MANILA WATER
CARE IN EVERY DROP

2020 INTEGRATED REPORT

CREATING RIPPLES OF CARE THROUGH WATER AND SANITATION

Commitment to our Service Mission
even in the face of challenges

ABOUT THIS INTEGRATED REPORT

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

NOTE ON FORWARD-LOOKING STATEMENTS

Certain statements and illustrations contained in this report may constitute "forward-looking statements" within the meaning of applicable securities, laws and regulations. These statements (including plans, objectives, projections, and estimates) and illustrations include information that does not relate solely to historical or current facts, and can be identified by the use of words such as "may," "believe," "expect," "anticipate," "assume," "estimate," "plan" or "continue," and similar expressions or by future or conditional verbs such as "should", "would" and "could".

Such statements are based on current expectations of future events, estimates and certain assumptions of our management. These are therefore subject to certain risk factors and uncertainties, some of which are beyond our control, and which may cause the actual results, the financial situation, the development or the performance to differ materially from the estimates or performance implied in these forward looking statements.

We do not assume any obligation to update these forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting such statements.

REPORTING STANDARDS

This report covers all financial information, as well as economic, environmental, social and governance performance of all Manila Water operating subsidiaries, namely the Parent Company (East Zone concessionaire of the Metropolitan Waterworks and Sewerage System or MWSS), Manila Water Philippine Ventures, Inc. (MWPV), Manila Water Asia Pacific Pte. Ltd. (MWAP), and Manila Water Total Solutions, Corp. (MWTS). This report is aligned with the Integrated Report <IR> Guidelines by the International Integrated Reporting Council (IIRC). It is also in reference to the Standards of Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB). The GRI and SASB disclosures that have been referred to are in the GRI and SASB Content Index page. The information contained in this report covers the period from January to December 2020.

ON OUR FINANCIAL STATEMENTS

SGV & Co. is the external auditor of the Company's financial statements, with Djole S. Garcia as the lead engagement partner given the required audit partner rotation every five years. More information about our audit process is found on Page 132, while our financial statements are found on Pages 175 to 302.

ON OUR SUSTAINABILITY PERFORMANCE

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

The Independent Assurance Statement found on Pages 158 to 161 validate that the report is in reference with the GRI and SASB Standards and aligned with the Integrated Reporting Guidelines. It guarantees the shareholders and readers of the reliability of the reviewed data, claims, and information contained in this report. The Statement also contains the assurer's findings and recommendations for our Company's succeeding reporting period.

FEEDBACK

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

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VISION

Our vision is to become a leader in the provision of water, used water and environmental services which will empower people, protect the environment, and enhance sustainable development.

MISSION

Our mission is to create an exceptional customer experience in the provision of sustainable solutions vital to health and life.

CORE VALUES

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

Aming isinasabuhay ang tunay na Malasakit at pagpapahalaga sa aming mga empleyado, mga customers, at maging sa aming tanggapan, sa kalikasan at sa bayan tungo sa pagtupad ng aming misyon.

EXCELLENCE (Kahusayan)
We innovate and deliver on our commitments with the **highest quality** to **create value** for all our stakeholders.

Aming isinasabuhay ang Kahusayan sa lahat ng aming ginagawa upang matiyak ang pinakamataas na antas ng kalidad ng aming gawain habang patuloy na pinagyayaman ang aming kakayahan.

RESILIENCE (Katatagan)
We anticipate, prepare, and face **challenges** head on as well as quickly **embrace change** for continuous improvement.

Aming isinasabuhay ang Katatagan sa pagharap sa anumang hamon sa pamamagitan ng matalinong paghahanda habang malugod na tinatanggap ang pagbabago tungo sa patuloy na pag-unlad.

COLLABORATION (Bayanihan)
We utilize our **diverse strengths,** and work together in **synergy** to make things happen.

Aming isinasabuhay ang Bayanihan sa pagkilala sa iba't ibang kakayahan ng bawat isa at malapit na pakikipagtulungan upang makamit ang pinag-isang layunin.

INTEGRITY (Katapatan)
We always **choose to do what's right** and **take accountability** for our actions.

Aming isinasabuhay ang Katapatan sa palagiang pagpanig sa kung ano ang tama at sa pagtindig ng may pananagutan sa aming bawat gawa.

"Over the years, we have honed our technical skills to attain operating efficiencies considered by many as among the most advanced in the world."

Fernando Zobel de Ayala
CHAIRMAN

MESSAGE OF THE CHAIRMAN

Fellow Shareholders,

Since Manila Water began more than 20 years ago, your company has constantly made significant strides in growth and stability, owing to our many years of experience in resolving numerous challenges which came our way. From the early difficulties in rehabilitating the East Zone water and wastewater system, to the raw water shortage and regulatory challenges last year, Manila Water has always persevered and come out stronger.

2020, however, was unique in that we faced a crisis of unprecedented magnitude. The COVID-19 pandemic continues to fundamentally challenge our economic and healthcare systems, and ultimately, the way we live. We also had to deal with the Taal eruption and the many typhoons last year, which tested our operations and commitment to our stakeholders.

Your Company responded to these challenges by prioritizing stakeholder welfare, ensuring efficiency and effective execution of our operations, and building a solid platform for growth and resilience entering a post-COVID world.

Let me first talk about our efforts to protect our stakeholders. Our first priority was to ensure the health and safety of our employees, while ensuring 24/7 availability of water services. We deployed technical personnel to key facilities on a rotating basis. Sacrificing time with their family and loved ones, these managers manned their posts over extended periods of time to ensure continued water, and sanitation services to residences, health centers and government facilities.

Similarly, our project delivery teams worked with our contractor partners to safely restart our infrastructure projects as quarantine restrictions were eased. These projects also supported our contractor partners and their employees with much-needed livelihood during critical times. The construction of new wastewater infrastructure, further improvements to our water distribution network, and the execution of new water supply projects will provide an even higher level of service in our concession area, as well as source much needed water supply for the short to medium-term.

Meanwhile, we also supported our customers through extended payment periods and temporary suspension of disconnection activities for past-due accounts amidst the community quarantines. We thank the MWSS Regulatory Office for the partnership in alleviating our customers' economic plight.

For the community-at-large, Manila Water worked with government, our sister companies in the Ayala Group, and other private sector partners to establish the We Heal As One treatment facility at the World Trade Center. Capable of accommodating 500 patients, Manila Water played a crucial role in immediately constructing hygiene and sanitation facilities for quarantined patients. We also assisted local government units by providing potable water for our healthcare and law enforcement frontliners in the field, as well as ensuring that hospitals will have uninterrupted service.

Manila Water engaged in a disciplined exercise to assess our portfolio. Unfortunately, this meant discontinuing our Healthy Family packaged water operations, as well as provisions for several of our domestic and international businesses that were encountering difficulties. We added liquidity and strength to our already robust balance sheet with the successful issuance of our Sustainability Bonds in the middle of 2020. The proceeds from these bonds will be used to finance several critical projects in the near term. We are delighted that the Sustainability Bonds further cements our commitment to ESG business practices, which we have pioneered in the Philippine water space.

MESSAGE OF THE CHAIRMAN

Angat Dam in Norzagaray, Bulacan

> **"Your Company responded to these challenges by prioritizing stakeholder welfare,** ensuring efficiency and effective execution of our operations, and building a solid platform for growth and resilience entering a post-COVID world."

More recently, we are glad to have reached an agreement with the government on a Revised Concession Agreement for the operation, maintenance, and expansion of the East Zone water and wastewater system. This important milestone is the culmination of several months of hard work and discussion with several key government agencies to arrive at what we see as a new working template for public-private partnership. We believe that this is a solid foundation from which to continue providing more reliable service to our customers in the East Zone through key infrastructure investments.

Finally, as we look to opportunities in the future, we are delighted to introduce a new partner into Manila Water with the entry of the Razon group as soon as regulatory processes are complete. Mr. Ricky Razon and his team bring a solid track record and global experience in managing regulated businesses, as well as in successfully operationalizing concession contracts and public-private partnerships. We are excited for the synergies this partnership brings to Manila Water and to our stakeholders.

To close, Manila Water has always risen to any challenge, and has consistently emerged stronger. Over the years, we have honed our technical skills to attain operating efficiencies considered by many as among the most advanced in the world.

For over 20 years, we have invested around Php116 billion in water infrastructure. This has created around 5,200km of pipes that deliver over a billion liters of potable water per day to more than seven million Filipinos in Metro Manila. Sanitation and wastewater coverage also expanded to nearly two million of our countrymen in the East Zone. We are proud that our colleagues at Manila Water — a unique mix of seasoned pioneers, and young and innovative individuals — have transformed Manila Water into a world-class company.

We are proud that the efforts of our Company have been recognized by several international institutions, which include the Asian Human Capital Award by the government of Singapore. We have also received a recognition as One of Asia's Top Greenest Companies by FinanceAsia,

“These citations for operational excellence, human capital development, corporate governance, sustainability, and social impact are a testament to the strong commitment to service and sustainability that are the hallmarks of the Manila Water spirit.”

and in more recent years the Unilever Global Development Award for our Tubig Para sa Barangay Program.

These citations for operational excellence, human capital development, corporate governance, sustainability, and social impact are a testament to the strong commitment to service and sustainability that are the hallmarks of the Manila Water spirit.

There is still much to be done as we move forward. Please allow me to extend my deepest appreciation to you, our dear shareholders, for your continued trust throughout the years. Allow me as also to thank my fellow directors on the Board for your guidance and unwavering support. I also give my most heartfelt thanks to the Manila Water team. In my years serving as your Chairman, you have truly been an inspiration - always driven by your passion for service. It is my strong belief that this very same passion will carry us to much greater heights, especially as we move towards a post-COVID world.

Raw water intake at Cardona, Rizal

Water treatment plant at Cardona, Rizal

Ipo Dam at Norzagaray, Bulacan

“Like how a small drop creates a ripple effect, our service commitment creates ripples of care and growth in the markets we hope to expand to...”

Jose Rene Gregory D. Almendras
PRESIDENT & CEO

MESSAGE OF THE PRESIDENT

Mr. Chairman, Members of the Board, fellow shareholders and stakeholders of Manila Water.

The year 2020 has been an unprecedented year for all of us on many levels. I can best describe it as the year when Manila Water was hit with a "Perfect Storm" where multiple challenges converged, further complicating their individual impact. The "Perfect Storm" of the raw water supply challenges, natural disasters including the eruption of Taal, the political storm of the Concession Agreement challenge, and the final blow of the COVID-19 pandemic, all compounded and enhanced each other's adverse impacts, exacerbating the situation. I am happy to report, your Company persevered and continued to fulfill its service mission. Not only did we cope, we adapted, and even improved our capacities and capabilities.

