,549,007)	25,444,261	(1,408,696)	(9,801,448)	(135,605,857)
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

b. Contract assets

This account consists of:

	2023	2022
Contract assets from:		
Supervision fees	₱364,631,855	₱559,157,417
NRWRSA with ZCWD	285,928,838	285,928,838
Pipeworks and integrated used water services	72,546,702	79,359,867
Bulk water contracts:		
TWD	112,693,897	112,751,059
MCWD	–	186,625,445
Current portion	835,801,292	1,223,822,626
Bulk water contracts:		
TWD	855,597,215	818,162,927
CIWD	340,134,026	109,323,565
MCWD	–	894,496,961
Noncurrent portion	1,195,731,241	1,821,983,453
	2,031,532,533	3,045,806,079
Less: Allowance for ECLs	312,876,006	381,207,729
	₱1,718,656,527	₱2,664,598,350

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, 2023 and 2022, 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, are 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.

On December 1, 2023, the Bulk Water Supply Agreement with MCWD was terminated. The termination, however, did not qualify Cebu Water's operation to be discontinued. Accordingly, the Group reclassified the contract assets to property, plant and equipment amounting to ₱961.29 million (Note 9).

In 2021, 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) million liters of water per day to MCWD. As a result, Cebu Water recognized impairment loss amounting to ₱30.18 million in 2021. No impairment loss is recognized by Cebu Water in 2023 and 2022.

In 2023 and 2022, there are instances where Tagum Water was not able to deliver the required twenty-six (26) million liters of water per day under the BWSPA due to flood and emergency plant works. In 2021, Tagum Water was not able to meet the required water quantity due to the low yield of the Riverbank Filtration Intake structures and the delay in the construction of the artificial recharge structure. As a result, Tagum Water recognized impairment loss amounting to ₱1.10 million in 2023, ₱1.25 million in 2022, and ₱12.26 million in 2021 (see Note 18).

The rollforward of Cebu Water, Tagum Water, and Ilagan Water's contract assets follows (Note 27):

	2023	2022
Cost		
Balance at beginning of year	₱2,121,359,957	₱2,038,722,026
Rehabilitation works	206,302,064	99,562,641
Finance income	281,798,935	256,537,754
Service income (Note 18)	189,036,744	193,840,519
Collections	(459,363,998)	(413,620,704)
Reclassification to receivables	–	(53,682,279)
Reclassification to PPE	(961,290,359)	–
Write-off (Notes 1 and 9)	(69,418,205)	–
Balance at end of year	1,308,425,138	2,121,359,957
Allowance for ECL		
Balance at beginning of year	95,278,891	94,028,997
Provisions (Note 18)	1,086,482	1,249,894
Write-off	(69,418,205)	–
Balance at end of year	26,947,168	95,278,891
Net book value	₱1,281,477,970	₱2,026,081,066

7. Inventories

This account consists of:

	2023	2022
Maintenance materials	₱186,572,384	₱135,640,392
Water meters and connection supplies	91,311,080	126,831,505
Water treatment chemicals	117,784,497	203,645,495
Spare parts	21,587,594	21,180,814
	417,255,555	487,298,206
Less: Allowance for obsolescence	36,640,437	36,640,437
	₱380,615,118	₱450,657,769

The cost of inventories carried at NRV amounted to ₱81.14 million and ₱167.01 million as of December 31, 2023 and 2022, respectively. The Group's inventories are carried at NRV. Loss from inventory obsolescence is presented under "Operating expenses – Other expenses" in the consolidated profit or loss (see Note 18).

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8. Other Current Assets

This account consists of:

	2023	2022
Net input VAT	₱926,699,011	₱947,226,514
Prepaid expenses	417,376,645	554,071,442
Advances to suppliers, contractors, and deposits	316,146,760	639,219,408
	1,660,222,416	2,140,517,364
Provisions	125,670,251	138,071,872
	₱1,534,552,165	₱2,002,445,492

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 national franchise tax of 2% plus applicable local franchise tax instead. Moreover, any input VAT imposed by the Parent Company's suppliers are treated as part of cost of purchase starting March 21, 2022 (see Note 1).

Prepaid expenses consist of advance payments for business taxes, regulatory costs, insurance, interest, repairs and maintenance, performance bond and employee health care expenses and other employee benefits, among others.

Advances to suppliers, contractors, and deposits pertain to the Group's advance payments for various contractual projects and other advance payments for goods and services that can be recovered within one (1) year.

In 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. Reversal of impairment loss was recognized in 2023 amounting to ₱12.40 million (see Note 18).

9. **Property, Plant and Equipment and Software**

The rollforward analysis of this account follows:

2023	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	₱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
Additions	9,312,528	424,947,336	234,007,282	51,266,605	10,121,849	818,952,640	260,926,925	1,809,535,165
Transfers (Notes 6 and 10)	–	887,717,991	3,576,538	1,241,518	47,687,458	(9,642,820)	(3,580,207)	927,000,478
Disposals	–	(21,308,746)	(13,484,977)	(10,365,089)	–	–	(80,392)	(45,239,204)
Retirement	–	–	(201,786)	–	–	–	(60,519)	(262,305)
Balance at end of year	235,704,078	8,082,459,683	1,150,997,237	1,751,140,930	565,871,637	2,248,855,942	1,887,755,359	15,922,784,866
Accumulated depreciation, amortization, and impairment								
Balance at beginning of year	–	1,928,960,612	827,617,234	1,264,291,631	443,116,888	–	1,603,843,818	6,067,830,183
Depreciation and amortization (Note 18)	–	205,631,445	187,369,454	175,470,624	43,602,929	–	164,673,601	776,748,053
Transfers	–	(677,485)	3,544,669	–	(550,225)	–	(3,537,974)	(1,221,015)
Disposals	–	(11,173,739)	(13,483,638)	(4,327,554)	–	–	(80,392)	(29,065,323)
Retirement	–	–	(201,786)	–	–	–	(60,519)	(262,305)
Balance at end of year	–	2,122,740,833	1,004,845,933	1,435,434,701	486,169,592	–	1,764,838,534	6,814,029,593
Net book value	₱235,704,078	₱5,959,718,850	₱146,151,304	₱315,706,229	₱79,702,045	₱2,248,855,942	₱122,916,825	₱9,108,755,273

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

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As of December 31, 2023 and 2022, noncash acquisitions of property, plant and equipment, amounted to nil and ₱282.31 million, respectively. In 2023, payments related to the portion of prior payable related to acquisitions of property, plant and equipment amounted to ₱133.64 million.

Certain property, plant and equipment with a net book value of ₱35.51 million was reclassified to SCA in 2023 (see Note 10). No reclassification to SCA and contract assets was made in 2022.

10. Service Concession Assets and Obligations

a. Service concession assets

The movements in this account follow:

	2023	2022
Cost		
Balance at beginning of year	₱181,997,505,759	₱150,907,086,582
Additions:		
Rehabilitation works	19,568,560,474	23,526,861,634
Concession fees	777,890,509	7,109,019,285
Local component cost	193,231,627	454,538,258
Transfers from property, plant and equipment (Note 9)	36,731,913	–
Balance at end of year	202,573,920,282	181,997,505,759
Accumulated amortization		
Balance at beginning of year	36,932,300,208	34,521,890,810
Amortization	3,422,900,108	2,410,409,398
Transfers from property, plant and equipment (Note 9)	1,221,015	–
Balance at end of year	40,356,421,331	36,932,300,208
Net book value	₱162,217,498,951	₱145,065,205,551

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 2023, Parent Company, Calbayog Water and North Luzon Water transferred certain property, plant and equipment to SCA with a net book value of ₱35.51 million (see Note 9).

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 million liters per day of raw water from the Wawa and Tayabasan Rivers. The first phase of the agreement will involve supply of 80 million liters per day of raw water starting October 2022, while the second phase will supply the additional 438 million liters per day of raw water by December 31, 2025.

On October 25, 2022, the construction of the Upper Wawa Dam was completed, and Wawa JVCo., Inc. commenced the provision of an 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 initially recognizing SCA and SCO amounting to ₱6,762.50 million.

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).

As of December 31, 2023 and 2022, noncash additions to service concession assets amounted to ₱3,770.71 million, and ₱12.59 million, respectively.

As of December 31, 2023, 2022 and 2021, total interest and other borrowing costs capitalized as part of the rehabilitation works amounted to ₱3,418.21 million and ₱2,066.99 million and ₱1,626.57 million, respectively. General borrowing cost amounted to ₱3,098.91 million, ₱1,756.86 million and ₱1,474.64 million, and specific borrowing cost amounted to ₱319.30 million, ₱1,881.14 million and ₱406.50 million as of December 31, 2023, 2022 and 2021, respectively. The capitalization rates used ranged from 2.50% to 5.70%, 0.91% to 3.36% and 0.87% to 9.37% in 2023, 2022 and 2021, respectively.

b. *Service concession obligations*

The breakdown of service concession obligations follows:

	2023	2022
Current	₱910,632,846	₱729,984,535
Noncurrent	15,214,188,022	15,313,404,443
	₱16,124,820,868	₱16,043,388,978

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 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.

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

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counterpart funds, shall be part of the Concessionaire's respective business plans which shall be considered in the next rate rebasing exercise.

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*
2024	$9,134,071	₱395,714,907	₱901,468,418
2025	8,827,057	395,714,907	884,469,053
2026	8,369,580	395,714,907	859,138,552
2027	11,145,994	395,714,907	1,012,868,595
2028	10,876,913	395,714,907	997,969,580
2029 onwards	76,282,382	3,363,576,708	7,587,332,199
	$124,635,997	₱5,342,151,243	₱12,243,246,397

**Peso equivalent is translated using the closing rate as of December 31, 2023 amounting to ₱55.3700 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

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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 ₱1,135.45 million, ₱898.64 million, and ₱671.37 million in 2023, 2022, and 2021, 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:

	2023			
	Office Space and Parking	Storage and Plant Facilities	Land and Right-of-Way	Total
Cost				
Balance at beginning of year	₱456,181,916	₱216,637,566	₱102,235,248	₱775,054,730
Additions	10,225,854	–	–	10,225,854
Balance at end of year	466,407,770	216,637,566	102,235,248	785,280,584
Accumulated amortization				
Balance at beginning of year	222,462,322	105,048,598	21,407,615	348,918,535
Amortization	59,956,431	40,675,076	7,264,676	107,896,183
Balance at end of year	282,418,753	145,723,674	28,672,291	456,814,718
Net book value	₱183,989,017	₱70,913,892	₱73,562,957	₱328,465,866

	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

In 2022, the Group pre-terminated 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 ₱0.14 million and ₱13.84 million were capitalized in 2023 and 2022, respectively.

The rollforward analysis of the Group's lease liabilities follows:

	2023	2022
Balance at beginning of year	₱436,347,432	₱361,718,145
Additions	10,225,854	170,303,686
Payments	(133,017,393)	(105,995,513)
Accretion	18,821,865	14,192,393
Pre-terminations	–	(3,871,279)
Balance at end of year	₱332,377,758	₱436,347,432
Current portion	₱117,029,647	₱120,860,143
Noncurrent portion	₱215,348,111	₱315,487,289

The maturity analysis of lease liabilities is disclosed in Note 28.