Manila Water's 2020 net income declined 18% from the previous year to Php4.5 billion. This decline was driven by the lower contribution of our domestic subsidiaries due to the impact of COVID-19 on the business, as well as the recognition of additional expenses for estimated probable losses across the group.

For our East Zone operations housed under the Parent Company, the slowdown of business activity brought about by the imposed Enhanced Community Quarantine (ECQ) resulted in lower billed volume from our commercial and industrial segments. This was, however, offset by an increase in the residential segment as more people were confined to their homes. While this shift caused revenues to remain relatively flat versus last year, our resilient service performance even under the imposed quarantine bolstered a 3% improvement in total billed volume.

On the other hand, the onset of the COVID-19 resulted in higher receivables, with the suspension of disconnection activities and the government-mandated extension for customer payments. Collection efficiency dropped to 63% in the middle of the year, but we focused and pushed recovery to a year-end level of 92% through the efforts of our Business Areas and Territory Teams.

Furthermore, cost and expenses decreased 18% to Php5.4 billion, driven by our aggressive cost management initiatives despite the challenges posed by the pandemic. Finally, taking into account the recognized impairment loss for our investment in Manila Water Total Solutions, 2020 net income of the Parent Company stood at Php4.7 billion for the year, a 7% decline from 2019.

For our domestic subsidiaries under Manila Water Philippine Ventures, the pandemic significantly impacted our businesses in Boracay and Clark, with travel restrictions causing an 84% decline in tourist arrivals in Boracay and the imposed quarantines in Clark contributing to a 7% drop in billed volume. For our Estate Water business, the 70% decline in supervision fees was driven largely by the deferment of projects due to quarantine restrictions, and in part by the change in accounting treatment of supervision fees. This impact was partially offset by the notable performance of our other subsidiaries such as Laguna Water, as well as the start of operations in several expansion areas even under the prevailing challenges posed by COVID-19.

For our international businesses under Manila Water Asia Pacific, our equity share in net income of associates declined by 67% to Php214 million, with the lower contribution from East Water and Saigon Water. This was partially offset by the increase in contribution from Thu Duc and Kenh Dong Water.

Despite the global difficulties presented by the pandemic, in December 2020 we successfully closed a Management, Operations and Maintenance Contract with Saudi Arabia's state-run water agency, the National Water Company. This operations and maintenance contract is in partnership with the French water distributor Saur Group and Saudi's Miahona Company. The seven-year agreement covers the implementation of enabling projects and the management of the water and wastewater facilities and systems of the North West Cluster served by National Water Company. The cluster includes the cities of Madinah and Tabuk, comprised of 300,000 square kilometers of land area, with a population of more than three million. In all, Manila Water Asia Pacific ended the year at a net loss of Php371 million. Excluding one-offs which was mainly the recognition of additional estimates for probable losses in our investment in Cu Chi, core income stood at Php163 million, 12% higher than last year.

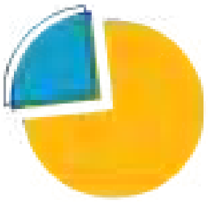
Lastly, for Manila Water Total Solutions we announced the closure of our Healthy Family business division effective October 31 last year due to the unit's inability to financially sustain business operations. Manila Water Total Solutions will continue to exist and operate in line with its primary purpose of providing water, wastewater and environmental services and solutions.

With the onset of the community quarantine in March, we implemented business contingency measures like never before, to ensure that critical facilities and business

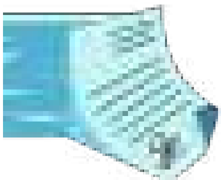
MESSAGE OF THE PRESIDENT

> **"Our efforts to remain resilient** and deliver on our service commitments in the face of challenges has yielded benefits for our customers and stakeholders."

Manila Water's Operations Management Center providing a purview of facilities' status and customer experience



CAPEX
Implementation
Php12B



3%
Growth in East Zone
Billed Volume

Water Availability
for East Zone
maintained at
97%

centers remain operational to provide reliable service to our customers. Particularly, in view of health and safety concerns, we suspended meter reading activities for the duration of the ECQ. When community quarantine restrictions were eased, we immediately focused on customer concerns regarding billing and payment. Furthermore, customers were provided concessions on bill payments by way of extended payment periods and installment plans when applicable. Equally important, we pushed for the development and adoption of various electronic/online platforms to promote added convenience and safety for customers in their settlement of bills. We launched our one-stop customer portal, my.manilawater.app. This new platform provides our customers not only with a more convenient alternative to view and pay for their water bills online, but an easier, and more effective way to interact with Manila Water.

For our employees, we quickly deployed five (5) key initiatives focused on their personal well-being, workplace health and safety, mental wellness, personalized employee communications and undisrupted training through digital and virtual channels. In all these we saw the commitment of our team members to continue serving our customers despite the pandemic risk. Mindful of their passion, we only deployed essential technical and business operations teams at the facilities while the rest remained on a split work from home deployment protocol. Re-entering team members were initially required rapid testing to ensure workplace safety. What kept me up at night was the thought of over 500 team members out there servicing our customers during the initial, most challenging phase of the lockdowns. I worried about anyone of them getting infected, but am very happy to report we have not lost anyone to COVID-19 due to work assignment exposure.

Our efforts to remain resilient and deliver on our service commitments in the face of challenges has yielded benefits for our customers and stakeholders. Reliable water availability for the East Zone was consistent throughout the year. In all, our total CAPEX implementation for the Company reached a historical all-time high of Php12 billion. This was achieved despite the difficulties caused by quarantine restrictions, strict safety and health re-entry guidelines, contactor limitations, and supply chain challenges.

In Manila Water, our service commitment inspires us to forge ahead in the face of adversity and find ways to become more innovative and resilient. The difficult challenges we faced in 2019 during the raw water supply shortage helped us prepare for the challenges brought about by the pandemic. The lessons we learned during the crisis resulted in a more agile and responsive water network that enables us to maintain a reliable and even more efficient water distribution system. These intricate and real-time network adjustments are now executed and monitored centrally via our newly enhanced Operations Management Center, using state-of-the-art technologies across the network. This more "techy" operating environment is the big reason why we were successful in maintaining 24/7 water service even during the strict lockdowns.

Our journey to a more digitized environment was significantly accelerated out of necessity due to the new normal caused by the pandemic. Aligned to Manila Water's core value of innovation, the transformation was happening in every aspect of the company. The teams developed sixty (60) automation and workflows apps, using standard and secured tools, half of which were fully user or citizen-initiated and developed. This highlights the excellent drive to not just cope with the new realities, but to become even better at what we do despite these challenges.

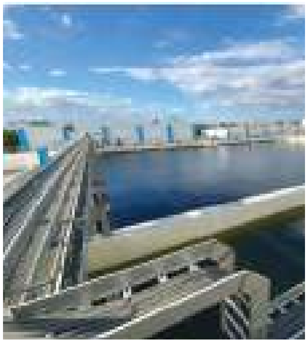
Our quest for excellence to go beyond present resilience was validated by the World Bank's recent recognition of Manila Water as being a Utility of the Future. Cited particularly by the World Bank was our being world-class in several categories, including commercial operations, technical operations, organization and strategy, human resource management, and financial management.

In the middle of the storms, our finance team led by our CFO surprised many by successfully completing the debut issuance of the US$500 million 4.375% 10 non-call 5-year Senior Unsecured Fixed Rate Sustainability Notes. This was our first ever bond issuance in the international capital markets. The offering is the single largest sustainability bond issued by a listed private water utility in Asia, and the first ASEAN sustainability bond by a corporate issuer out of the Philippines.

"...our service commitment inspires us to forge ahead in the face of adversity and find ways to become more innovative and resilient. The difficult challenges we faced in 2019 during the raw water supply shortage helped us prepare for the challenges brought about by the pandemic.

One by one we dealt with each storm and recently, we finally signed a Revised Concession Agreement. We believe that there are revisions that will be very helpful towards the sustainability of our Company well into the future. The resolution of the Concession Agreement will now allow us to focus on the urgent need to ensure sustainable water supply and wastewater services to the East Zone of Metro Manila. There are many who helped make this happen even from outside the organization and I would like to take this opportunity to say thank you to all of you.

From the innovations in operation and efficiency which we have realized, we have set the stage for better ways of serving our customers and growing our business. The already proven world-class operating competency and capacity will now be enhanced with the entry of our new partner, as already announced. The entry of the Razon Group brings a new set of opportunities for Manila Water, as they bring their expansive global reach and business development expertise – with operations in Asia Pacific, Latin America, the Middle East, and Africa. Together with our new partner, we definitely see new and clear opportunities for growth and expansion. Like how a small drop creates a ripple effect, our service commitment creates ripples of care and growth in the markets we hope to expand to, domestically and internationally.



Sewage Treatment Plant at Ilugin, Pasig City

Water treatment plant at Balara, Quezon City

Tunnel boring machine for the Novaliches-Balara Aqueduct Project

PROTECT SERVE PIVOT

AYALA GROUP'S RESPONSE TO COVID-19

The Ayala Group's commitment to nation-building became the focus, as COVID-19 brought the company's years of history, diversity, and experience to the fore.

"It has been truly inspiring to see how everyone has come together to offer help and find solutions to our daily challenges," said Fernando Zobel de Ayala, Ayala Corporation President and COO. "A crisis of this magnitude needs all sectors to step up and pitch in. As a member of the private sector, Ayala has a key role to play in recovery and nation-building. You can count on us," added Jaime Augusto Zobel de Ayala, Ayala Corporation Chairman and CEO.

The initiatives we led as a group were guided by our drive to protect our employees, serve the larger community, and pivot our businesses toward a new normal resilient to the impact of the pandemic.

1 AC Health opens COVID-19 referral centers

AC Health converted two QualiMed hospitals in Sta. Rosa and San Jose Del Monte into COVID-19 referral centers. To date, these hospitals have performed over 80,000 tests.

2 Manila and Quezon cities get a boost in COVID-19 testing from Ayala

Donated by the Ayala Group, the City of Manila opened a new molecular laboratory inside Sta. Ana Hospital, with serology testing being offered in various barangays for free. Ayala also donated two GeneXpert PCR machines.

Likewise, Quezon City received a Bio Rad PCR machine for its newly constructed Quezon City Bio-Molecular Laboratory. An additional P4.5million worth of supplies for PCR pooled testing were also donated by Ayala and the LGU's partners.

3 Ayala donates testing facilities for Davao

Ayala donated an automated RNA Extraction machine and two RT-PCR machines to Davao City's Southern Philippines Medical Center, allowing the hospital to test as many as 1,000 more patients a day.

4 Swabbing booths are donated

Ayala donated booths for the government's four main swabbing centers: Palacio de Maynila Tent along Roxas Boulevard, the Mall of Asia Arena in Pasay City, Enderun Colleges in Taguig City, and the Philippine Arena in Bulacan.

Photo by: KrizJohn Rosales of Philippine Star

5 Ayala group donates to Red Cross

With Bank of the Philippine Islands and Globe Telecom, Ayala helped the Philippine Red Cross address critical needs in public health protection.

6 A 502-bed mega isolation facility is created in seven days

The World Trade Center (WTC) We Heal as One Center was made possible through the collective efforts of Ayala, Ayala Land, Globe Telecom, Manila Water, Integrated Micro- Electronics, and AC Energy, with the ICCP Group and Manila Exhibition Center Inc. (MEC) and in partnership with the Bases Conversion Development Authority (BCDA) and the National Government. The Ayala Group of Companies pooled P46.4 million for this project.

7 Project Ugnayan reaches out to Metro Manila's most vulnerable

With the Philippine Disaster Relief Foundation and Caritas Manila, Ayala convened 270 private corporations and raised PhP1.7 billion for food vouchers and donations, benefitting around 14 million individuals in the Greater Manila Area. Visit www.projectugnayan.org

Photo by: Ayza Bacani

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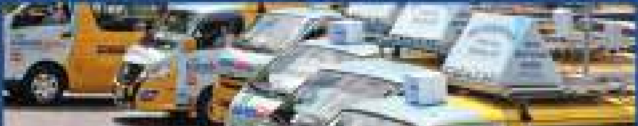
IMI
IMI


Go! Konek Tayo,
PASIG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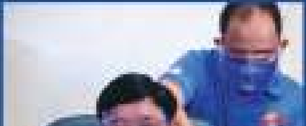


> ***"A crisis of this magnitude needs all sectors to step up and pitch in. As a member of the private sector, Ayala has a key role to play in recovery and nation-building. You can count on us."***

Jaime Augusto Zobel de Ayala
Ayala Corporation
Chairman and CEO

> ***"It has been truly inspiring to see how everyone has come together to offer help and find solutions to our daily challenges."***

Fernando Zobel de Ayala
Ayala Corporation
President and COO

8 **IMI creates an affordable alternative for ventilators**
The University College London's (UCL) Ventura Flow Generator is the first breathing aid to be manufactured in the Philippines, localized by Integrated Micro-Electronics Inc.'s (IMI) UK subsidiary's technology. It received FDA approval in July 2020.

9 **MWF pushes for hygiene awareness and creates facilities**
Manila Water Foundation (MWF) continues to build new and rehabilitate existing handwashing facilities and distribute hygiene packages under MWF's banner program, "WASH in Pandemic."

10 **Ayala looks after employees through testing**
The Ayala Group's immediate response to COVID-19 was to protect its employees, both financially and physically. Visit https://chronicle2020.ayala.com

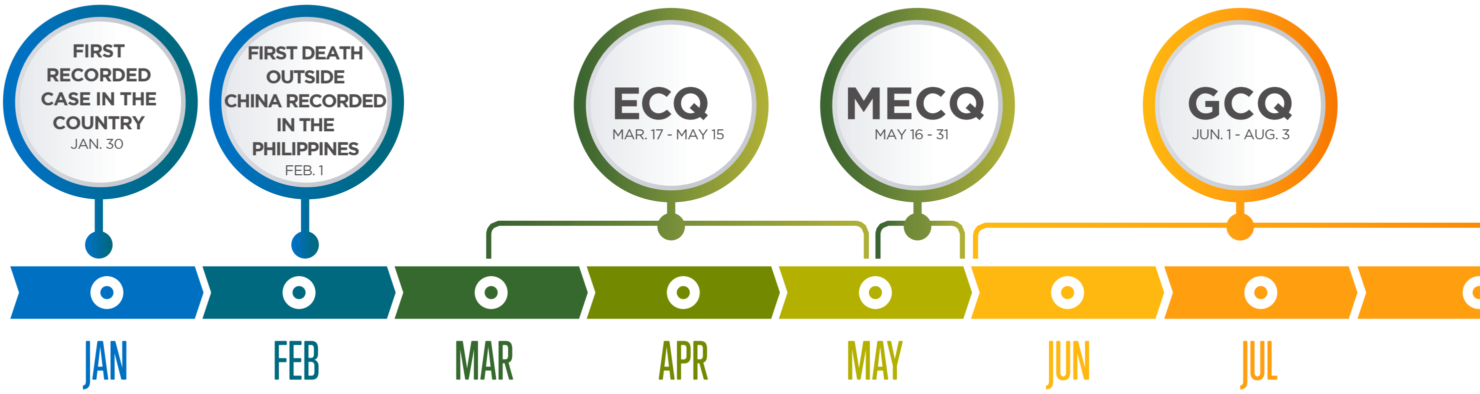
11 **Ayala Land (ALI) converts Red Cross Laboratory COVID testing**
ALI's Makati Development Corporation (MDC) converted an area inside the Philippine Red Cross headquarters in Mandaluyong City into a biosafety laboratory class 2 facility. MDC has since built six other COVID-19 facilities nationwide.

12 **High-speed Internet access for Pasig**
Globe Telecom and the local government of Pasig City partner up to deliver high-speed and affordable Internet access through GoWiFi and KonekTayo WiFi.

13 **Internet access for students of Manila**
Globe Telecom's KonekTayo School Bus WiFi was launched in Manila, helping students avail of the KonekTayo WiFi service for as low as PhP15 a day.
Photo Credit: Marianne Bermudez of Philippine Daily Inquirer

14 **AC Health and Qualimed launch a vaccination drive**
Dr. Edwin Mercado, Vice-Chairman of QualiMed's founding group Mercado General Hospital, Inc. (MGHI), was the first healthcare worker outside of Metro Manila to be vaccinated with the AstraZeneca vaccine.

SPECIAL REPORT



FIRST RECORDED CASE IN THE COUNTRY
JAN. 30

FIRST DEATH OUTSIDE CHINA RECORDED IN THE PHILIPPINES
FEB. 1

ECQ
MAR. 17 - MAY 15

MECQ
MAY 16 - 31

GCQ
JUN. 1 - AUG. 3

SPECIAL REPORT: COVID-19 PANDEMIC

In January 2020, the World Health Organization (WHO) classified the new corona virus (COVID-19), which started as an outbreak in China's Hubei Province, to be a Public Health Emergency of International Concern. In early March, it declared COVID-19 a global pandemic as it rapidly spread worldwide; as of the end of 2020, over 82 million people have been infected with over 1.8 million succumbing to the disease. The Philippines was not spared from the effects of COVID-19, recording its first case on January 30, 2020. A few days after, on February 1, the first death outside China was recorded in the country.

Source: WHO: https://covid19.who.int

SPECIAL REPORT: COVID-19 PANDEMIC

In response to the ongoing threat of the virus, the Philippine Government declared a state of Public Health Emergency and created a multi-sectoral response mechanism through the Inter-agency Task Force (IATF) which aims to contain the spread of COVID-19 and mitigate its socioeconomic impacts. On March 16, the government announced the implementation of the Enhanced Community Quarantine (ECQ) in the whole island of Luzon. The implementation of the ECQ limited mobility in the island, only allowing people to leave homes for basic necessities such as food and medicine. Public transportation and recreational services were temporarily suspended and only those classified by the IATF as essential workers could report to their workplace.

SAFETY OF EMPLOYEES

SUPPORT TO CONTRACTORS AND SERVICE PROVIDERS

CUSTOMERS' ACCESS TO SERVICE

The COVID-19 pandemic has brought unprecedented challenges to Manila Water; a magnitude of which it has never experienced before, and at a time when the Company is recovering from the 2019 Water Crisis. However, ensuring business continuity and uninterrupted service to customers were the primary objectives of the Company, while ensuring safety for its employees, support to service providers and customer access to services.

Forefront to the Company's response is the activation of the Incident Management Response Team (IMRT) led by the Business Continuity Team and the Corporate Human Resources Group with the team's first critical mission was to keep all employees safe in their working environment.

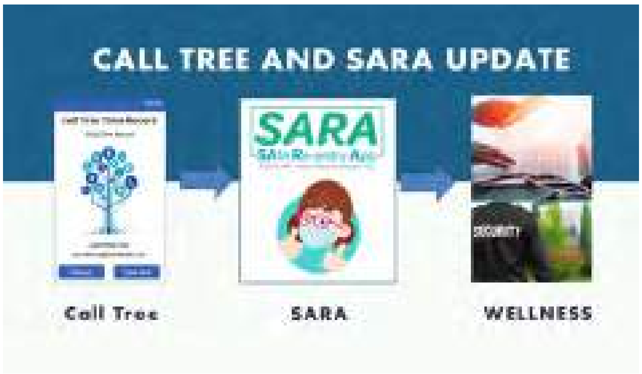
Prioritizing Employee Safety and Well-Being

Manila Water undertook key measures to ensure the safety of all employees, regardless of work arrangement through Employee Safety Services and Workplace Safety Programs. Wellness Programs were likewise implemented which values the overall well-being of employees.

Manila Water ensures the safety of employees and customers through regular disinfection of workplace and business areas

Through these programs, the Company continuously engages and keeps the organization updated albeit through digital platforms.

Meanwhile, keeping the workplace clean and sanitized was also prioritized. Disinfection activities were immediately performed in all facility premises, including offices, vehicles, common areas and shared equipment. This was done for most of the facilities on a daily basis. All personnel were also provided with Personal Protective Equipment; over 1,000 face shields and over 60,000 face masks were distributed since March 2020. Additional protective gears were provided to those reporting to areas that are more exposed to the virus. Safety applications were immediately rolled-out for the purpose of checking, tracking and transportation. Employees were also tested for the virus prior to re-entry and were provided with the necessary kits and guidance on the other protocols implemented by the Company.