Notes to Consolidated Financial Statements

The following are the amounts recognized in profit or loss:

	2023	2022	2021
Depreciation expense of right-of-use assets (Note 18)	₱107,761,176	₱73,326,708	₱74,941,289
Interest expense on lease liabilities (Note 18)	18,821,865	14,192,393	20,131,539
Expenses relating to short-term leases and lease of low-value assets (Note 18)	24,235,210	26,121,109	22,475,227
Loss on pre-termination (Note 18)	–	2,826,840	–
	₱150,818,251	₱116,467,050	₱117,548,055

12. Investments in Associates

This account consists of the following:

	2023	2022
Acquisition cost, net	₱13,031,980,437	₱13,031,980,437
Accumulated equity in net earnings (losses)	(2,007,769,733)	1,864,920,588
Cumulative translation adjustments	164,623,294	539,609,753
Accumulated equity in other comprehensive gain / (loss)	2,734,309	(1,906,738)
	₱11,191,568,307	₱15,434,604,040

Details of the Group's investments in associates are discussed 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, 2023 and 2022 follows:

	2023	2022
Current assets	₱254,529,744	₱200,235,491
Noncurrent assets	4,168,630,712	4,167,596,264
Current liabilities	263,580,669	561,415,752
Noncurrent liabilities	207,556,319	140,207,322
Revenue	1,016,503,323	995,259,077
Net income	663,141,317	643,406,598

The conversion rates used were ₱0.0023 and ₱0.0024 to VND1.00 as of December 31, 2023 and 2022, respectively.

The share of the Group in the net income of Thu Duc Water for the years ended December 31, 2023, 2022 and 2021 amounted to ₱324.94 million, ₱315.27 million, and ₱275.83 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, 2023 and 2022 follows:

	2023	2022
Current assets	₱722,521,066	₱609,273,010
Noncurrent assets	2,534,877,131	2,544,866,686
Current liabilities	77,819,240	60,049,879
Noncurrent liabilities	26,630,312	45,895,206
Revenue	761,244,247	745,097,402
Net income	458,060,397	416,892,457

The conversion rates used were ₱0.0023 and ₱0.0024 to VND1.00 as of December 31, 2023 and 2022, respectively.

The share of the Group in the net income of Kenh Dong Water for the years ended December 31, 2023, 2022, and 2021 amounted to ₱216.89 million, ₱197.40 million, and ₱165.48 million, respectively.

The Group's share in net income from its investments in Thu Duc Water and Kenh Dong Water resulted from concession arrangements with the People's Committee of Ho Chi Minh City (the Grantor). These concession arrangements are accounted for under the Financial Asset model of IFRIC 12 as these associates have an unconditional contractual right to receive fixed and determinable amounts of payment for its construction services at the direction of the Grantor.

Saigon Water

Saigon Water is incorporated in the Socialist Republic of Vietnam with principal place of business in Ho Chi Minh City, Vietnam. Saigon Water is listed in the Ho Chi Minh City Stock Exchange.

On October 8, 2013, the Parent Company, through MWSAH, entered into an Investment Agreement for the acquisition of a 31.47% stake in Saigon Water. The acquisition cost of the investment amounted to ₱642.76 million (VND310.45 billion). The share subscription transaction was completed on October 8, 2013 and MWSAH gained significant influence in Saigon Water.

In 2014, MWSAH finalized the notional goodwill amounting to ₱293.65 million (VND139.51 billion) arising from the acquisition of shares of stock in Saigon Water by the Group as of December 31, 2013. There were no adjustments made to the fair values of the net assets as of acquisition date.

On June 21, 2017, MWSAH subscribed to an additional 6.15 million primary shares of Saigon Water for ₱229.16 million (VND103.87 billion), which increased MWSAH's holding in Saigon Water's outstanding capital stock from 31.47% to 37.99%. The notional goodwill arising from the additional subscription amounted to ₱42.05 million (VND19.06 billion).

As of December 31, 2023 and 2022, 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, 2023 and 2022 follows:

	2023	2022
Current assets	₱355,055,339	₱323,460,628
Noncurrent assets	4,061,246,077	3,643,025,519
Current liabilities	1,741,912,538	1,057,488,309
Noncurrent liabilities	1,071,818,315	1,145,408,657
Revenue	774,627,966	349,762,328
Net loss	(105,278,100)	(207,000,473)

The conversion rates used were ₱0.0023 and ₱0.0024 to VND1.00 as of December 31, 2023 and 2022, respectively.

Notes to Consolidated Financial Statements

The share of the Group in the consolidated net loss of Saigon Water for the years ended December 31, 2023, 2022 and 2021 amounted to ₱40.00 million, ₱78.64 million and ₱60.78 million, respectively. The closing share price of Saigon Water as of December 31, 2023 and December 31, 2022 were VND14,700 per share and VND15,000 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.

The financial information of Cu Chi Water as of and for the years ended December 31, 2023 and 2022 follows:

	2023	2022
Current assets	₱93,613	₱93,056
Noncurrent assets	1,437,572,742	1,486,493,136
Current liabilities	285,189	259,513

The conversion rates used were ₱0.0023 and ₱0.0024 to VND1.00 as of December 31, 2023 and 2022, respectively.

On January 9, 2024, MWSAH's BOD approved the sale of its investment in Cu Chi to Saigon Water in exchange for shares in Saigon Water amounting to VND 154 billion representing 7,529,268 shares. On January 16, 2024, the divestment to the buyer was completed.

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.

The financial information of PT STU as of and for the years ended December 31, 2023 and 2022 follows:

	2023	2022
Current assets	₱80,556,230	₱70,045,408
Noncurrent assets	147,088,053	127,298,312
Current liabilities	7,194,293	6,019,333
Revenue	93,361,081	98,803,572
Net income	4,952,927	714,458

The conversion rates used were ₱0.0036 to IDR1.00 as of December 31, 2023 and 2022.

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 of STU for the year ended December 31, 2023, 2022 and 2021 amounted to ₱1.00 million, ₱0.14 million and ₱3.02 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, 2023 and 2022 and follows:

	2023	2022
Current assets	₱3,990,200,744	₱927,064,222
Noncurrent assets	42,417,023,784	60,669,069,265
Current liabilities	5,053,766,660	4,807,208,348
Noncurrent liabilities	21,494,193,653	20,900,091,064
Revenue	5,153,778,052	5,068,442,282
Net income (loss)	(289,792,774)	321,619,039
Other comprehensive income (loss)	2,734,309	(1,906,738)

The conversion rates used was ₱1.6102 and ₱1.6052 to THB1.00 as of December 31, 2023 and 2022, respectively.

The acquisition cost of the investment amounted to ₱8,834.04 million (THB5.29 billion). As of December 31, 2023 and 2022, the investment in associate account includes a notional goodwill amounting to ₱153.10 million and ₱1,304.47 million, respectively.

In 2023, MWTC recognized impairment on its investment in East Water amounting to ₱4,063.26 million (shown as part of equity in net losses) based on current operating and market conditions and our outlook on this investment. (see Notes 3 and 18).

Key assumptions used to determine the value in use are discount rates including cost of debt and cost of capital and growth rates.

Discount Rates
The discount rate used reflects current market assessments of the time value of money and the risks specific to the asset. The Group used discount rates based on the industry's weighted average cost of capital (WACC). The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset betas. Management assumed a pre-tax discount rate of 6.8%.

Revenues
Average growth rates in revenues are based on East Water's expectation of market developments and the changes in the environment in which it operates. East Water's anticipated revenue growth of 1.2% within the forecast period, based on past historical performance as well as expectations on the operating results of the business. On the other hand, the perpetual growth rate used to compute for the terminal value is based on the forecasted long-term growth of the economy in which the business operates.

The share of the Group in the net income (loss) of East Water, for the years ended December 31, 2023, 2022 and 2021, amounted to ₱4,117.51 million, (inclusive of impairment loss of ₱4,063.26 million), ₱63.22 million, and ₱157.86 million, respectively. The closing share price of East Water as of December 28, 2023 and December 29, 2022 were THB4.18 per share and THB5.30 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, 2023 and 2022 follows:

	2023	2022
Current assets	₱500,023,490	₱328,597,147
Noncurrent assets	2,351,043	5,436,295
Current liabilities	132,476,678	57,222,927
Noncurrent liabilities	67,580,936	69,316,728
Revenue	671,123,209	625,996,738
Net income	134,963,776	56,624,357

The conversion rate used was ₱14.82 and ₱14.93 to SAR1.00 as of December 31, 2023 and 2022, respectively.

Notes to Consolidated Financial Statements

The share of the Group in the net income of IWP for the years ended December 31, 2023, 2022 and 2021, amounted to ₱27.00 million, ₱11.32 million and ₱28.05 million, 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, 2023 and 2022 follows:

	2023	2022
Current assets	₱406,812,169	₱375,459,625
Noncurrent assets	4,104,506	886,920
Current liabilities	249,780,494	290,690,839
Noncurrent liabilities	44,649,681	39,500,135
Revenue	496,059,812	300,399,990
Net income	70,977,703	37,850,126

The conversion rate used was ₱14.82 and ₱14.93 to SAR1.00 as of December 31, 2023 and 2022, respectively.

The share of the Group in the net income of IWP2 for the years ended December 31, 2023, 2022 and 2021, amounted to ₱21.29 million, ₱11.36 million and nil, respectively.

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, 2023					
Associate	Net Assets of Associate*	Proportionate Ownership Interest	Share in Net Identifiable Assets	Notional Goodwill (Impairment)	Carrying Values
Thu Duc Water	₱3,952,023,469	49.00%	₱1,936,491,500	₱1,592,582,991	₱3,529,074,491
Kenh Dong Water	3,152,948,645	47.35%	1,492,921,183	1,484,918,456	2,977,839,639
Saigon Water	1,602,570,564	37.99%	608,816,557	217,624,383	826,440,940
Cu Chi Water	1,437,381,166	24.50%	352,158,386	(352,158,386)	–
PT STU	220,449,990	20.00%	44,089,998	1,059,644	45,149,642
East Water	19,859,264,215	18.72%	3,717,654,261	–	3,717,654,261
IWP	302,316,919	20.00%	60,463,384	–	60,463,384
IWP2	116,486,500	30.00%	34,945,950	–	34,945,950
Total	₱30,643,441,468		₱8,247,541,219	₱2,944,027,088	₱11,191,568,307

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.*

The rollforward of acquisition cost follows:

	2023	2022
Balance at beginning of year	₱13,031,980,437	₱13,029,916,837
Additions	–	2,063,600
Balance at end of year	₱13,031,980,437	₱13,031,980,437

The rollforward of accumulated equity in net earnings follows:

	2023	2022
Balance at beginning of year	₱1,864,920,588	₱1,788,112,824
Equity in net earnings (loss)	(3,561,491,909)	520,067,157
Dividend income	(311,198,412)	(443,259,393)
Balance at end of year	(₱2,007,769,733)	₱1,864,920,588

13. Other Noncurrent Assets

This account consists of:

	2023	2022
Advances to contractors	₱4,762,241,194	₱3,104,429,504
Deferred FCDA	2,631,234,667	2,654,588,708
Derivative assets	391,839,337	2,295,669,766
Deposits	554,506,907	475,376,668
Escrow fund	300,000,000	300,000,000
Water rights	192,802,742	192,802,742
Net input VAT	117,582,941	161,742,070
Receivable from Ayala Multi-Purpose Cooperative (AMPC)	41,981,977	43,272,975
Miscellaneous	51,509,563	4,394,706
	₱9,043,699,328	₱9,232,277,139

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. On April 19, 2023, the Parent Company initially settled the 26% portion of the hedged EUR120 million Euro-loan principal only swap resulting to derecognition of derivative asset amounting to ₱511.74 million. On August 10, 2023, the Parent Company unwound the remaining derivative asset related to principal only swap resulting to derecognition amounting to ₱1,263.52 million, derecognition of OCI amounting to ₱1,557.28 million. The initial settlement and unwinding of the remaining portion resulted to ₱22.0 million and ₱60.04 million realized forex gain and hedging costs, respectively.

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, 2023 and 2022, 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. 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, time deposits with maturities of more than one (1) year and MWAP's receivable from IWP2 as shareholder loans including interests.