EMPLOYEE SAFETY ECQ/GCQ SERVICES

EMPLOYEE SAFETY ECQ/GCQ SERVICES

- Rapid Testing (4,205 headcount as of July 3, 2020)
- Work from Home for high-risk employee
- Shuttle Services
- PPE, Masks, Alcohol, and Vitamins Provisions
- Wellness monitoring and Teleconsult
- HR Employee Care Calls
- Employee Safety Apps: Call tree, SARA: Safe Re-entry App, SAMA: Shuttle Arrangement and Mobility App
- On-site Shelter for critical workforce

WORKPLACE SAFETY

- Creation of Re-entry Task Force Committee
- Rotational Remote Work Arrangement (Approx. 65 percent on-site workforce every week)
- Physical Distancing in seat arrangement (1.5 to 2 ft between seats within a 6-ft Radius)
- Workplace Safety Protocols
- Regular Workplace Disinfection
- Infectious Disease Policy

TOTAL WELLNESS

- Online Talks and Bulletins
    - Mental Health
    - Financial Wellness
- Online Counseling Referral Program
- “Mahalaga Ka” Well-being Survey and Quick Interventions
- Professional Friend Program (35 Volunteers)

COMMUNICATIONS & EMPLOYEE ENGAGEMENT ACTIVITIES

- Communication campaign - WOW; 3Cs; etc.
- Employee Toolkit (Re-entry Play book for MWC)
- Employee Briefings and Regular Town halls
- Balita on Wednesday (BOW) news livestream
- Daily COVID-19 Bulletins
- Online Themed Events (e.g. Anniversary, Halloween, Christmas)
- Online Staging of Corporate Recognition Events

SPECIAL REPORT: COVID-19 PANDEMIC

Manila Water ensures sufficient water supply to its customers amidst the pandemic

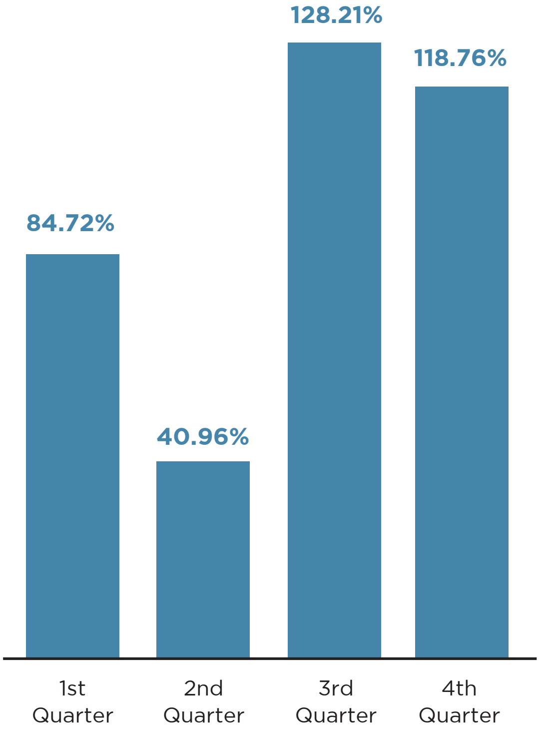
“Manila Water was able to adapt and implement different ways of work amidst the new realities brought about by the pandemic.”

Furthermore, during the period of the ECQ, Manila Water set up more stringent measures in its offices and facilities, thereby limiting access to identified authorized personnel to enter specific areas and facilities within Manila Water premises. This meant that several key personnel temporarily lodged in the facilities. Sleeping quarters were made available, as well as sufficient supply of food and grocery items delivered directly to the employees, while at the same time accommodating service providers, such as utility and security personnel.

Operating in the New Normal

With hundreds of facilities to operate, Manila Water encountered issues in its operations as the quarantine restrictions were in place. The primary issue was due to lack of manpower as several employees were unable to report to work. Similar with the rest of the country, Manila Water employees were faced with: (1) the lack of absence of public transportation; (2) getting stranded within a locked down community; and (3) health concerns due to COVID-19. Even with the means to travel to the workplace, the Company wanted to ensure the safety and well-being of reporting employees, thereby shifting the Company to a skeletal workforce operating its facilities.

EAST ZONE 2020 QUARTERLY COLLECTION EFFICIENCIES



Meanwhile, the transportation of raw materials, both for project implementation and operations, was also affected largely due to limited mobility. This was also the issue in the deployment of service providers and contractors, as well as due to lower manpower of contractors, vendors and suppliers. These led to delays in several key services such as sanitation, water and network maintenance and project implementation.

On the business operations side, Manila Water temporarily suspended its meter reading and billing activities as well as face-to-face customer interactions for complaints resolution and collection activities. Upon resumption of these services, Manila Water received over 30,000 customer requests and complaints in the third quarter, significantly higher than the pre-ECQ level of just over 15,000. Billing complaints were two times the pre-ECQ level brought about by the resumption of actual billing which covers the period when the Company suspended its meter reading and billing activities.

Furthermore, the temporary and permanent closing of commercial establishments, including those engaged in manufacturing and construction, put pressure on the Company's revenue generation. While the aggregate billed volume was higher than the previous year, this was mostly attributed to the residential segment which has a lower average tariff than the commercial and industrial segments as people stayed in their homes during the quarantine. Collection levels were severely affected as restrictions posed challenges for customers to pay their bills. Disconnection activities were likewise suspended for a period of time, and the Company provided installment payment schemes in line with the Bayanihan Law.

Adapting to the New Normal

Manila Water was able to adapt and implement different ways of work amidst the new realities brought about by the pandemic which led to the continued provision of 24/7 water supply to its customers with minimal unplanned service interruptions (i.e. Typhoon Ulysses), as well as the resumption of previously suspended services and activities, while complying to government health and safety guidelines. The creation of a digital working environment paved the way for all employees to connect and to continue with their work, without sacrificing productivity.

SPECIAL REPORT: COVID-19 PANDEMIC

Digitizing the Work Environment

Successfully adapting to the new normal was made possible through the utilization of digital platforms. The organization incorporated more online facilities in its processes, making it easier to remain productive even in a remote working environment. The active use of available online applications was implemented enterprise-wide: (1) meetings, presentations and collaboration acivities; (2) document approvals and processing; (3) internal and external Company events and announcements; and (4) employee engagement activities.

Also, to maximize reach and provide convenience, the Company launched the Manila Water mobile application, empowering the East Zone customers to have access to their bills, make online payments and report any service concerns. Manila Water likewise maximized its Operations Management Center (OMC) which provides a purview of the Company's facilities and customer experience. The technical and business teams are able to immediately address customer service issues using the data generated in the OMC.

Continuing Commitment to Service Mission

Manila Water's service mission of providing genuine service to its customers is front and center to the Company's response to any challenge it faces. The limitations brought about by the pandemic did not stop Manila Water from upholding its service standards.

Treating the pandemic as an incident, the IMRT ensures that the Management Team of Manila Water is aware of all issues concerning employee welfare, as well as technical and business operations, prompting immediate action from the line. The implementation of safety protocols as well as stringent controls enabled the Company to minimize service interruptions and facilities downtime. Planned activities were closely monitored and emergency activities were completed within committed turn-around.

Even with mobility limitations, the territory management team of Manila Water ensured that it was able to respond to customer inquiries and complaints within service standards. The teams were proactive in customer communications through different channels, such as social media, text blasts and website announcements, providing information to customers as regards planned activities, emergency works and significant service announcements. Upon resumption of face-to-face customer interaction, the Company ensured that employees and customers follow social distancing and safety protocols.

The Company thrived in its recovery from the first of half of 2020 when stricter quarantine restrictions were in effect. Upon easing of these restrictions in the second half, Manila Water pursued activities which led to significant recovery in key business and operating indicators.

East Zone

	1H2020	FY2020
CAPEX (in Million Php)	3,140	9,840
Collection Efficiency (YTD %)	63	92

Sustained Key Results Indicators amidst the pandemic (East Zone)

	2020
Water Availability (%)	97
Billed Volume Growth (%)	2.5
Response to Service Complaints (%)	99.4

MWPV

	1H2020	FY2020
CAPEX (in Million Php)	748	2,249
Collection Efficiency (YTD %)	83	95

Moreover, to ensure that Manila Water has enough financial resources to meet its service obligations, it successfully issued its maiden Sustainability Bond in July 2020 amounting to USD500 million, debuting in the international debt capital markets. The bond issuance enabled the Company to diversify its fund sources, refinance maturing obligations, as well as fund its committed water and wastewater infrastructure projects in the East Zone Concession. The proceeds from the bond 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.

Providing Support to the Nation

Part of Manila Water's service mission is to ensure that it takes part in the nation's response to the COVID-19 pandemic by extending help to communities and providing the necessary assistance, especially to the frontliners. Through proactive coordination with national and local governments, the Company was able to provide (1) drinking water and hygiene kits to public hospitals, local government units, police personnel and quarantined individuals; (2) static water tanks in various locations for disinfection of vehicles traveling along major roads; and (3) shower facilities, static water tanks and water dispensers at WTC: We Heal as One Center COVID-19 facility.

The Sustainability Bond supports the commitment of the Company towards the delivery of the Sustainable Development Goals.

SPECIAL REPORT

SPECIAL REPORT: TAAL VOLCANO ERUPTION

On January 12, 2020, after over 40 years of dormancy, the Taal Volcano erupted. Ashfall resulting from the eruption affected several regions in the island of Luzon, specifically CALABARZON[1], Metro Manila and portions of Central Luzon and the Ilocos Region. Situated in the middle of the Taal Lake in the province of Batangas, the volcanic eruption severely affected the shore towns of Talisay and San Nicolas, as well as communities surrounding the lake. Highly affected are the areas within the CALABARZON Region, distressing at least 400,000 people[2] (over 100,000 families) within the radius of the danger zone. Manila Water Philippine Ventures' subsidiaries, Laguna AAAWater Corp (Laguna Water) and MWPV South Luzon Water Corp. (South Luzon Water), as well as its employees were caught within the highly affected areas of the eruption. Over 140 Laguna Water employees were affected by the ashfall while 35 employees from South Luzon Water were displaced.

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[1] CALABARZON Regions covers the provinces of Cavite, Laguna, Batangas, Rizal and Quezon

[2] https://www.unocha.org/story/philippines-taal-volcano-eruption-forces-thousands-evacuations

SPECIAL REPORT: TAAL VOLCANO ERUPTION

Laguna Water employees providing assistance to those affected by the Taal Volcano eruption

Despite the impact of the eruption to the families of employees from Laguna Water and South Luzon Water, the teams jointly exerted efforts to continuously provide service, while extending help to those who have been displaced by the eruption. Both companies were grounded by three main objectives, (1) safeguarding employees' well-being; (2) ensuring business continuity; and (3) creating ripples of care through community help.

Safeguarding Employee Well-Being

Manila Water prides itself in ensuring employee safety and well-being amidst calamities and adversities. Upon the eruption of the Taal Volcano, Laguna Water and South Luzon Water, as well as Manila Water's Parent Company activated its Call Tree, accounting for the condition of all employees. Vehicle services were immediately deployed, transporting affected employees in need of evacuation. The companies also distributed N95 masks and regularly used a gas tester to check the air level/content within the office premises of Laguna Water, recognizing the adverse effects of inhaling volcanic particles from the ashfall. Advances to employee bonuses was also provided, especially to those whose homes were damaged. Financial assistance was likewise provided to 59 employees from Laguna Water and South Luzon Water, courtesy of Ayala Multi-Purpose Cooperative.

Furthermore, part of safeguarding employee well-being is the conduct of stress debriefing to those who were affected. Registered psychologists were employed with the objective of relieving stress and maintaining the motivation of employees in a more stable workplace while ensuring business continuity amidst the Taal Volcano eruption.