14. Accounts and Other Payables and Contract Liabilities

a. *Accounts and other payables*

This account consists of:

	2023	2022
Trade payables	₱10,060,590,505	₱10,521,893,884
Accrued expenses:		
Utilities	553,544,001	655,013,864
Salaries, wages, and employee benefits	517,739,970	501,246,227
Repairs and maintenance	416,189,530	507,490,577
Management and professional fees	333,271,717	486,183,203
Water service connections	112,857,935	80,605,111
Contractual services	109,339,568	339,257,679
Occupancy costs (Note 25)	84,945,362	109,915,745
Wastewater costs	48,597,118	103,739,716
Water treatment chemicals	38,576,534	13,707,201
Water tankering and bulk water costs	25,270,206	14,670,656
Printing and communication	14,137,807	12,509,368
Rental of equipment	4,310,713	2,943,196
Collection fees	3,631,093	39,894,188
Miscellaneous	42,579,633	152,853,334
Contractors' payable	4,948,731,350	1,311,654,342
Interest payable (Note 15)	1,418,719,426	1,208,142,266
Others	28,040,501	132,799,001
	₱18,761,072,969	₱16,194,519,558

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:

	2023	2022
Supervision fees	₱387,658,147	₱345,644,195
Connection fees - current	1,912,823	1,506,299
Current portion	389,570,970	347,150,494
Supervision fees	674,592,877	391,034,621
Connection fees	246,826,685	199,077,962
Noncurrent portion	921,419,562	590,112,583
	₱1,310,990,532	₱937,263,077

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. *Domestic Subsidiaries Short-term debt -*

Metro Ilagan's loan agreement with Philippine National Bank (PNB)
On July 10, 2023, Meto Ilagan Water obtained a ₱150.00 million Omnibus Line and a ₱10.00 million Bills Purchase Line with PNB. The Omnibus Line has sub-facilities for short-term loan lines and standby line credit. The proceeds of the loan will be used to bridge funding for the Metro Ilagan Water project. During the last quarter of 2023, Metro Ilagan Water obtained various short-term loans from PNB aggregating to ₱135.0 million with an interest rate ranging from 6.75% to 7.00% and will mature in the first quarter of 2024.

b. *Long-term debt*

This account consists of:

	2023	2022
Parent Company loans:		
USD bonds:		
US$500.00 million sustainability bonds	₱27,226,738,326	₱27,365,197,059
USD loans:		
MWMP Loan	5,734,950,932	6,200,997,558
European (EUR) loan:		
EUR250.00 million Loan	3,519,836,009	7,089,211,523
PHP loans:		
₱5.00 billion PNB Loan	2,365,811,796	2,861,810,699
₱5.00 billion BDO Loan	4,982,808,371	4,975,375,676
₱15.00 billion Chinabank Loan	14,903,231,775	11,415,727,234
₱3.00 billion Landbank Loan	2,977,493,220	–
₱7.00 billion Landbank Loan	3,473,707,741	–
₱10.00 billion Metrobank Loan	8,932,635,710	–
Subsidiaries' loans:		
Thailand Baht (THB) loan:		
THB5.30 billion MWTC Loan	8,488,482,165	8,494,487,213
Canadian Dollar (CAD) loan:		
CAD0.87 million Laguna Water Loan	36,669,405	36,002,957
PHP loans:		
₱0.50 billion Laguna Water DBP Loan	286,342,198	315,673,454
₱0.83 billion Laguna Water DBP Loan	491,493,092	541,838,041
₱2.50 billion Laguna Water SBC Loan	1,340,819,490	1,531,643,700
₱2.50 billion Laguna Water BPI Loan	1,027,034,305	1,204,874,998
₱1.60 billion Laguna Water BPI Loan	694,905,499	–
₱0.50 billion Boracay Water DBP-SBC Loan	292,604,226	292,310,605
₱0.50 billion Boracay Water DBP-SBC Loan	313,075,737	312,749,030
₱0.65 billion Boracay Water DBP-SBC Loan	538,351,832	537,678,258
₱2.40 billion Boracay Water BPI Loan	1,499,827,683	1,509,874,155
₱1.15 billion Clark Water RCBC Loan	644,144,709	739,198,655
₱0.54 billion Clark Water DBP Loan	454,353,599	498,459,351
₱1.53 billion Clark Water BPI Loan	367,152,059	–
₱10.00 billion MWPVI Loan	7,413,755,414	7,326,693,405
₱0.45 billion Tagum Water PNB Loan	293,309,580	326,704,807
₱0.15 billion Tagum Water PNB Loan	114,132,723	126,917,482
₱0.23 billion Aqua Centro BPI Loan	231,710,323	166,969,467
₱0.47 billion South Luzon Water BPI Loan	323,075,648	168,914,970
₱0.39 billion Calbayog Water BPI Loan	148,997,580	148,875,000
₱0.20 billion Bulakan Water BPI Loan	130,000,000	–
₱0.80 billion Cebu Water DBP Loan	–	481,599,335
	99,247,451,147	84,669,784,632
Less current portion	16,971,501,294	6,024,171,860
	₱82,275,949,853	₱78,645,612,772

Notes to Consolidated Financial Statements

Unamortized debt discounts and issuance costs of the Group's long-term debt are as follows:

	2023	2022
USD loans	₱490,354,488	₱548,979,418
EUR loan	12,837,491	57,328,477
THB loan	45,437,038	13,192,692
PHP loans	304,215,894	222,179,220
	₱852,844,911	₱841,679,807

The rollforward analysis of unamortized debt discounts and issuance costs of long-term debt follows:

	2023	2022
Balance at beginning of year	₱841,679,807	₱816,734,664
Additions	167,091,792	123,482,841
Amortization (Note 18)	(163,293,338)	(159,968,195)
Foreign exchange adjustments	7,366,650	61,430,497
Balance at end of year	₱852,844,911	₱841,679,807

Interest expense on short and long-term debt amounted to ₱2,427.79 million, ₱1,566.88 million, and ₱1,620.83 million in 2023, 2022, and 2021, 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, 2023 and 2022 amounted to US$491.72 million and US$490.81 million, respectively.

Parent Company Loans

MWMP Loan

On October 2, 2012, the Parent Company entered into a Subsidiary Loan Agreement with Land Bank of the Philippines under the Metro Manila Wastewater Management Project (MWMP) with the World Bank (MWMP Loan). The MWMP aims to improve wastewater services in Metro Manila through increased wastewater collection and treatment. The loan has a term of twenty-five (25) years and was made available in United States Dollar in the aggregated principal amount of US$137.50 million, payable via semi-annual installments after the seven (7)-year grace period. The Parent Company has made four (4) drawdowns in 2015 with an aggregate amount of US$22.60 million, three (3) drawdowns in 2016 with an aggregate amount of US$17.46 million, three (3) drawdowns in 2017 with a total amount of US$22.40 million, one (1) drawdown in 2018 amounting to US$8.88 million, and four (4) drawdowns in 2019 with an aggregate amount of US$41.68 million. In 2020, the Parent Company made three (3) additional drawdowns with a total amount of US$24.48 million to fully utilize the facility. The carrying value of the MWMP loan as of December 31, 2023 and 2022 amounted to US$103.58 million and US$111.22 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 in 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 in 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 million with 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, 2023 and 2022 amounted to €57.29 million and €119.04 million, respectively.

Notes to Consolidated Financial Statements

₱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, 2023 and 2022 amounted to ₱2,365.81 million and ₱2,861.81 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, 2023 and 2022 amounted to ₱4,982.81 million and ₱4,975.38 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, 2022 and December 15, 2022, respectively. Interest and principal payments are payable semi-annually. Principal payment is due beginning March 13, 2026.

On February 21, 2023 and April 25, 2023, the Parent Company made additional drawdowns from the loan facility amounting to ₱1,500.00 million and ₱2,000.00 million, respectively. Interest and principal payments are payable semi-annually. The proceeds of the loan will be used to finance various capital expenditures of East Zone projects.

The carrying value of the loan as of December 31, 2023 and 2022 amounted to ₱14,903.23 million and 11,415.73 million, respectively.

₱3.00 Billion Term-Loan with Land Bank of the Philippines (LBP)
On February 20, 2023, the Parent Company entered into a loan agreement with LBP for a ₱3.00 billion 10-year term loan to be to used to partially finance the Parent Company's general corporate requirements, including capital expenditures. The Parent Company made its first and only drawdown amounting to ₱3.00 billion on November 29, 2023. Interest and principal payments are payable semi-annually. Principal payment is due beginning on May 29, 2025. The carrying value of the loan as of December 31, 2023 amounted to ₱2,977.50 million.

₱10.00 Billion Term-Loan with Metropolitan Bank and Trust Company (MBTC)
On December 06, 2023, the Parent Company entered into a loan agreement with MBTC for a 10-year term loan amounting to ₱10.00 billion to be used to finance East Zone's capital expenditures and/or general corporate requirements. The Parent Company has made a drawdown amounting to ₱9.00 billion on December 11, 2023. Interest and principal payments are payable semi-annually. Principal payment is due beginning June 11, 2024. The carrying value as of December 31, 2023 amounted ₱8,932.64 million.

₱7.00 Billion Term-Loan with LBP
On December 19, 2023, the Parent Company entered into a loan agreement with LBP for a 10-year term loan amounting to ₱7.00 billion to be used to finance East Zone's general corporate requirements including, capital expenditures. The Parent Company has made a drawdown amounting to ₱3.50 billion on December 28, 2023. Interest and principal payments are payable semi-annually. Principal payment is due beginning June 28, 2025. The carrying value as of December 31, 2023 amounted to ₱3,473.71 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, 2023 and 2022 amounted to THB5,271.78 million and THB5,291.78 million, respectively.

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, 2023 and 2022 amounted to ₱286.34 million and ₱315.67 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 ₱491.49 million and ₱541.84 million as of December 31, 2023 and 2022, 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 ₱1,340.82 million and ₱1,531.64 million as of December 31, 2023 and 2022, 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, 2023 and 2022, the carrying value of the loan amounted to CAD873,000.

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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 ₱1,027.03 million and ₱1,204.87 million as of December 31, 2023 and 2022, respectively.

Omnibus Loan and Security Agreement – BPI
On August 17, 2023, Laguna Water and BPI finalized the Omnibus Loan and Security Agreement (Sixth OLSA) loan facility amounting to ₱1.60 billion. The loan will be used to finance capital expenditure projects for 2023 to 2025. The first drawdown was made in October 23, 2023 amounting to ₱700.00 million. The carrying value of the loan amounted to ₱694.91 million as of December 31, 2023.

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, 2023 and 2022 amounted to ₱292.60 million and ₱292.31 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 as of December 31, 2023 and 2022, 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 ₱313.08 million and ₱312.75 million as of December 31, 2023 and 2022, 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 ₱538.35 million and ₱537.68 million as of December 31, 2023 and 2022, 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 ₱1,499.83 million and ₱1,509.87 million as of December 31, 2023 and 2022, 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 ₱644.14 million and ₱739.20 million as of December 31, 2023 and 2022, 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 ₱454.35 million and ₱498.46 million as of December 31, 2023 and 2022, respectively.

Omnibus Loan and Security Agreement – BPI
On June 15, 2023, Clark Water and BPI finalized the Omnibus Loan and Security Agreement (Third OLSA) loan facility amounting to ₱1.53 billion. The loan will be used to finance capital expenditure projects for 2023 to 2025. In November and December of 2023, first and second loan drawdown took place amounting to ₱200.00 million and ₱170.00 million, respectively. As of December 31, 2023, the carrying value of the loan amounted to ₱367.15 million.

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 amounted to ₱481.60 million. On October 2, 2023, the total outstanding loan of P453.15 million with DBP was prepaid and fully settled.

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.

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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 MWPVI made its first drawdown on its loan facility amounting to ₱700.00 million.

On March 29 and June 29, 2023, MWPVI made additional loan drawdowns from its Third OLSA amounting to ₱150.00 million and ₱600.00 million, respectively. The proceeds of the loan will be used to finance the MWPVI's capital expenditures, fund existing projects of subsidiaries and other general corporate requirements. These loan drawdowns have a term of ten (10) years and will mature on December 23, 2032.

The carrying value of the loan as of December 31, 2023 and 2022 amounted to ₱7,413.76 million and ₱7,326.69 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, 2023 and 2022 amounted to ₱293.31 million and ₱326.70 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, 2023 and 2022 amounted to ₱114.13 million and ₱126.92 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 amounting to ₱80.00 million and ₱27.00 million, respectively. On June 14, 2022, Aqua Centro made its third drawdown amounting to ₱61.00 million. On May 29 and December 20, 2023, Aqua Centro made its fourth and fifth drawdown amounting to ₱30.00 million and ₱35.00 million, respectively. These loan drawdowns have a term of nine (9) to ten (10) years, with interest payable quarterly and principal repayments starting on March 19, 2024.

The carrying value of the loan as of December 31, 2023 and 2022 amounted to ₱231.71 million and ₱166.97 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.

On March 30, 2023, June 29, 2023, and September 22, 2023, South Luzon Water made additional drawdowns from its BPI loan facility amounting to ₱60.00 million, ₱45.00 million and ₱50.00 million, respectively. The proceeds of the loan will be used to partially finance its capital expenditure projects. Principal payments will be made in fifteen (15) consecutive equal semi-annual installments starting August 2024.

The carrying value of the loans as of December 31, 2023 and 2022 amounted to ₱323.08 million and ₱168.91 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, 2023 and 2022 amounted to ₱149.00 million and ₱148.88 million, respectively.

Bulakan Water Loan
On January 20, 2023, Bulakan Water signed an Omnibus Loan and Security Agreement (OLSA) in the amount of ₱200.00 million with BPI. The loan will be used to finance the projects of the company. Nominal interest is at 6.6224% per annum. Principal payments will be made in forty-eight (48) equal quarterly installments starting April 2026.

On June 27, 2023, Bulakan Water signed an Amendment Agreement relating to the OLSA entered last January 20, 2023, with BPI to exclude in "Debt" definition the present value of concession fee payments computed based on BWCI's interpretation of IFRIC 12.

On January 31, March 23, October 24 and November 29, 2023, Bulakan Water made drawdowns from its BPI loan facility amounting to ₱40.00 million, ₱40.00 million, ₱20.00 million and ₱30.00 million, respectively. As of December 2023, the carrying value of the loan amounted to ₱130.00 million.

South Luzon Water, Aqua Centro, Boracay Water, Laguna Water, Clark Water, and MWPVI have assigned their rights under their respective concession agreements or project documents as their loan collateral, while Cebu Water and Tagum Water's loans are secured by real estate mortgages on real assets with total carrying value amounting to ₱30.59 million and ₱53.60 million, respectively, as of December 31, 2023 and 2022.

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, 2023 and 2022, the Parent Company and MWPVI and subsidiaries are 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, 2023.

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

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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:

	2023		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance at beginning of year	₱1,018,607,781	₱730,393,930	₱288,213,851
Net benefit costs in profit or loss before capitalized costs:			
Current service cost	116,876,897	–	116,876,897
Net interest (Note 18)	61,482,115	50,411,049	11,071,066
	178,359,012	50,411,049	127,947,963
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in interest)	–	(38,935,854)	38,935,854
Actuarial changes arising from:			
Financial assumptions	51,720,523	–	51,720,523
Demographic assumptions	4,680,655	–	4,680,655
Experience adjustments	(3,813,179)	–	(3,813,179)
	52,587,999	(38,935,854)	91,523,853
Benefits paid from retirement funds	(112,789,612)	(112,789,612)	–
Contributions	–	77,800,000	(77,800,000)
Benefits paid from operating funds	(41,663,250)	–	(41,663,250)
Balance at end of year	₱1,095,101,930	₱706,879,513	₱388,222,417

	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
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

The components of the fair value of plan assets are as follows:

	2023	2022
Assets:		
Cash and cash equivalents	₱942,763	₱2,159,453
Debt investments – domestic	630,078,494	650,675,326
Equity investments – domestic	69,883,526	75,331,623
Interest receivable	2,077,340	1,603,816
Other receivable	5,021,994	3,670,948
	708,004,117	733,441,166
Liabilities:		
Other payables	1,124,604	3,047,236
	1,124,604	3,047,236
Fair value of plan assets	₱706,879,513	₱730,393,930

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:

	2023	2022	2020
Discount rate	6.14%	7.33%	4.97% to 5.26%
Salary increase rate	6.10%	7.00%	3.50% 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)	2023	2022
Discount rate	1.00%	(₱78,972,469)	(₱72,255,090)
	(1.00%)	94,574,445	86,150,262
Salary increase rate	1.00%	97,641,054	89,497,390
	(1.00%)	(82,951,221)	(76,348,900)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2023	2022
Less than 1 year	₱ 160,365,805	₱151,764,958
More than 1 year and up to 5 years	309,288,326	374,493,462
More than 5 years and up to 10 years	403,476,786	357,966,685
	₱873,130,917	₱884,225,105

The average duration of the defined benefit obligation at the end of the reporting period is 16.48 years and 14.46 years as of December 31, 2023 and 2022, 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 2024 amounting to ₱97.18 million while MWPVI, Boracay Water, Clark Water and Laguna Water have no expected contributions to their respective defined benefit pension plans in 2024.

As of December 31, 2023 and 2022, 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 ₱23.89 million and ₱36.13 million, respectively. As of December 31, 2023 and 2022, the plan assets include debt securities of Ayala and ALI with a total fair value of ₱13.45 million and ₱13.29 million, respectively.

17. Other Noncurrent Liabilities

Other noncurrent liabilities consist of:

	2023	2022
Deferred credits	₱610,170,577	₱610,566,545
Customers' guaranty deposits and other deposits	354,901,184	327,019,932
Long-term sick leave and vacation leave (SLVL) liability	244,151,093	184,137,755
Other noncurrent liabilities	264,719,426	–
	₱1,473,942,280	₱1,121,724,232

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Deferred credits pertain to the unamortized discounts of the customers' guaranty deposits. The rollforward analysis of the deferred credits follows:

	2023	2022
Balance at beginning of year	₱610,566,545	₱446,422,967
Additions	11,875,027	177,359,957
Amortization	(12,270,995)	(13,216,379)
Balance at end of year	₱610,170,577	₱610,566,545

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.

Other noncurrent liabilities amounting to ₱226.18 million and ₱38.54 million pertain to loan obtained by the Group from the minority shareholders of Cebu Water, Provincial Government of Cebu and Vicsal Development Corporation, respectively, subject to interest rate of 8.00%. The proceeds of the loans were used to finance the prepayment of its commercial loan from DBP. These loans have a term of 3 years and will mature on September 27, 2026 (see Note 23).

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 2023 and 2022, the Parent Company recognized expenses related to long-term SLVL in the operating expenses amounting to ₱55.36 million and ₱130.07 million, respectively. The latest actuarial valuations were made on December 31, 2023.

As of December 31, 2023 and 2022, actuarial gain (loss) on SLVL liability recognized in the other comprehensive income amounted to ₱4.66 million and (₱41.48 million), net of tax. The latest actuarial valuations were made on December 31, 2023.

18. Other Operating Revenue, Operating Expenses, Interest Income and Expense, and Other Income and Losses

Other operating revenue consists of:

	2023	2022	2021
Cross-border billing*	₱543,895,877	₱273,651,813	₱–
Pipeworks and integrated used water services	377,708,993	476,849,463	153,271,806
Supervision fees (Note 23)	260,941,725	337,762,316	231,481,724
Connection fees from water and service connections	218,987,339	354,716,825	226,256,231
Service income from bulk water contracts (Note 6)	189,036,744	193,840,519	138,934,353
Operations and maintenance services	136,373,426	112,278,840	88,422,873
Reconnection fee	93,709,745	73,345,301	34,987,702
Income from customer late payments	65,207,951	38,485,674	31,663,719
Septic sludge disposal and bacteriological water analysis	32,634,862	33,588,860	36,505,204
Miscellaneous	5,592,462	7,202,418	63,725,409
	₱1,924,089,124	₱1,901,722,029	₱1,005,249,021

**Pertains to cross-border charges to Maynilad*

Miscellaneous includes income from water tankering, rental of equipment, and due diligence.

Operating expenses consist of:

	2023	2022	2021
Salaries, wages and employee benefits (Notes 16 and 23)	₱1,232,691,256	₱1,324,237,409	₱1,206,524,894
Management, technical and professional fees (Note 23)	1,065,779,948	1,090,704,265	407,637,105
Depreciation and amortization (Notes 9, 10 and 11)	625,904,679	342,473,948	299,262,704
Repairs and maintenance	388,799,940	487,047,917	214,817,910
Contractual services	336,259,337	364,920,241	321,837,888
Insurance	235,194,685	153,373,132	129,551,490
Provision for (reversal of) ECL on receivables and contract assets (Note 6)	217,169,740	(134,355,963)	466,813,300
Taxes and licenses	170,099,093	233,377,072	346,562,423
Provisions and penalty (Notes 1 and 30)	105,222,167	47,991,394	313,721,475
Donations	50,713,787	54,695,557	20,095,710
Business meetings and representation	32,888,550	25,833,248	24,156,613
Transportation and travel	32,082,718	27,557,794	11,856,956
Advertising	18,252,541	13,477,054	8,731,869
Printing and communication (Note 23)	16,986,871	17,201,108	24,618,310
Rent (Notes 11, 23 and 25)	13,434,098	21,100,467	18,821,842
Other expenses	128,745,609	209,865,951	91,927,251
	₱4,670,225,019	₱4,279,500,594	₱3,906,937,740

Other expenses include expenses incurred for provision for inventory obsolescence, bank charges, equipment rental and other rentals, among others.

Interest income consists of:

	2023	2022	2021
Interest income on:			
Cash and cash equivalents and short-term investments (Note 5)	₱300,992,854	₱120,982,688	₱70,247,390
Others	236,217	775,812	301,070
	₱301,229,071	₱121,758,500	₱70,548,460

Beginning 2022, finance income from contracts assets were presented as part of the Group's revenue. Consequently, 2021 balance was reclassified to conform with the current presentation.

Interest expense consists of:

	2023	2022	2021
Interest expense on:			
Service concession obligations (Note 10)	₱1,135,448,327	₱898,636,458	₱671,367,228
Long-term debt (Note 15)*:			
Coupon interest	2,264,494,956	1,406,910,162	1,386,407,037
Amortization of debt discount, issuance costs and premium	163,293,338	159,968,195	234,425,142
Lease liabilities (Note 11)*	18,821,865	14,192,393	20,131,539
Pension liabilities (Note 16)*	14,911,540	2,818,156	7,124,733
Long-term SL and VL liability	13,368,401	11,268,149	–
Other financing charges (Notes 15 and 17)	163,338,648	322,450,929	153,878,783
	₱3,773,677,075	₱2,816,244,442	₱2,473,334,462

**Net of capitalized interest expense*

Other financing charges consist of hedging costs, hedging ineffectiveness, amortization of guaranty deposits, and loan pre-termination fees.

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Other income (losses) - net consists of:

	2023	2022	2021
Provision for impairment losses (Note 4)	₱–	₱–	(₱130,319,465)
Gain from reversal of provision for CWA (Note 1)	–	450,263,217	–
Others – net	346,274,429	250,505,102	(45,166,244)
	₱346,274,429	₱700,768,319	(₱175,485,709)

Others - net include liquidated damages and partial reversal of SCO related to EZ's bulk water contract (Note 23), 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, 2023, 2022 and 2021.