Ensuring Business Continuity

The accumulated dirt and mud from the ashfall required intensive cleaning on the part of Laguna Water and South Luzon Water customers which led to an increased demand for water. Ensuring water supply was an imperative as clean-up activities and tankering services were implemented in affected areas. Power outage was likewise common, affecting 23 facilities.

Manila Water deploys potable water tankers from Balara, Quezon City

With the immediate action of the Laguna Water and South Luzon Water teams, service interruptions were averted with the usage of standby/mobile generator sets. These were energized as soon as power fluctuations happened. Although five facilities shut down during the eruption, this was addressed through augmenting supply from other online facilities. Outside the affected barangays but still within South Luzon Water's service area, the company ensured 100 percent facility operations.

Wastewater services were also under normal operations amidst the eruption, maintaining target flows and effluent quality standards. Laguna Water also initiated a more active monitoring and checking of water quality in its water source and facilities to ensure safe and potable water for the customers. All parameters tested, including turbidity, were well within the Philippine National Standards for Drinking Water standards, indicating safe for human consumption. Finally, the Cabuyao office, which is situated outside the danger zone was utilized as an alternative workplace for employees.

Creating Ripples of Care

Part of Manila Water's DNA is its inherent genuine concern for affected communities. In spite of the ongoing adjustments in business operations, Laguna Water and South Luzon Water simultaneously initiated its support to the affected communities. As an immediate response, Manila Water and Laguna Water deployed 30 tankers, providing potable water to areas with water supply interruptions, even beyond its concession area. Static tanks were installed to evacuation centers in Batangas. Manila Water was relentless, despite the danger of the eruption, motivated by its sense of sincere concern to the communities. Laguna Water was also involved in relief operations for affected families in Sta. Rosa. Feeding programs were likewise extended to various evacuation sites.

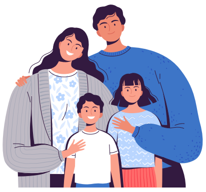
BY THE NUMBERS

130
Tanker
Trips

400
Volunteers Across
Manila Water Enterprise

23
Barangays in
7 Municipalities
Reached

1,200
Cubic Meters of
Water Provided



9,350
Families Benefitted

SPECIAL REPORT

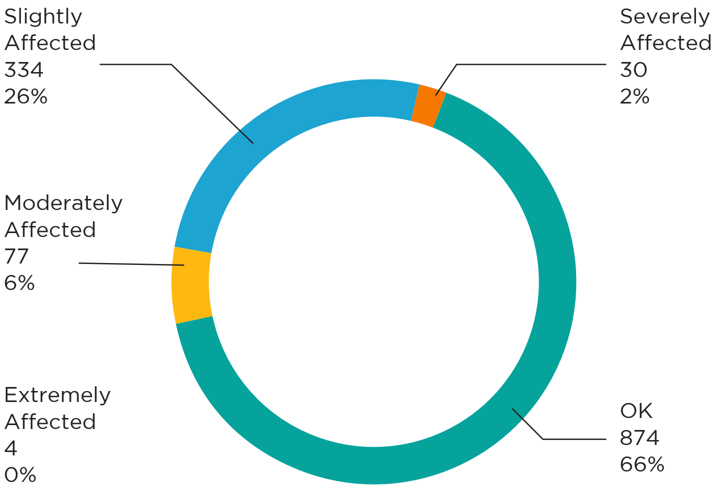
SPECIAL REPORT: TYPHOON ULYSSES

At 2 A.M. on November 10, 2020, Manila Water raised a Company-wide Yellow Alert, signaling immediate preparations for the imminent arrival of Tropical Storm Ulysses as Metro Manila was placed under Tropical Cyclone Signal No. 1. A few hours later, as the typhoon continuously traversed its westward track, Metro Manila was placed under Tropical Cyclone No. 2; the Company immediately raised alert level to Red.

GREEN ALERT	Normal operating conditions; required no. of equipment for operation + 1 backup
LOCALIZED/ CORPORATE YELLOW ALERT	An incident that has no significant business impact. Operation has resumed to normal operation but no Post Incident Report provided.
LOCALIZED RED ALERT	Incidents localized at the Facility that breached corporate risk appetite; Incident must be managed by a localized Incident Management Team (IMT). Defective/No backup equipment for Critical Equipment (N): Operation on less than the required no. for non-critical equipment
CORPORATE RED ALERT	An incident with the possibility of developing into a critical situation; Incident must be managed by a Corporate Incident Management team (IMT)

SPECIAL REPORT: TYPHOON ULYSSES

EMPLOYEE STATUS



Category	Employee Status
OK	Affected but can manage
Slightly Affected	No electricity or internet connection for at least 24 hours
Moderately Affected	House or vehicle flooded; house requires massive cleaning from mud and debris; house is generally ok after cleaning
Severely Affected	House and vehicle flooded and damaged and no electricity and no internet connection; house requires slight repair after but livable
Extremely Affected	House not livable even after flood subsided. Need to renovate or move to a new house

The following day, November 11, 2020, Ulysses strengthened and was now classified into a typhoon; Signal No. 3 was raised in the western portion of Luzon, including Metro Manila. Packing heavy winds and rains, Ulysses was poised to bring destruction to the areas it will affect even before it made landfall.

On the morning of November 12, 2020, the heavy rains brought by Ulysses has already caused flooding in low-lying areas, including those within the East Zone Concession. The City of Marikina was heavily affected. By 7 A.M. the Marikina River water level reached 20.7 meters which prompted the nearest Manila Water facility, the Olandes Sewage Treatment Plant, to shut down. Similarly, flood levels in the Municipality of Cainta also caused one of the Company's facilities in the area, the Brookside Pumping Station, to shut down. Also, due to the strong winds and flooding, power provider, Meralco, had to implement power outages to avoid electrocution in flooded areas.

As Typhoon Ulysses continued to move westward, Tropical Cyclone signals were downgraded, which prompted the Company to lower its alert level to Yellow in the evening. As a result of the onslaught of the typhoon, the Company experienced damages and disruptions to the operations of the East Zone Concession.

Securing the Safety of Employees

During the onslaught of Typhoon Ulysses, Manila Water ensured that all of its employees were accounted for, triggering a classification system that would identify the magnitude by which the typhoon affected their respective households. Through this, the Company identified that among its over one thousand employees, 445, on varying degrees, were affected.

Rescue operations were also implemented by the Company to those who were extremely affected or stranded due to the flooding. The Marikina

Manila Water providing support to affected areas of Typhoon Ulysses

"...Manila Water immediately assessed the status and extent of damage to all of its facilities. It's noteworthy to report that all water facilities of the East Zone Concession were in good condition after the typhoon."

North Sewage Treatment Plant was used as an evacuation center for heavily affected families of employees.

Disrupting East Zone Operations

Due to the flooding and power outages, most, if not all, water and wastewater facilities of Manila Water were affected, several of which were forced to temporarily shut down during the typhoon. Also, both Angat and La Mesa Dams breached their spilling levels, reaching elevations of over 214 meters and 80 meters, respectively.

Manila Water continuously assessed the conditions of all its water and wastewater facilities over the course and after the onslaught, regularly providing management reports through the IMRT. The IMRT immediately decided on the courses of action necessary to ensure that immediate response was made. Overall, 5 water and 11 wastewater facilities had to shut down temporarily, while 31 facilities shifted to genset operations due to power outage. Ongoing projects were also affected by Typhoon Ulysses, damaging project sites across the East Zone Concession.

After the typhoon, Manila Water immediately assessed the status and extent of damage to all of its facilities. It's noteworthy to report that all water facilities of the East Zone Concession were in good condition after the typhoon. Clean-up operations on all facilities was prioritized with all facility personnel working hand-in-hand to clear the mud and revert back to normal operations.

SPECIAL REPORT: TYPHOON ULYSSES

Manila Water Foundation extends support to communities

Manila Water rescued those who were extremely affected and stranded due to flooding

Responding to Customers and Stakeholders

As Manila Water was forced to shut down several of its facilities due to flooding and intermittent power, No Water calls were immediately received by the Company's business operations which peaked on November 12 and 13, 2020 with 424 and 492 calls, respectively. Over 300,000 customers were affected by the flood and almost 200,000 customers experienced no water coming from the cities of Antipolo, Marikina, Pasig, Quezon City and Taguig, as well as from the municipalities of Cainta, Rodriguez, San Mateo and Taytay.

“Manila Water also deployed 26 desludging tankers and 2 jetters to support the clean-up operations of the LGUs of Marikina, Rodriguez, San Mateo and Quezon City.“

In coordination with Local Government Units (LGU), the Company augmented the water supply and responded to the needs of those who were severely affected. Manila Water deployed 33 water tankers and 10 static tanks to evacuations centers and areas with no water. The deployment of these water tankers was concentrated in the severely flooded area of Marikina and San Mateo, while the rest were deployed in the other Rizal towns and Metro Manila cities. Also, billing and collection activities were disrupted in over 41,000 customers in severely affected areas due to heavy obstructions on-site which resulted in average billing during the period.

Aside from the assistance of the Company in providing water to evacuation centers, Manila Water also deployed 26 desludging tankers and 2 jetters to support the clean-up operations of the LGUs of Marikina, Rodriguez, San Mateo and Quezon City.

Providing potable water in evacuation centers

City/Municipality	Desludging Tanker Deployment	
	Count	Location
Marikina	14	Brgy. Malanday, Brgy. IVC, Brgy Sto. Nino, Brgy. Calumpang, Brgy Tanong, Riverbanks Mall, Brgy. Barangka, Brgy. Sta. Elena, Brgy. San Roque, St. Gregory Subdivision, Marikina Polytechnic College, Tumana, Provident Village
Rodriguez	4	ERES, Kasiglahan, Brgy. San Isidro, Dela Costa
San Mateo	4	San Mateo Public Market, Malanday Elementary School, BJMP, Hall of Justice, Goldriver, Guitnang Bayan 2, Estrella Height, Becco Compound
Quezon City	4	Vista Real Subd.
Total	**26**	

City/Municipality	Jetter Deployment	
	Count	Location
Marikina	1	Tanong High School, Marikina Sports Center, CEMO
Rodriguez	1	Dela Costa
Total	**2**	

2020 ESG & FINANCIAL HIGHLIGHTS

ENVIRONMENTAL

Manila Water has a reciprocity relationship with the natural environment. The Company's ability to deliver value depends greatly on an ecosystem of services, particularly the provision of water from watersheds, rivers, lakes and aquifers, thus it values bodies of water as a primary resource that needs to be taken care of. And without adequate available raw water, the Company's delivery of water supply service is at risk. Wastewater management, on the other hand, is a service obligation of the Company and by returning wastewater back to nature in a non-polluted form, a vital service to the ecosystem is delivered.