The net increase in cash flows of MWIS Healthy Family Division are as follows:

	2023	2022	2021
Net cash provided by operating activities	₱55,000	₱555,982	₱12,972,690

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 discontinued operations of Zamboanga Water are as follows:

	2023	2022	2021
Revenue from contracts with customers	₱–	₱85,411	₱191,475
Cost of services and operating expenses	1,273,167	6,485,540	14,854,583
Operating loss	(1,273,167)	(6,400,129)	(14,663,108)
Interest income	683	791	634
Other income (loss) - net	382,549	103,687	(343,820)
Loss before income tax	(889,935)	(6,295,651)	(15,006,294)
Provision for (benefit from) income tax	(59,075)	62,378	(43,473)
Loss from discontinued operations	(₱830,860)	(₱6,358,029)	(₱14,962,821)

The net cash flows of Zamboanga Water are as follows:

	2023	2022	2021
Operating	(₱1,136,643)	₱1,590,214	(₱4,426,586)
Investing	683	791	904,827
Financing	–	–	3,500,000
Net increase (decrease) in cash and cash equivalents	(₱1,135,960)	₱1,591,005	(₱21,759)

The net income attributable to the owners of the Parent Company and noncontrolling interest from continuing and discontinued operations are as follows:

	2023	2022	2021
Net income (loss) attributable to:			
Equity holders of Manila Water Company, Inc.			
Continuing operations	₱5,594,150,378	₱5,927,227,030	₱3,683,802,583
Discontinued operations	(581,602)	(4,450,620)	(10,473,975)
	₱5,593,568,776	₱5,922,776,410	₱3,673,328,608
Noncontrolling interests			
Continuing operations	₱277,137,480	₱220,538,662	₱85,298,756
Discontinued operations	(249,258)	(1,907,409)	(4,488,846)
	₱276,888,222	₱218,631,253	₱80,809,910
EPS			
Basic, net loss from discontinued operations	₱–	₱–	₱–
Diluted, net loss from discontinued operations	₱–	₱–	₱–

20. Income Tax

Provision for (benefit from) income tax consists of:

	2023	2022	2021
Current	₱1,756,292,414	₱1,443,529,558	₱1,317,513,163
Final	21,752,294	6,530,722	2,047,364
Deferred	1,326,532,054	563,139,188	219,732,881
	₱3,104,576,762	₱2,013,199,468	₱1,539,293,408

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2023	2022	2021
Statutory income tax rate	25.00%	25.00%	25.00%
Tax effects of:			
Retrospective effect of the change in tax rate	–	–	0.77
Change in unrecognized deferred tax	(0.17)	0.20	1.54
Interest income subjected to final tax	(0.84)	(0.37)	(0.33)
Nontaxable equity in net loss (earnings) of associates	9.92	(1.59)	(2.68)
Nondeductible expense	43.09	76.05	78.52
Income exempt from tax	(42.85)	(79.98)	(76.46)
Others – net	0.44	5.36	2.64
Effective income tax rate	34.59%	24.67%	29.00%

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%.

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- 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:

	2023	2022
Deferred tax assets:		
Provisions and accruals	₱141,346,175	₱747,465,680
NOLCO and MCIT	141,259,532	170,118,456
Allowance for ECL	108,706,312	293,444,327
Service concession obligations – net	81,187,470	1,701,746,289
Pension liabilities	13,928,520	59,749,118
Others	298,396,283	259,161,559
	784,824,292	3,231,685,429
Deferred tax liabilities:		
Difference between amortization expense of SCA per straight line method and per UOP	(253,915,212)	(2,079,151,939)
Right-of-use assets - net	(2,595,151)	(8,344,760)
Derivatives (Note 28)	–	(436,950,934)
Others	(28,624,777)	(72,014,498)
	(285,135,140)	(2,596,462,131)
	₱499,689,152	₱635,223,298

The components of the net deferred tax liabilities of the Group represent the deferred income tax effects of the following:

	2023	2022
Deferred tax liabilities:		
Difference between amortization expense of SCA per straight-line method and per UOP	₱2,844,565,774	₱123,770,136
Capitalized interest	359,757,502	–
Contract assets from bulk water arrangements	271,612,631	227,654,901
Unrealized gain on bargain purchase	7,523,078	8,485,054
	3,483,458,985	359,910,091
Deferred tax assets:		
Service concession obligations - net	(1,583,392,757)	–
Provisions and accruals	(544,604,874)	(29,439,926)
Allowance for ECL	(175,237,258)	(999,704)
Pension liabilities	(83,127,084)	(12,304,345)
Others	(44,792,029)	20,854,274
	(2,431,154,002)	(21,889,701)
	₱1,052,304,983	₱338,020,390

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 Parent Company applied OSD for the year ended December 31, 2019.

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 ₱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, 2023, the Group has incurred NOLCO for taxable years 2022 and 2023 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
2022	2023 to 2025	₱286,690,580	–	₱286,690,580
2023	2024 to 2026	24,599,828	–	24,599,828
		₱311,290,408	–	₱311,290,408

As of December 31, 2023, the Group has incurred NOLCO for taxable years 2020 and 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	₱93,165,930	₱552,803,192
2021	2022 to 2026	541,390,731	11,545,568	529,845,163
		₱1,187,359,853	₱104,711,498	₱1,082,648,355

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MCIT
The movements of the Group's MCIT as of December 31, 2023 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
2020	₱9,526,856	₱9,526,856	₱–	2023
2021	8,500,891	1,913,667	6,587,224	2024
2022	12,059,485	1,703,689	10,355,796	2025
2023	5,456,452	–	5,456,452	2026
	₱35,543,684	₱13,144,212	₱22,399,472	

21. Equity

Paid-in capital
The Parent Company's capital stock consists of:

	2023		2022	
	Shares	Amount	Shares	Amount
Common stock - ₱1 per share				
Authorized	3,100,000,000	₱3,100,000,000	3,100,000,000	₱3,100,000,000
Issued and subscribed	2,884,839,617	2,884,839,617	2,884,839,617	2,884,839,617
Issued and outstanding	2,163,389,444	2,163,389,444	2,041,300,107	2,041,300,107
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 billion upon Closing and 50.00% or ₱5.33 billion 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:

	2023	2022
Number of issued shares at beginning of year	2,044,098,916	2,043,237,036
Additions	410,433,100	861,880
Number of issued shares at end of year	2,454,532,016	2,044,098,916
Treasury shares	(291,142,572)	(2,798,809)
Number of issued and outstanding shares at end of year	2,163,389,444	2,041,300,107

The movement of the Parent Company's paid-in capital for the years ended December 31, 2023, 2022, and 2021 follows:

	2023						
	Common Stock	Subscribed Common Stock	Preferred Stock	Additional Paid-in Capital	Subscription Receivable	Treasury Shares	Paid-in Capital
Balance at beginning 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
Issuance of shares	410,433,100	(410,433,100)	–	–	–	–	–
Cost of share-based payment	–	–	–	30,394,798	22,147,558	10,002,917	62,545,273
Collections	–	–	–	–	15,563,120	–	15,563,120
Purchase of treasury shares	–	–	–	–	–	(5,716,314,028)	(5,716,314,028)
Reissuance of treasury shares	–	–	–	–	–	–	–
Balance at end of year	₱2,454,532,016	₱430,307,601	₱400,000,000	₱14,458,016,211	(₱5,607,257,718)	(₱5,749,624,306)	₱6,385,973,804

	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

Notes to Consolidated Financial Statements

	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

Retained earnings

The movement of the Group's retained earnings follows:

	2023		
	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Retained Earnings
Balance at beginning of year	₱18,087,151,743	₱40,610,000,000	₱58,697,151,743
Net income	5,593,568,776	–	5,593,568,776
Dividends declared	(2,072,971,746)	–	(2,072,971,746)
Appropriations	(15,890,000,000)	15,890,000,000	–
Balance at end of year	₱5,717,748,773	₱56,500,000,000	₱62,217,748,773

	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

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 10, 2023, the Parent Company's BOD approved the appropriation of ₱15,890.00 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 ₱56,500.00 million and ₱40,610.00 million as of December 31, 2022 and 2021, respectively. Additional appropriated retained earnings amounted to ₱30.40 billion and ₱15.50 billion was utilized and released in 2023.

Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries and associates accounted for under the equity method amounting to nil and ₱3,942.56 million as of December 31, 2023 and 2022, 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, 2023 and 2022 amounted to nil (includes Treasury shares which is not available for dividend declaration amounting to ₱5,749.63 million) and ₱11,199.37 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, 2023:

		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
March 28, 2023	April 14, 2023	0.6190	0.0620	April 28, 2023

The Parent Company has no dividends in arrears as of December 31, 2023, 2022 and 2021.

Treasury Shares
On September 13, 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 October 11, 2023, the Parent Company's BOD approved a buy-back of its shares with Ayala Corporation and Philwater Holdings Company, Inc. The Parent Company re-acquired its 288,998,734 common shares and 436,243,932 participating preferred shares, respectively, for a total amount of ₱5.7 billion. This transaction reduced Ayala Corporation's effective economic stake from 30.4% to 22.5%.

In 2023 and 2022, the Parent Company reissued 401,011 shares and 655,151 shares, respectively, in relation to the SIP, amounting to ₱10.00 million and ₱6.10 million, respectively.

As of December 31, 2023 and 2022, total number of treasury shares - common stock follows:

	2023	2022
Number of shares at beginning of year	2,798,809	–
Acquisitions	288,998,734	3,200,000
Reissuance	(654,971)	(401,191)
Number of shares at end of year	291,142,572	2,798,809

As of December 31, 2023, total number of participating preferred shares held in treasury shares amounted to 436,243,932 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%

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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 2023 and 2022. Total cost arising from equity-settled share-based payment transactions amounted to ₱30.39 million, ₱19.91 million, and ₱3.39 million in 2023, 2022 and 2021, 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.

Details of the SIP follows:

	December 31, 2023	December 31, 2022
Cumulative number of granted shares*	13,952,469	3,311,513
Date of grant	April 14, 2023	April 22, 2022
Fair value of shares at grant date	19.66	19.20

**Includes 259,396 and 93,383 shares adjusted by dividend reinvestment plan as of December 31, 2023 and December 31, 2022.*

Summary of vested and unvested shares follows:

	December 31, 2023	December 31, 2022
Vested shares	5,923,674	1,372,056
Unvested shares	8,028,795	1,939,457
	13,952,469	3,311,513

Total share-based payment cost arising from SIP amounted to ₱62.71 million and ₱26.08 million in 2023 and 2022, respectively.

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 statements 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 statements of financial position.

22. Earnings per Share

Earnings per share amounts attributable to equity holders of the Parent Company for the years ended December 31, 2023, 2022, and 2021 were computed as follows:

	2023	2022	2021
Net income (loss) attributable to common equity holders of the Parent Company			
Continuing operations	₱5,594,150,378	₱5,927,227,031	₱3,683,802,583
Discontinued operations	(581,602)	(4,450,620)	(10,473,975)
Dividends on preferred shares*	(680,149,783)	(756,574,986)	(543,764,840)
Net income attributable to common shareholders for basic and diluted earnings per share	₱4,913,418,993	₱5,166,201,425	₱3,129,563,768
Weighted average number of common shares for basic earnings per share	2,810,282,353	2,883,830,801	2,543,172,950
Dilutive common shares arising from stock options	–	–	–
Adjusted weighted average number of common stocks for diluted earnings per share	2,810,282,353	2,883,830,801	2,543,172,950
EPS before discontinued operations			
Basic earnings per share	₱1.75	₱1.79	₱1.23
Diluted earnings per share	₱1.75	₱1.79	₱1.23
EPS			
Basic earnings per share	₱1.75	₱1.79	₱1.23
Diluted earnings per share	₱1.75	₱1.79	₱1.23

**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.

Related party transactions are as follows:

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. The ASSA was not renewed after expiration.