SOCIAL

Manila Water is a vital partner in every community it serves. The Company ensures that people in a sustainable and empowered community have access to clean, reliable and affordable water, along with sewer and sanitation services that safeguard public health and economic productivity of individuals, helping reduce poverty and reduce inequality. The most essential input to the Company's ability to realizing its vision and living its mission are the capable men and women who run the business every single day.

GOVERNANCE

The Board of Directors of Manila Water is composed of eleven directors with four members elected as independent directors. The election of the independent directors ensures transparency, accountability and fairness in the Board's decision-making process.

-3.1%

12.1%
Enterprise non-revenue water
(end-of-period)

15.5%

74.11 mcm
Wastewater treated
Complies with the DENR Effluent Standard

1.4%

1,188,020
Total trees nurtured since 2006

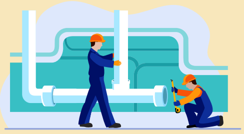
-6.2%

12,613 tons
BOD* Organic Pollution removed
by wastewater treatment
**Biochemical Oxygen Demand*

9,515 hectares
Watershed protected
(Ipo, La Mesa, and Upper Marikina)

-6.4%

74,030 tons
CO_2 (eq) Carbon Emissions avoided
due to wastewater treatment



-0.4%

1,240 mcm
Potable water distributed
to customers

1,906 mld
Raw water for abstraction[1]

100%
Compliance to Philippine
National Standards for
Drinking Water[2] (PNSDW)

1.8%

1,227,627
Billed water service
connections

8,449,688
Population served

320,037
Sewer Connections[3]

-4.2%

2,311
Workforce

1,502
Male

809
Female

8,840,840
Employee Safe Man-Hours

[1] Cumulative raw water available for abstraction for East Zone, Boracay Water, Clark Water and Laguna Water.
[2] 100 percent Compliance is applicable to 9 out of 11 business units covered in these reporting period. PNSDW Compliance of Bulakan Water is at 95 percent while Bulacan Aqua is at 99%, both are relatively newly operational.
[3] Cumulative sewer connections.

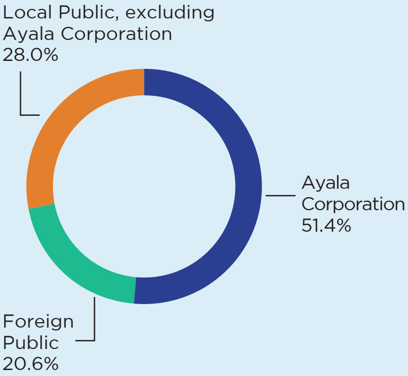
BOARD OF DIRECTORS

Fernando Zobel De Ayala
Jaime Augusto Zobel De Ayala
Jose Rene Gregory D. Almendras
Gerardo C. Ablaza, Jr.
Antonino T. Aquino
Delfin L. Lazaro
John Eric T. Francia
Jaime C. Laya *(Independent Director)*
Oscar S. Reyes *(Lead Independent Director)*
Sherisa P. Nuesa *(Independent Director)*
Jose L. Cuisia, Jr. *(Independent Director)*
Solon M. Hermosura *(Corporate Secretary)*

MANAGEMENT COMMITTEE

Jose Rene Gregory D. Almendras
Ma. Cecilia T. Cruzabra
Abelardo P. Basilio
Virgilio C. Rivera, Jr.
Robert Michael N. Baffrey
Janine T. Carreon
Evangeline M. Clemente
Arnold Jether A. Mortera
Esmeralda R. Quines
Maidy Lynne B. Quinto
Liwayway T. Sevalla
Jo Kristine C. Revil
Nestor Jeric T. Sevilla, Jr.

ECONOMIC OWNERSHIP



2020 ESG & FINANCIAL HIGHLIGHTS

FINANCIAL

Financial Performance and Economic Impacts – Manila Water's investments and operations promote the development of livable cities and sustainable growth, thus driving local and national economies. The Company continues to strive in sustaining positive economic contributions to society and its various stakeholders.

-2.4% **Php21.1B**
Revenues

16.3% **Php156.5B**
Total Asset Base

-18.1% **Php4.5B**
Net Income

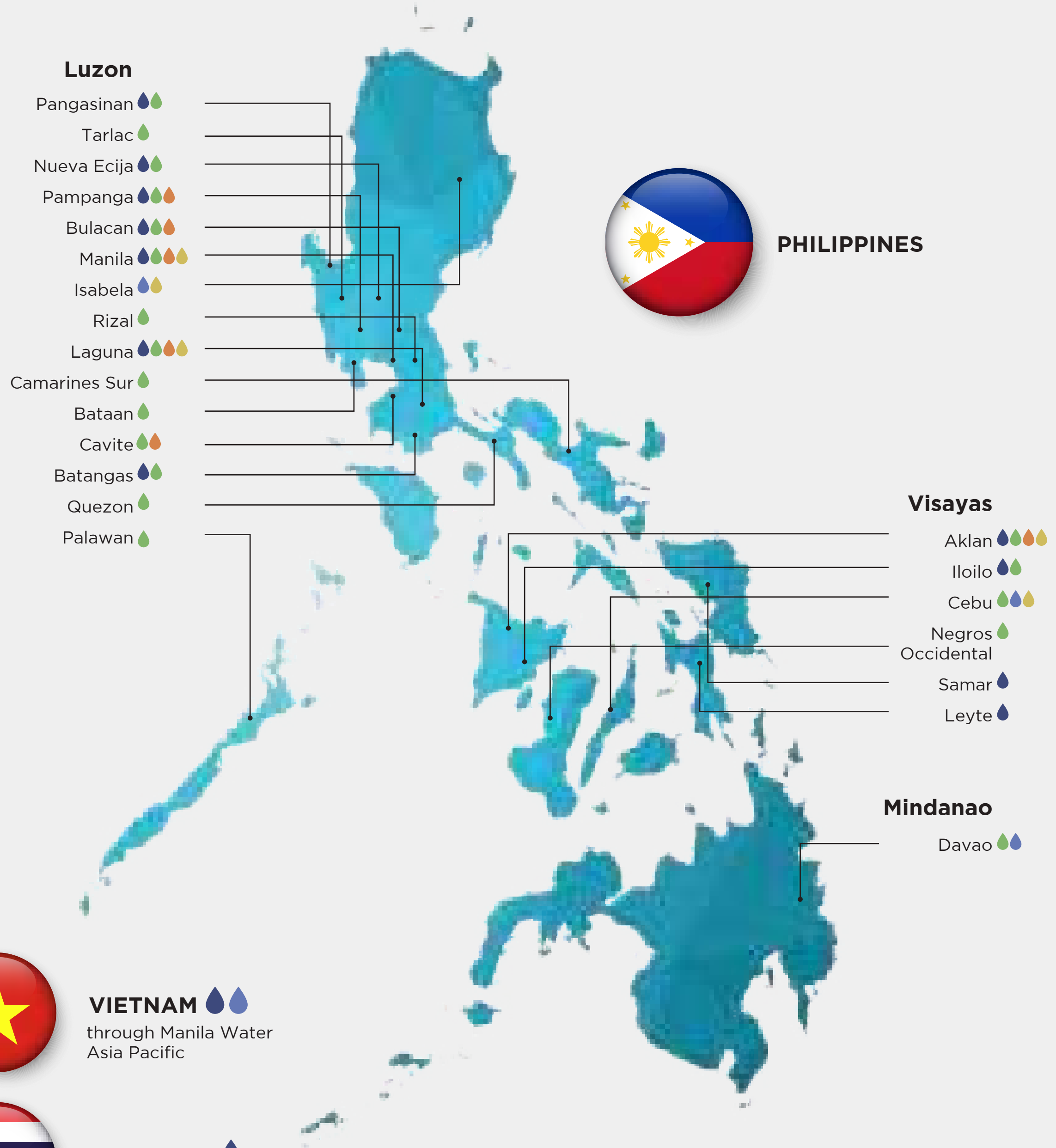
-5.7% **Php12.1B**
Total Capital Expenditure

GRI: 201-1 (In million Php)		2018	2019	2020
Economic Value Generated[1]	**Revenue**	20,266.82	22,273.11	**21,627.20**
Economic Value Distributed	**Operating Cost**	5,211.61	7,078.42	**5,342.00**
	Employee wages and benefits	2,342.74	2,355.25	**2,267.56**
	Payments to providers of capital	3,792.87	4,325.43	**2,585.76**
	Payments to government	3,237.64	3,346.47	**3,595.71**
	Community Investments	44.27	21.03	**21.32**
Economic Value Retained		5,637.88	5,146.51	**7,814.85**

[1] Economic value generated is based on GRI standards

GEOGRAPHIC PRESENCE

GRI 102-6



VIETNAM ● ●
through Manila Water
Asia Pacific

THAILAND ●
through East Water

INDONESIA ●
through PT Sarana
Tirta Ungaran

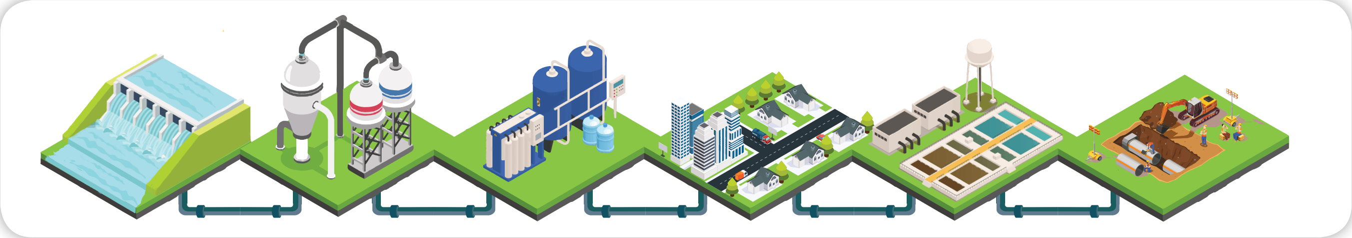
SAUDI ARABIA ●
through Manila Water
Asia Pacific

SERVICES PROVIDED:

- ● Distribution
- ● Bulk Water Supply
- ● NRW Reduction
- ● Operations and Maintenance
- ● Pipelaying
- ● Environmental Services

HOW WE CREATE SHARED VALUE

OUR BUSINESS MODEL



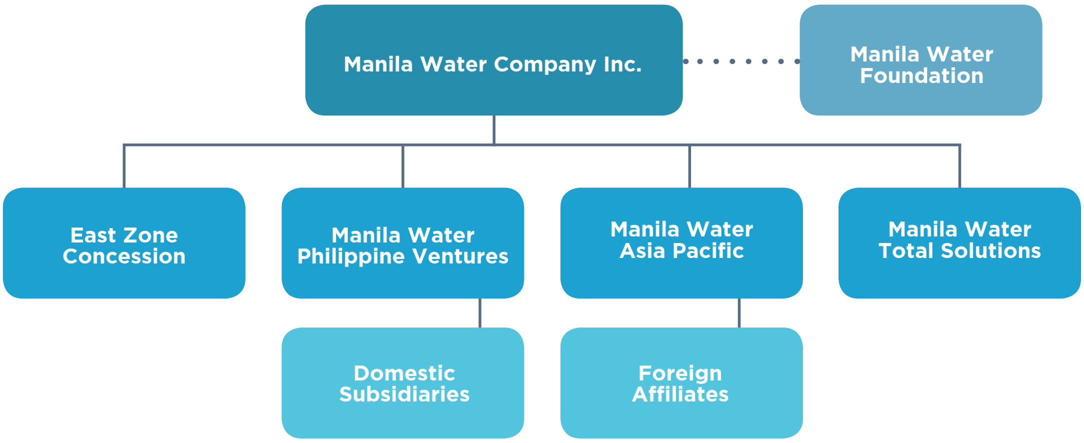
Water Source Development and Management ▶ **Raw Water Transmission** ▶ **Water Treatment** ▶ **Water Distribution** ▶ **Wastewater Treatment** ▶ **Other Services**

Distribution Aqua Centro | Boracay Water | Bulakan Water | Calasiao Water | Cu Chi Water | Clark Water | Laguna Water | East Water (Universal Utilities) | North Luzon Water | Obando Water | San Fabian | San Jose Project | Calbayog Water | South Luzon Water		**EPCM** MWTV
Bulk Water Supply Cebu Water | East Water | Ilagan Water | Kenh Dong Water | PT STU | Saigon Water | Tagum Water | Thu Duc Water	**Septage Treatment** Ilagan Water	**Technical Consulting** MWTV
Operations & Maintenance (O&M) of Water Supply and Wastewater Facilities Aqua Centro | BMDC | Estate Water | EcoWater | KSA Project		

KEY FACTORS AFFECTING PERFORMANCE

- Political-Regulatory
- Water Supply Availability & Water Source Security
- CAPEX Execution
- Sewer Coverage and Wastewater Effluent Compliance
- Information Security and IT Disaster Recovery

BUSINESS MANAGEMENT STRUCTURE



Capitals

Financial

Php156.5 B
Total Consolidated Asset Base

Php20.7 B
Cash and cash equivalents

$500 M
Sustainability Bond proceeds*

*Proceeds are included under Cash and cash equivalents

Manufactured

Water Facilities
Dams, impounding reservoirs, deepwells, water treatment facilities, pumping stations

Wastewater Facilities
Sewer networks and wastewater treatment facilities

530,407 m^3/day
Wastewater treatment capacity

Intellectual

Water treatment, non-revenue water reduction, wastewater treatment, and environmental services
Specializations, processes and programs

Human

2,311
Total Workforce

1,502
Male

809
Female

Natural

893 mcm
Water abstraction

1,600 th. Liters
Fuel consumption

266 mkwh
Electricity consumption

29,255 tons
Chemical consumption

1,906 mld
Water security

General Nakar, Angat, Ipo, La Mesa, Upper Marikina, Alat, Laguna Lake, Nabaoy, Luyang watersheds
Watersheds

Social & Relationship

558 vendors
Supply Chain Partners

24 Local Government Units
7 National Government Agencies
5 Corporations and Other Organizations
Toka Toka Partners

Business Model

Water and wastewater operations

Manila Water provides water and wastewater services in the Philippines, Vietnam, Indonesia, and Thailand.

Bulk Water Supply

Manila Water delivers bulk water to Metropolitan Cebu Water District, Tagum Water District, and Ilagan Water District in the Philippines, Saigon Water Company in Vietnam, and PT. Sarana Tirta Ungaran in Indonesia.

Engineering, Procurement, Construction Management, and Technical Consulting

Manila Water Technical Ventures (MWTV) provides engineering, procurement, construction management, and technical consultancy in the water and wastewater sectors.

Value Created

Financial

Php21.1 B
Total Revenue

Php4.5 B
Net Income

Php12.1 B
Capex Disbursed

Manufactured

1,240 mcm
Billed volume

7,982 km
Water pipes laid

74.11 mcm
Wastewater treated

1,209 km
Sewer pipes laid

Intellectual

1 deal - with Saudi Arabia's National Water Company
No. of deals closed

Human

Ave. training hours

19.11 / Senior Management
19.76 / Middle Management
5.82 / Rank-and-File

Natural

9,515 hectares
Areas protected[1]

1,188,020 trees
Trees planted[2]

12,613 tons
BOD removed

74,030 tons CO_2 eq
CO_2 avoided

[1] Ipo, La Mesa, and Upper Marikina
[2] Cumulative trees planted since 2006

Social & Relationship

95%
Billing and service complaint resolution within defined time frame based on service obligation per business unit

195
New vendors engaged compared to 2019

Value Shared

Investors and shareholders Sustained growth-enabling environment through water and wastewater investments

Regulators and partners Strengthened partnerships to improve the provision of water and wastewater services

Community and business Continuous access to clean and affordable water and sanitation services

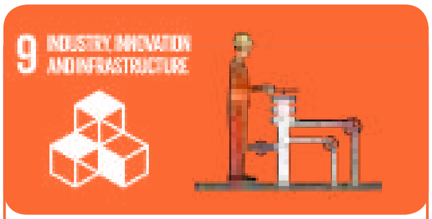
Employees
Relevant career growth and development opportunities

Environment
Enhanced capacity to protect water sources and watersheds

CONTRIBUTIONS TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Fostering public-private partnerships with foreign and local governments, regulators, non-government organizations, and economic zone development authorities to ensure continuous provision of water and wastewater services to customers and communities.

Toka Toka Partners
24 Local Government Unit
7 National Government Agencies
5 Corporations and other agencies



Infusing **Php12.1B** capital expenditure to local and national economy through water and wastewater investments such as water treatment facilities, sewage treatment plants, and pumping stations to ensure delivery of reliable water and wastewater services, across the enterprise.

Delivering access to water and wastewater services across all levels of the community.

Perpetuating a no discrimination culture against anyone's race, gender, religious belief or any other form of preference.

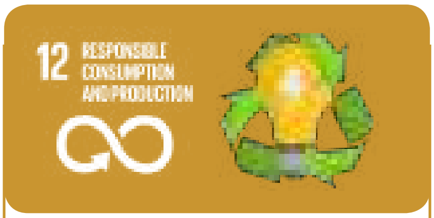
Maintaining **100%** compliance of water quality in accordance with the Philippines National Standards for Drinking Water (PNSDW) by the Department of Health.[1]

[1] 100 percent Compliance is applicable to 9 out of 11 business units covered in these reporting period. PNSDW Compliance of Bulakan Water is at 95 percent while Bulacan Aqua is at 99 percent, both arerelatively newly operational.

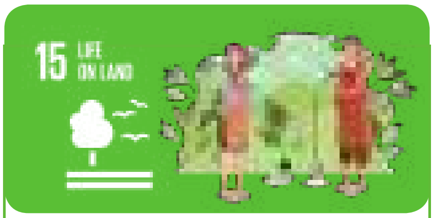
Ensuring access of the marginalized community to clean, potable water through community development programs

916 New Tubig Para Sa Barangay Connections
21 New Lingap Connections

Reducing carbon emissions due to wastewater treatment and BOD removal by **74,030 tons CO_2 (eq)**



Implementing energy efficiency initatives and using **285,078 kwh** of renewable energy to reduce operational expenses and exposure to future fossil fuel and price increases.



Maintaining water supply sustainability through the protection of watersheds.

9,515 hectares of protected watersheds across operations in the Philippines
1,188,020 trees nurtured since 2006

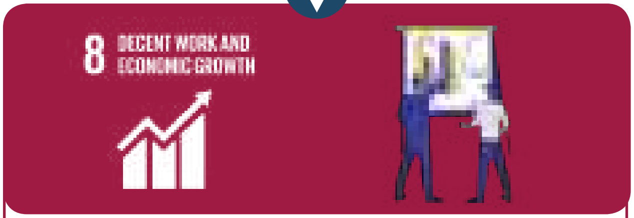
Ayala
Sustainability Blueprint

Expanding access to clean, potable water and sanitation services to the communities, at the same time ensuring reliable and efficient service to customers

1,240 mcm Potable Water
1,227,627 Water Service Connections
8,449,688 Population served
320,037 Cumulative Sewer Connections
84,543 Desludged septic tanks

Building climate-resilient assets to ensure continuous provision of water supply and wastewater services to all customers and communities

Conserving and protecting marine resources through treatment of **74.11 mcm** of wastewater, resulting in the diversion of **12,613 tons** of organic pollution from waterways.



Contributing to positive economic growth

100% local spending
0% foreign spending
558 suppliers engaged

DELIVERING OUR STRATEGY

EXTERNAL ENVIRONMENT

While economic development was greatly impeded in 2020, the importance of the water space remained critical. Communities clamor for the sustainable provision of basic utilities such as potable water and sanitation services. One of the most effective ways of protection against COVID-19 virus is through proper hygiene and cleanliness practices. The importance of disinfection efforts such as constant and proper hand washing was never more highlighted than at the onset of the pandemic. The challenge for water providers is to maintain a high level of service despite prevailing limitations.

Manila Water recognizes the importance of having sufficient water supply and sanitation services amidst the COVID-19 pandemic. The Company focused on maintaining service levels in its East Zone Concession and in its other operating subsidiaries. Key measures were undertaken to ensure that water and wastewater operations continued, while keeping employees safe from the dangers posed by COVID-19. At the same time, the Company remained true to its commitment to the United Nations Sustainable Development Goals (SDGs) on Clean Water and Sanitation.

Manila Water perseveres in the face of the COVID-19 pandemic for the welfare of its employees, customers, and stakeholders.

Sustaining water and wastewater service levels under the pandemic has been challenging, given the limited mobility and the need to comply with stringent health and safety standards. As the world slowly transitions to a new normal, Manila Water maintains its resolve to adapt to these new challenges.

OUTLOOK AND OPPORTUNITIES

Valuing Genuine Service

Manila Water remains focused on its service mission to provide exceptional service to its customers. The Company faces the COVID-19 pandemic head-on and is committed to perform even better, even as it strives to address the new realities brought about by social, environmental, and institutional challenges.

In response to the COVID-19 pandemic, Manila Water prioritized the safety of its employees as they continued the provision of genuine service to the Company's customers. The safety and well-being of employees were upheld by Management by providing assistance such as transportation, access to healthcare and the adoption of alternative work arrangements. Equally important, the Company focused on business sustainability, prudently managing its financial resources to maintain service continuity, operational resiliency, and timely project implementation.