   Total management and professional fees charged to operations arising from these agreements amounted to nil, ₱21.82 million, and ₱84.91 million in 2023, 2022 and 2021, respectively. Total outstanding payables amounted to nil as of December 31, 2023 and 2022 (see Note 14).

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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 ₱986.55 million, ₱689.44 million and ₱254.72 million in 2023, 2022 and 2021, respectively. Total outstanding payables amounted to ₱227.87 million and ₱180.95 million as of December 31, 2023 and 2022, 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)	
	2023	2022	2023	2022
Shareholder:				
Ayala	₱–	₱–	₱203,231	₱542,587
Affiliates:				
Trident Inc	–	–	5,330,000,000	5,330,000,000
ALI and subsidiaries		–	263,248,693	305,264,854
WawaJVCo, Inc.	–	–	113,017,973	––
Sureste Properties Inc.	–	–	32,450,297	25,781
Globe and subsidiaries	–	–	140,878	139,704
AC Industrial Technology Holdings, Inc. (AITHI) and subsidiaries	–	–	–	4,870
BPI and subsidiaries	1,737,370,625	1,364,127,924	143,138	2,592,322
	1,737,370,625	1,364,127,924	5,739,000,979	5,638,027,531
	₱1,737,370,625	₱1,364,127,924	₱5,739,204,210	₱5,638,570,118

Includes trade, subscription, 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 Liabilities* (Note 14)		Long-term Debt (Note 15)	
	2023	2022	2023	2022
Shareholder:				
PICI	₱227,871,493	₱180,953,011	₱–	₱–
Affiliates:				
WawaJVCo	6,644,268,738	6,808,504,316		
Prime Metro BMD	336,920,619	61,898,362	–	–
ALI and subsidiaries	160,576,797	267,096,095	–	–
BPI and Subsidiaries	16,766,491	819,283	4,422,703,097	3,199,508,589
Globe and subsidiaries	13,201,832	2,955,045	–	–
HCX Technology Partners, Inc.	1,678,071	1,781,164	–	–
Bestfull Holdings, Inc. and subsidiaries	352,013	344,173	–	–
Sureste Properties Inc.	236,538	–	–	–
	7,174,001,099	7,143,398,438	4,422,703,097	3,199,508,589
	₱7,401,872,592	₱7,324,351,449	₱4,422,703,097	₱3,199,508,589

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, Clark Water, Aqua Centro, South Luzon, Calbayog Water and Bulakan Water with BPI (see Note 15).

	Revenues			Purchases		
	2023	2022	2021	2023	2022	2021
Shareholders:						
PICI	₱–	₱–	₱–	₱986,553,839	₱689,443,859	₱254,720,321
Ayala	7,256,034	4,530,470	3,895,104	–	21,823,200	114,664,008
	7,256,034	4,530,470	3,895,104	986,553,839	711,267,059	369,384,329
Affiliates:						
ALI and subsidiaries	857,456,517	740,211,689	495,254,953	69,120,702	38,079,208	27,650,260
WawaJVCo, Inc.	113,017,973	–	–	737,601,443	134,357,841	–
Sureste Properties, Inc.	72,567,696	3,790,000	–	1,115,193	1,107,752	500,080
IMI and subsidiaries	60,951,055	57,716,421	44,998,517	–	–	–
BPI and subsidiaries	55,246,860	21,912,761	3,393,774	100,036,277	73,737,733	3,541,225
AITHI and subsidiaries	7,751,482	6,771,342	4,696,832	–	–	1,505,839,469
Globe and subsidiaries	4,486,935	1,072,639	1,354,227	86,746,788	54,675,771	45,843,681
HCX Technology Partners, Inc.	–	–	–	39,883,524	11,911,868	7,288,146
Bestfull Holdings, Inc. and subsidiaries	–	–	–	165,683	158,019	–
Prime Metro BMD Corporation				1,213,769,455	751,785,469	-
AC Energy	–	–	–	–	–	346,483,882
Ayala Healthcare Holdings, Inc.	–	–	–	–	–	547,163
	1,171,478,518	831,474,852	549,698,303	2,248,439,065	1,065,813,661	1,937,693,906
	₱1,178,734,552	₱836,005,322	₱553,593,407	₱3,234,992,904	₱1,777,080,720	₱2,307,078,235

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 ₱75.34 million and ₱88.87 million in 2023 and 2022, 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 ₱31.79 million and ₱28.39 million in 2023 and 2022, 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 ₱230.33 million, ₱242.32 million, and ₱187.67 million in 2023, 2022 and 2021, 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 ₱8.38 million, ₱26.11 million, and ₱11.71 million in 2023, 2022 and 2021, respectively (see Note 18).

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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, 2023 and 2022 amounted to ₱1,499.83 million and ₱1,509.87 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 ₱1,027.03 million and ₱1,204.87 million as of December 31, 2023 and 2022, respectively (see Note 15).

j. On August 17, 2023 Laguna Water and BPI finalized the Omnibus Loan and Security Agreement (Sixth OLSA) loan facility amounting to ₱1.60 billion. The loan will be used to finance capital expenditure projects for 2023 to 2025. The first drawdown was made in October 23, 2023 amounting to ₱700.00 million. The carrying value of the loan amounted to ₱694.91 million as of December 31, 2023.

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 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 Upper Wawa Dam 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 in 2022. In 2023, the Parent Company recognized liquidated damages against Wawa JVCo., Inc. amounting to ₱113.02 million and other income of ₱138.85 million due to unmet delivery of contracted 80 million liters per day of raw water.

l. 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, 2023 and 2022, carrying value of the loan amounted to ₱231.71 million and ₱166.97 million, respectively.

m. On April 25, 2022, Clark Water was granted a ₱140.00 million credit facility by BPI to finance and refinance its capital expenditure projects. The loan was fully paid in 2023. On June 15, 2023, Clark Water signed the Omnibus Loan and Security Agreement (Third OLSA) loan facility amounting to ₱1.53 billion. The loan will be used to finance capital expenditure projects for 2023 to 2025. In November and December of 2023, first and second loan drawdown took place amounting to ₱200.00 million and ₱170.00 million, respectively. As of December 31, 2023, the carrying value of the loan amounted to ₱367.15 million (see Note 15).

n. 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. The loan was fully paid in 2023. On January 31, March 23, October 24 and November 29, 2023, Bulakan Water made drawdowns from its BPI loan facility amounting to ₱40.00 million, ₱40.00 million, ₱20.00 million and ₱30.00 million, respectively. As of December 2023, the carrying value of the loan amounted to ₱130.00 million.

o. 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. These loans were fully paid in 2023.

p. 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, 2023 and 2022 amounted to ₱323.08 million and ₱168.91 million, respectively.

q. 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, 2023 and 2022 amounted to ₱149.00 million and ₱148.88 million, respectively.

r. 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 2023 and 2022, total purchases by Parent Company related to the project amounted to ₱1,010.36 million and ₱751.79 million, respectively.

s. 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 ₱338.74 million and ₱504.94 million as of December 31, 2023 and 2022, respectively (see Note 16). As of December 31, 2023 and 2022, the plan assets include shares of stock of Ayala, ALI, BPI, Globe, Bloomberry Corporation and ICTSI with a total fair value of ₱23.89 million and ₱36.13 million, respectively. As of December 31, 2023 and 2022, the plan assets include debt securities of Ayala and ALI with a total fair value of ₱13.45 million and ₱13.29 million, respectively.

t. On September 27, 2023, Cebu Water obtained a loan from Provincial Government of Cebu and Vicsal Development Corporation to finance the prepayment of its commercial loan from DBP. The carrying amount of the shareholder loans as of December 31, 2023 amounted to ₱264.72 million.

u. Compensation of key management personnel of the Group by benefit type, included as part of "Salaries, wages and employee benefits," are as follows:

	2023	2022	2021
Short-term employee benefits	₱865,940,476	₱750,307,855	₱617,990,169
Post-employment and long-term employee benefits	48,018,392	28,185,877	29,630,420
Share-based payments	62,719,089	26,082,254	3,390,655
	₱976,677,957	₱804,575,986	₱651,011,244

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 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 2023 and 2022, total cross-border billings to Maynilad amounted to ₱543.90 million and ₱273.65 million, respectively (see Note 18).

   On February 1, 2024, the Parent Company and Maynilad entered into a Bulk Water Supply Agreement wherein the Parent Company will supply raw and treated water to Maynilad for a period of one (1) year.

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 ₱63.83 million, ₱40.37 million, and ₱33.37 million was recorded in 2023, 2022 and 2021, 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.

<u>CWD</u>
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.

<u>CCWD</u>
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.

Notes to Consolidated Financial Statements

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, MWTC, MSEA, and PTMWI).

Details of the Group's operating segments as of and for the years ended December 31, 2023, 2022, and 2021 are as follows:

	2023				
	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Consolidation Adjustments	Consolidated
			(In Thousands)		
Revenue					
Sales to external customers	₱24,106,439	₱7,054,105	₱4,493	(₱736,969)	₱30,428,068
Finance income from contract assets	–	281,799	–	–	281,799
Operating expenses (excluding depreciation and amortization)	7,165,296	4,187,594	103,187	(661,737)	10,794,340
Depreciation and amortization	3,554,117	755,191	1,474	(3,238)	4,307,544
Equity in net earnings (loss) of associates	–	–	(3,561,492)	–	(3,561,492)
Other income (expenses) - net	(1,758,524)	(451,848)	29,847	(890,102)	(3,070,627)
Income (loss) before income tax	11,628,502	1,941,271	(3,631,813)	(962,096)	8,975,864
Provision for income tax	2,819,494	372,598	288	(87,803)	3,104,577
Net income (loss) from continuing operations	8,809,008	1,568,673	(3,632,101)	(874,293)	5,871,287
Net loss from discontinued operations	–	(764)	–	(67)	(831)
Net income (loss)	₱8,809,008	₱1,567,909	(₱3,632,101)	(₱874,360)	₱5,870,456
Other information					
Segment assets, exclusive of investments in associates, derivative assets and deferred tax assets - net	₱173,896,719	₱40,766,778	₱11,303,106	(₱28,362,297)	₱197,604,306
Deferred tax assets - net	–	499,689	–	–	499,689
Investments in associates	–	–	13,288,157	(2,096,589)	11,191,568
Derivative assets	391,839	–	-	-	391,839
	₱174,288,558	₱41,266,467	₱24,591,263	(₱30,458,886)	₱209,687,402
Segment liabilities	₱106,695,585	₱27,685,042	₱8,919,969	(₱3,732,638)	₱139,567,958

	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

	2022				
	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Consolidation Adjustments	Consolidated
			(In Thousands)		
Other information					
Segment assets, exclusive of investments in associates, derivative assets and deferred tax assets - net	₱154,331,995	₱38,264,918	₱6,889,045	(23,047,191)	₱176,438,767
Deferred tax assets - net	210,699	424,524	–	–	635,223
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
Provision for impairment losses	–	130,319	–	–	130,319
Other income (expenses) – net	(1,950,377)	(651,529)	572,882	(783,802)	(2,812,826)
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, derivative assets and deferred tax assets - net	₱128,731,660	₱35,528,252	₱6,459,251	(₱21,355,443)	₱149,363,720
Deferred tax assets - net	802,653	427,554	–	–	1,230,207
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

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, 2023, 2022 and 2021:

	2023			
	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Total
		(In Thousands)		
Revenue from contracts with customers:				
Water and used water revenues	₱23,255,824	₱5,248,155	₱–	₱28,503,979
Other operating income	799,522	1,121,944	2,623	1,924,089
	₱24,055,346	₱6,370,099	₱2,623	₱30,428,068
Timing of revenue recognition:				
Revenue recognized over time	₱23,956,300	₱6,275,408	₱2,623	₱30,234,331
Revenue recognized at a point in time	99,046	94,691	–	193,737
	₱24,055,346	₱6,370,099	₱2,623	₱30,428,068

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	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	744,203	–	1,005,248
	₱16,036,595	₱4,255,792	₱–	₱20,292,387
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	231,865	–	305,815
	₱16,036,595	₱4,255,792	₱–	₱20,292,387

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, 2023 and 2022:

	2023			
	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	₱391,839	₱–	₱–	₱391,839
Financial assets at amortized cost				
Contract assets from MCWD, TWD and CIWD	1,281,478	–	–	3,660,202
	₱1,673,317	₱–	₱–	₱4,052,041
Other financial liabilities				
Long-term debt	₱99,247,451	₱25,492,902	₱–	₱74,183,461
Service concession obligations	16,124,821	–	–	17,399,130
Customers' guaranty deposits and other deposits	342,630	–	–	118,520
	₱115,714,902,	₱25,492,902	₱–	₱91,701,111

	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

	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)		
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

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 7.86% in 2023 and 0.5% to 7.35% in 2022 while the discount rates used for foreign currency-denominated loans ranged from 7.00% to 9.25% in 2023 and 6.97% to 9.00% in 2022.

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, 2023 and December 31, 2022, 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 recognized at fair value.

Fair Value Hierarchy
During the periods ended December 31, 2023 and 2022, 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.

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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, 2023 and 2022, the Group's mix of fixed interest and floating interest rate of long-term debt are 48% to 52% and 57% to 43%, respectively.

As of December 31, 2023 and December 31, 2022 the fixed interest rates of the Group's foreign currency denominated long-term debt are 4.375% and 5.16% to 7.30% for Peso denominated long-term debt. Floating interest rates are based on 6-month EURIBOR or BIBOR plus margin, SOFR plus margin, PHP BVAL Reference Rates and BSP Term facility rate plus margin as of December 31, 2023 and December 31, 2022.

The following tables summarize the maturity profile of the Group's long-term debt based on contractual undiscounted principal payments:

	2023*											
	Due in 2024	Due in 2025	Due in 2026	Due in 2027	Due in 2028	Due after 2029	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	₱375,000,000	₱–	₱2,375,000,000	¥–	$–	€–	THB–	₱2,375,000,000
₱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–	₱27,685,000,000
Floating Rate (exposed to cash flow risk)												
MWMP Loan	$7,721,832	$7,721,832	$7,721,832	$7,721,832	$7,721,832	$65,545,504	₱–	¥–	$104,154,664	€–	THB–	₱5,767,043,746
₱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	€57,500,000	€–	€–	€–	€–	€–	₱–	¥–	$–	€57,500,000	THB–	₱3,532,673,500
₱15.00 billion Chinabank Loan	₱–	₱–	₱2,148,000,000	₱2,142,000,000	₱2,142,000,000	₱8,568,000,000	₱15,000,000,000	¥–	$–	€–	THB–	₱15,000,000,000
₱10.00 billion with MBTC	₱900,000,000	₱900,000,000	₱900,000,000	₱900,000,000	₱900,000,000	₱4,500,000,000	₱9,000,000,000	¥–	$–	€–	THB–	₱9,000,000,000
₱3.00 billion with LBP	₱–	₱333,600,000	₱333,600,000	₱333,600,000	₱333,600,000	₱1,665,600,000	₱3,000,000,000	¥–	$–	€–	THB–	₱3,000,000,000
₱7.00 billion with LBP	₱–	₱389,200,000	₱389,200,000	₱389,200,000	₱389,200,000	₱1,943,200,000	₱3,500,000,000	¥–	$–	€–	THB–	₱3,500,000,000
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	₱167,708,333	₱646,875,000	¥–	$–	€–	THB–	₱ 646,875,000
₱1.53 billion Clark Water BPI Loan	₱–	₱–	₱–	₱52,836,000	₱52,836,000	₱264,328,000	₱370,000,000	¥–	$–	€–	THB–	₱370,000,000
₱0.50 billion Laguna Water DBP Loan	₱29,411,765	₱29,411,765	₱29,411,765	₱29,411,765	₱29,411,765	₱139,283,375	₱286,342,198	¥–	$–	€–	THB–	₱286,342,198
₱0.83 billion Laguna Water DBP Loan	₱50,484,848	₱50,484,848	₱50,484,848	₱50,484,848	₱50,484,848	₱239,068,849	₱491,493,092	¥–	$–	€–	THB–	₱491,493,092
₱2.50 billion Laguna Water SBC Loan	₱192,307,692	₱192,307,692	₱192,307,692	₱192,307,692	₱192,307,692	₱379,281,028	₱1,340,819,490	¥–	$–	€–	THB–	₱1,340,819,490
₱2.50 billion Laguna Water BPI Loan	₱179,310,345	₱179,310,345	₱179,310,345	₱179,310,345	₱179,310,345	₱130,482,581	₱1,027,034,305	¥–	$–	€–	THB–	₱1,027,034,305
₱1.60 billion Laguna Water BPI Loan	₱–	₱–	₱24,990,000	₱99,960,000	₱99,960,000	₱469,995,499	₱694,905,499	¥–	$–	€–	THB–	₱694,905,499
₱0.50 billion Boracay Water DBP-SBC Loan	₱8,558,961	₱31,660,189	₱31,660,189	₱31,660,189	₱31,660,189	₱87,065,519	₱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	₱44,961,735	₱123,644,770	₱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	₱77,380,952	₱212,797,619	₱541,666,667	¥–	$–	€–	THB–	₱541,666,667
₱2.40 billion Boracay Water BPI Loan	₱15,200,000	₱72,200,000	₱136,800,000	₱187,568,000	₱199,424,000	₱897,408,000	₱1,508,600,000	¥–	$–	€–	THB–	₱1,508,600,000
₱0.45 billion Tagum Water PNB Loan	₱33,666,667	₱33,666,667	₱33,666,667	₱33,666,667	₱33,666,667	₱126,250,000	₱294,583,333	¥–	$–	€–	THB–	₱294,583,333
₱0.15 billion Tagum Water PNB Loan	₱13,333,333	₱13,333,333	₱13,333,333	₱13,333,333	₱13,333,333	₱50,000,000	₱116,666,665	¥–	$–	€–	THB–	₱116,666,665
₱7.00 billion MWPVI Loan	₱667,100,000	₱847,650,000	₱847,650,000	₱847,650,000	₱847,650,000	₱3,390,600,000	₱7,448,300,000	¥–	$–	€–	THB–	₱7,448,300,000
₱0.39 billion Calbayog Water BPI Loan	₱4,669,000	₱14,674,000	₱20,010,000	₱20,010,000	₱20,010,000	₱69,502,000	₱148,875,000	¥–	$–	€–	THB–	₱148,875,000
₱0.23 billion Aqua Centro BPI Loan	₱31,082,200	₱31,082,200	₱31,082,200	₱31,082,200	₱31,082,200	₱77,589,000	₱233,000,000	¥–	$–	€–	THB–	₱233,000,000
₱0.47 billion South Luzon Water BPI Loan	₱21,677,500	₱43,355,000	₱43,355,000	₱43,355,000	₱43,355,000	₱129,902,500	₱325,000,000	¥–	$–	€–	THB–	₱325,000,000
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	₱234,062,500	₱456,979,167	¥–	$–	€–	THB–	₱456,979,167
₱0.12 billion Boracay Water DBP-SBC Loan	₱1,945,241	₱10,356,618	₱10,356,618	₱10,356,618	₱10,356,618	₱28,480,699	₱71,852,412	¥–	$–	€–	THB–	₱71,852,412
THB5.30 billion Loan	THB5,300,000,000	THB–	THB–	THB–	THB–	THB–	₱–	¥–	$–	€–	THB5,300,000,000	₱8,533,919,203
Total in Original Currency							₱54,414,990,206	¥–	$604,154,664	€57,500,000	THB5,300,000,000	₱99,933,626,655
Total in PHP	₱17,113,900,431	₱5,562,609,848	₱6,605,535,848	₱8,778,109,848	₱6,664,965,848	₱55,208,504,829	₱54,414,990,206	₱–	₱33,452,043,746	₱3,532,673500	₱8,533,919,203	₱99,933,626,655

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 ₱55.3700 to US$1, ₱61.738 to EUR1, and ₱1.6102 to THB1 in 2023.
**Excludes the CAD0.87 million Laguna Water loan whose repayment date is related to the completion of the funded project*

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	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 ₱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*

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, 2023 and 2022, with all variables held constant (through the impact on floating rate borrowings).

	2023		2022
	Changes in Basis Points	Effect on Income Before Income Tax	Effect on Income Before Income Tax
		(In Thousands)	
Floating rate borrowings	100	(₱509,094)	(₱257,652)
	(100)	509,094	257,652

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 45% and 58% of debt, including bonds payable, as of December 31, 2023 and 2022, 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.

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, 2023 and 2022, the Group hedged US$100.00 million of the US$500.00 million sustainability bonds (currency option transaction).

On August 10, 2023, the Group unwound the derivative asset related to its EUR120 million Euro-loan principal only swap. The unwinding resulted to derecognition of derivative asset amounting to ₱1,263.52 million, derecognition of OCI amounting to ₱1,557.28 million and impact on the current year profit or loss amounting to ₱22.0 million and ₱60.44 million for the realized forex gain and hedging costs, respectively..

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine Peso equivalents are as follows:

	2023		2022	
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
	(In Thousands)		(In Thousands)	
Assets				
Cash and cash equivalents:				
THB	THB1,635,467	₱2,633,386	THB275,988	₱443,022
USD	USD4,079	225,855	USD6,486	361,619
VND	VND21,440,330	48,916	VND3,790,926	8,944
IDR	IDR1,524,085	5,466	IDR547,212	1,957
SGD	SGD–	–	SGD5	215
JP¥	JP¥–	–	JP¥556	232
Short-term investments:				
USD	USD–	–	USD50,730	2,828,470
THB	THB–	–	THB73	117
IDR	IDR–	–	IDR1,589,000	5,682
Accounts receivable:				
USD	USD3,171	175,599	USD1,944	108,411
IDR	IDR995,924	3,572	IDR1,967,958	7,037
SAR	SAR4,127	61,155	SAR–	–
THB	THB261	420	THB–	–

(Forward)

Notes to Consolidated Financial Statements

	2023		2022	
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
	(In Thousands)		(In Thousands)	
Other current assets:				
THB	THB25,985	₱41,841	THB24,416	₱39,193
VND	VND–	–	VND677,878	1,599
GBP	GBP4	302	GBP20	1,338
IDR	IDR–	–	IDR135,064	483
SGD	SGD4	184	SGD–	–
USD	USD36	1,990	USD23	1,259
Other noncurrent assets:				
USD	USD137	7,561	USD1,079	60,127
IDR	IDR10,842,640	38,886	IDR62,826	225
SAR	SAR250	3,705	SAR–	–
THB	THB5,291,971	8,520,991	THB–	–
SGD	SGD30	1,263	SGD–	–
VND	VND–	–	VND73,577	173
		11,771,092		3,870,103
Liabilities				
Accounts payable:				
THB	THB5,356,790	8,625,362	THB29,783	47,809
USD	USD3,166	175,300	USD495	27,575
VND	VND75,801	173	VND1,303,910	3,076
SGD	SGD76	3,219	SGD76	3,175
EUR	EUR–	–	EUR–	–
IDR	IDR12,897,157	46,254	(IDR92,282)	(330)
PKR	PKR–	–	PKR5,585	1,384
Long-term debt:				
USD	USD3,166	32,961,689	USD602,030	33,566,195
THB	THB–	–	THB5,291,781	8,494,487
EUR	EUR57,257	3,519,836	EUR119,037	7,089,212
CAD	CAD873	36,669	CAD873	36,003
Service concession obligations:				
USD	USD177,865	9,848,397	USD250,254	13,952,914
JP¥	JP¥141,270	55,519	JP¥208,674	87,100
		55,272,418		63,308,600
Net foreign currency-denominated liabilities		(₱43,501,326)		(₱59,438,497)

The closing exchange rates used were ₱55.3700 to US$1, ₱42.0039 to CAD1, ₱61.738 to EUR1, ₱70.7590 to GBP1, ₱0.0036 to IDR1, ₱0.3930 to JP¥1, ₱0.0264 to MMK1, ₱14.8187 to SAR1, ₱42.0898 to SGD1, ₱1.6102 to THB1, 0.0023 to VND1 and ₱0.1970 to PKR1 in 2023; and ₱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.

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, 2023 and 2022, an unrealized gain and loss of ₱37.83 million and ₱709.81 million, respectively, relating to the derivatives are included in other comprehensive income.

- *Hedge of net investments in foreign operations*
  Included in loans as at December 31, 2023 and 2022 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, 2023 and 2022, a loss and gain of ₱37.83 million and ₱466.33 million, respectively, 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, 2023 and 2022. 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 underlying 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, 2023 follows:

	Within 1 year	1 to 5 years	More than 5 years	Total
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, 2023 and 2022 follows:

2023	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value*
USD100 Mn Bonds - Currency Option Transaction	$100,000,000	₱391,839,337	Other noncurrent assets	₱181,510,327
USD100 Mn Bonds - Net Investment Hedge	$100,000,000	–	–	(28,325,764)
		₱391,839,337		₱153,184,563

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

**net of income tax effect*

The impact of the hedged items on the statement of financial position as of December 31, 2023 and 2022 follows:

2023	Notional amount	Change in fair value *	Cash flow hedge reserve*	Cost of hedging reserve*
USD100 Mn Bonds – Currency Option Transaction	$100,000,000	₱181,510,327	₱406,413,386	(₱224,903,059)
USD100 Mn Bonds - Net Investment Hedge	$100,000,000	(28,325,764)	–	–
		₱153,184,563	₱406,413,386	(₱224,903,059)

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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)

net of income tax effect

The effect of the cash flow hedge in the statement of profit and loss and OCI follows:

2023	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
USD100 Mn Bonds – Currency Option Transaction	₱181,510,327	₱1,669,979	Interest expense	(₱37,767,685)	Foreign exchange gains (losses)
USD100 Mn Bonds - Net Investment Hedge	(28,325,764)	–	–	(37,767,685)	Foreign exchange gains (losses)
	₱153,184,563	₱1,669,979		(₱75,535,370)	

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	

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, 2023						
	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	₱724,735	₱766,073	₱355,830	₱171,000	₱648,122	₱1,301,193	₱3,966,953
Employees	17,145	–	–	–	–	5	17,150
Interest from banks	13,142	–	–	–	–	–	13,142
Others	208,873	–	–	–	–	220,681	429,554
	963,895	766,073	355,830	171,000	648,122	1,521,879	4,426,799
Contract assets	1,718,657	–	–	–	–	312,876	2,031,533
	₱2,682,552	₱766,073	₱355,830	₱171,000	₱648,122	₱1,834,755	₱6,458,332

	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

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, 2023			
	Within 1 year	1 to 5 years	More than 5 years	Total - Gross
Assets:				
Cash and cash equivalents	₱10,752,734,174	₱–	₱–	₱10,752,734,174
Receivables:				
Customers	3,966,953,076	–	–	3,966,953,076
Employees	17,150,278	–	–	17,150,278
Interest from banks	13,141,587	–	–	13,141,587
ZCWD	39,509,823	–	–	39,509,823
Others	390,044,571	–	–	390,044,571
Contract assets from TWD and CIWD	126,375,266	873,935,625	1,332,611,449	2,332,922,340
	₱15,305,908,775	₱873,935,625	₱1,332,611,449	₱17,512,455,849

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	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

The Group's financial liabilities based on contractual undiscounted payments:

	December 31, 2023			
	Within 1 year	1 to 5 years	More than 5 years	Total - Gross
Liabilities:				
Accounts and other payables	₱18,761,072,969	₱–	₱–	₱18,761,072,969
Short-term debt	135,000,000	–	–	135,000,000
Long-term debt*	19,419,949,192	46,485,335,514	50,395,342,791	116,300,627,497
Service concession obligation*	2,193,937,888	8,465,985,107	23,946,046,455	34,605,969,450
Lease liabilities*	115,587,313	205,247,040	153,395,879	474,230,232
Other noncurrent liabilities	–	264,719,426	1,209,222,854	1,473,942,280
	₱40,625,547,362	₱55,421,287,087	₱75,704,007,979	₱171,331,944,630

**Includes contractual interest cash flows*

	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*

Changes in liabilities arising from financing activities:

	December 31, 2023					
	Short-term Debt	Long-term Debt	Service Concession Obligations	Lease Liabilities	Interest Payable	Total
Balance at beginning of year	₱252,872,324	₱84,669,784,632	₱16,043,388,978	₱436,347,432	₱1,208,142,266	₱102,610,535,632
Cash flows – net	(117,872,324)	14,537,346,280	(1,683,326,593)	(133,017,393)	(1,711,723,905)	10,891,406,065
Accretion	–	155,033,387	1,110,058,097	18,821,865	–	1,283,913,349
Interest	–	–	–	–	1,922,301,064	1,922,301,064
Concession fees	–	–	777,890,509	–	–	777,890,509
Additions – net	–	–	(94,529,346)	10,225,854	–	(84,303,492)
Foreign exchange gains – net	–	(114,713,152)	(28,660,777)	–	–	(143,373,929)
Others	–	–	–	–	–	–
	₱135,000,000	₱99,247,451,147	₱16,124,820,868	₱332,377,758	₱1,418,719,425	₱117,258,369,198

	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

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, 2023 and 2022, the Parent Company and MWPVI and subsidiaries are in compliance with all the loan covenants required by the creditors.

As of December 31, 2023 and 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;

Notes to Consolidated Financial Statements

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.

Calasiao Water's Concession Agreement
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.

Calbayog Water's JVA with CCWD
The significant commitments of Calbayog Water under its JVA are as follows:

a. Develop, improve, and expand the water infrastructure of CCWD;

b. Provide water supply and install new water service connections;

c. Ensure continuous water supply and appropriate pressure;

d. Connect water service connections to the water main;

e. Ensure potability of water supply and compliance with drinking water quality standards;

f. Provide high quality customer/after-sales service; and

g. Payment of revenue share of CCWD.

Boracay Water's Concession Agreement
The significant commitments of Boracay Water under its concession agreement with TIEZA are as follows:

a. Meet certain specific commitments in respect of the provision of water and sewerage services in the service area, unless deferred by the TIEZA-RO due to unforeseen circumstances or modified as a result of rate rebasing exercise;

b. Pay concession fees, subject to the following provisions:

    i. Assumption of all liabilities of the BWSS as of commencement date and service such liabilities as they fall due. BWSS has jurisdiction, supervision and control over all waterworks and sewerage systems within Boracay Island prior to commencement date. The servicing of such liabilities shall be applied to the concession fees;

    ii. Payment of an amount equivalent to 5% of the monthly gross revenue of Boracay Water, inclusive of all applicable taxes. Such payments shall be subject to adjustment based on the gross revenue of Boracay Water as reflected in its separate financial statements;

iii. Provision of the amount of the TIEZA BOD's approved budget in 2012, payable semi-annually and not exceeding:

Month	Maximum Amount
January	₱10,000,000
July	10,000,000

iv. Provision of the annual operating budget of the TIEZA-RO, payable in 2 equal tranches in January and July and not exceeding:

Year	Maximum Amount
2011	₱15,000,000
2012	20,000,000
2013 and beyond	Previous year, subject to annual CPI adjustment

c. Establish, at Boracay Island, a TIEZA-RO building with staff house, the cost of which should be reasonable and prudent;

d. Pay an incentive fee pegged at ₱1.00 per tourist, local and foreign, entering the service area;

e. Raise financing for the improvement and expansion of the BWSS water and wastewater facilities;

f. Operate, maintain, repair, improve, renew and, as appropriate, decommission facilities, as well as to operate and maintain the drainage system upon its completion, in a manner consistent with the National Building Standards and best industrial practices so that, at all times, the water and sewerage system in the service area is capable of meeting the service obligations (as such obligations may be revised from time to time by the TIEZA-RO following consultation with Boracay Water);

g. Repair and correct, on a priority basis, any defect in the facilities that could adversely affect public health or welfare, or cause damage to persons or third-party property; and

h. Ensure that at all times, Boracay Water has sufficient financial, material and personnel resources available to meet its obligations under the concession agreement.

In addition, the Parent Company, as the main proponent of Boracay Water, shall post a bank security in the amount of US$2.50 million to secure the Parent Company's and Boracay Water's performance of their respective obligations under the agreement. The amount of the performance security shall be reduced by the Parent Company following the schedule below:

Rate Rebasing Period	Amount of Performance Security (in US$ millions)
First	US$2.50
Second	2.50
Third	1.10
Fourth	1.10
Fifth	1.10

On or before the start of each year, Boracay Water shall cause the performance security to be reinstated in the full amount set forth as applicable for that year.

With a minimum of ten (10) days written notice period to Boracay Water, TIEZA may take one or more drawings under the performance security relating to a Rate Rebasing Period to cover amounts due to TIEZA during that period; provided, however, that no such drawing shall be made in respect of any claim that has been submitted to the Arbitration Panel for adjudication until the Arbitration Panel has handed its decision on the matter.

In the event that any amount payable to TIEZA by Boracay Water is not paid when due, such amount shall accrue interest at a rate equal to that of a 364-day Treasury Bill for each day it remains unpaid.

Failure of Boracay Water to perform any of its obligations that is deemed material by TIEZA-RO may cause the concession agreement to be terminated.

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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.

On December 20, 2023, CDC Board approved the 60% tariff increase following 60-20-20 tranches to be implemented effective January 1, 2024.

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.

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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.

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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.

On December 1, 2023, the bulk water supply agreement with MCWD was terminated.

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.

MWPVI's JVA with *San Jose City Water District (SJCWD)*
On January 14, 2021, the consortium of the MWPVI, 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.

MWPVI's MOA with Canlubang Sugar Estate
On December 22, 2023, Canlubang Sugar Estate (CSE) and MWPVI entered to a Bulk Water Supply Arrangement. CSE shall supply MWPVI at least 518,400 cubic meters of raw water per month from Matang Tubig Spring for 25 years.

30. Provisions and Contingencies

On October 13, 2005, the Municipal Government of Norzagaray Bulacan issued a Notice of Assessment and Notice of demand for Payment against the Parent Company and Maynilad (jointly, the Concessionaires) for the payment of real property taxes on the Common Purpose Facilities (CPF) of MWSS for the period of 1998 to 2005 amounting to ₱357.11 million. The Concessionaires assailed the validity of the assessment with the Local Board of Assessment Appeals, and subsequently with the Central Board of Assessment Appeals (CBAA). On August 22, 2022, the CBAA declared the Notice of Assessment and Notice of demand for Payment as void. The CBAA held that the Concessionaires are not liable for real property tax on the CPF. On October 11, 2022, the Municipal Government of Norzagaray Bulacan filed a petition for review with the Court of Tax Appeals assailing the decision of the CBAA. On May 26, 2023, the Court of Tax Appeals En Banc dismissed the petition without prejudice.