Ensuring water and environmental sustainability

Learning from the 2019 water crisis, the East Zone Concession's focus in ensuring water supply stability to its customers reaped benefits as the Company maintained a 97 percent water supply availability in 2020. This was achieved despite limitations brought about by the pandemic. Moving forward, the Company will continue to pursue more water security and sustainability projects. Equally important, the Company maintained its service levels

> **"Manila Water perseveres in the face of the COVID-19 pandemic** for the welfare of its employees, customers, and stakeholders."

on its sewer and sanitation services and will push through with its wastewater coverage expansion projects. This continued focus is built upon the Company's service mission to its customers. Over the next two years, water and wastewater infrastructure projects are expected to further ramp up in accordance with the Service Improvement Plan approved during the 2018 Rate Rebasing. The Company is likewise preparing for the upcoming 2023 Rate Rebasing. This important exercise will bridge the concession's accomplishments and objectives towards achieving its service obligation targets in 2037.

In support of its commitment to water and environmental sustainability, the Parent Company successfully debuted in the international debt capital markets through the issuance of its maiden ASEAN sustainability bond. The 500 million US Dollar-denominated senior unsecured notes are pursuant to the Sustainability Financing Framework (SFF) recently established by Manila Water. The SFF is aligned with the Green Bond Principles 2018 and Social Bond Principles 2019 and likewise complies with the maiden ASEAN Sustainability Bond and SEC MC No. 8, s 2019. The proceeds from the issuance are intended to refinance maturing obligations and finance programmed water and wastewater capital expenditures for 2020-2021 and are targeted towards projects related to (1) Sustainable water and wastewater management; (2) Terrestrial and aquatic biodiversity conservation; and (3) Affordable basic infrastructure categories. The issuance recently received an accolade as the Best Sustainability Bond – Corporate in The Asset's Annual Triple A Country Awards 2020.

Model Plaque to commemorate the success of the bond issuance

Focusing on operational resiliency and efficiency

Beyond the East Zone Concession, financial resource preservation remained a priority. Specifically, MWPV exercised its option to borrow an additional Php3.0 billion from partner banks to ensure that sufficient resources are available for MWPV's operations and capital expenditures, as well as for existing projects of subsidiaries and equity investments.

In terms of operations, new business development initiatives of the non-East Zone businesses gave way to keeping current operations stable and meeting service level standards. Taking the East Zone Concession as its benchmark for operating amidst the COVID-19 pandemic, the subsidiaries adapted to the new realities of their respective service areas. Notwithstanding the current challenges, the potential opportunities in the water space remain robust and Manila Water will continue to look at these as soon as the circumstances become better.

Digitizing for the Future

Amidst the COVOD-19 pandemic, Manila Water recognizes the need to fast track its digitization initiatives to increase efficiency, facilitate added convenience for customers, and minimize operational disruptions. The Company maximized its existing digital platforms, increasing usage and integration while maintaining information security. Furthermore, the Company introduced new digital platforms for its operations to increase ease of use, accessibility, and operational efficiency, regardless of the necessary changes in work arrangements. Manila Water continues to develop and strengthen its digital infrastructure to face the new realities.

"In support of its commitment to water and environmental sustainability, the Parent Company successfully debuted in the international debt capital markets through the issuance of its maiden ASEAN sustainability bond."

ENTERPRISE RISK MANAGEMENT

As Manila Water faces greater challenges in the East Zone Concession and in its operations across the Philippines and Southeast Asia, effective risk management is critical to ensure that the Company will be able to fulfill its goals as a leader in the provision of water, wastewater, and environmental services in the communities it serves.

Risk management is consistently used as a tool for effective decision-making, planning and operations, resulting in a resilient and agile organization amidst difficulties in its regulatory and physical environment.

ERM shall aim to integrate risk awareness and responsibility into each level of management activities, and into all strategic planning and decision-making processes within the Company.

ENTERPRISE RISK MANAGEMENT IN MANILA WATER

Manila Water operates in a regulated and dynamic business environment where uncertainties, both detrimental and opportune to the Company, abound. The Company is accountable to its regulators, shareholders, employees and customers, among others.

Profitability, sustainable development and corporate social responsibility are expected to be continuously enhanced. In order to achieve its corporate objectives, Manila Water recognized the need for the active management of risks inherent to its business which involves the entire organization.

Manila Water continues to implement its Enterprise Risk Management (ERM) Program based on a globally accepted approach, the ISO 31000, and has been cascaded across the Manila Water enterprise which includes subsidiaries in MWPV and MWAP to ensure attainment of its 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 supported by an effective management information system and risk management reporting system. In addition, the Company's Board Risk Oversight Committee (BROC) provides oversight to management functions relating to strategic, financial, operational, compliance, legal, environmental, social and other risks of the Company. This involves periodic disclosure of significant risk exposures and related risk management activities.

The President is the comprehensive risk executive and is ultimately responsible for ERM priorities, strategies, tolerances and policies. He chairs the Risk Management Executive Committee (RMEC) which is composed of top management and the Chief Risk Officer (CRO). The RMEC provides oversight and input to the President and to the Board to enable them to formulate better and informed decisions on matters related to risks.

The RMEC provides direction on the design and implementation of appropriate systems, tools and methodologies to support the ERM process and other risk management activities and designates owners of specific risks and enablers of the ERM process (ERM Champions/Partners/ Risk Officers).

The CRO is the ultimate champion of ERM at Manila Water. Supporting the CRO is the Enterprise Risk Management (ERM) Department. It is responsible for developing risk management tools, methodologies and processes. It also leads the implementation and dissemination of ERM across the

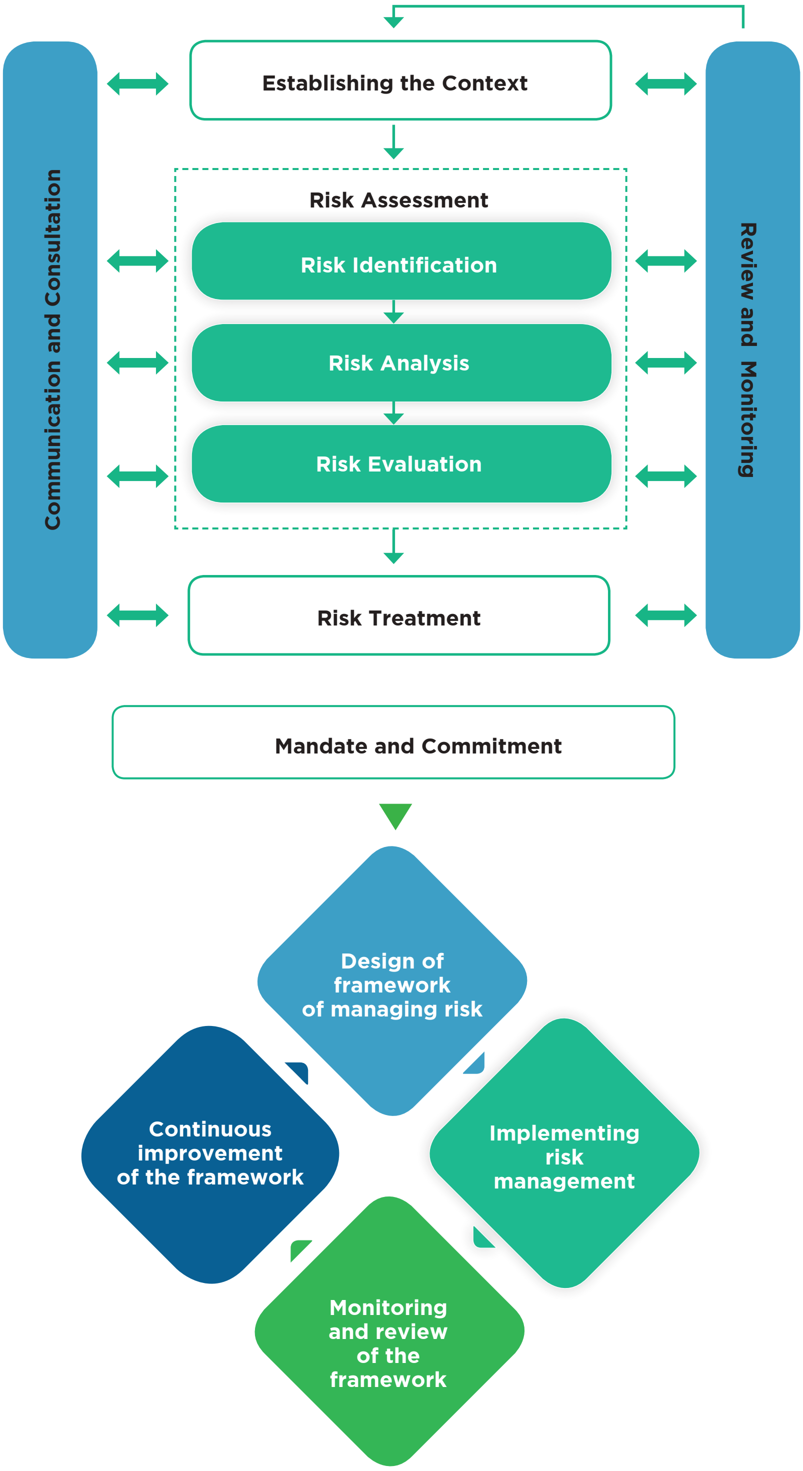
Manila Water Group in coordination with the risk owners, the CRO and ERM Champions/Risk Owners of the business units. With the ERM mindset continuously being assimilated into the Company's culture and practices, ERM has been embedded in the strategic, tactical and execution planning as well as in key-decision making processes. The risk management system of Manila Water is reviewed and assessed annually by Internal Audit using a risk maturity assessment framework aligned with global best practices to determine the system's adequacy, suitability and effectiveness. An external assessment of Manila Water Company's ERM maturity was conducted in 2018 by Ayala Corporation through Aon Philippines.

2020 ERM HIGHLIGHTS

The following changes were implemented to further improve the implementation of ERM across the enterprise:

- Appointment of the Chief Finance Officer as concurrent Chief Risk Officer, and merger of the EERM and Sustainability departments.
- Increase in the number of BROC meetings to quarterly, instead of semi-annually, to provide more opportunities for deeper discussions of top risks as well as provide ample attention to the risks of new business operations.
- Enhanced deep dive discussions at the subsidiary level using risk driver analysis.
- Commencement of the review and updating of the existing ERM policy, framework and organizational structure, with the target of BROC approval in early 2021, and subsequent rollout across the enterprise of the revised risk dictionary (including risk indicators), revised risk register templates and reporting tools.

ERM FRAMEWORK AND PROCESS



ENTERPRISE RISK MANAGEMENT

MOVING FORWARD

In pursuit of enhancing the ERM culture in Manila Water, the following will be undertaken in the near future:

- Mandatory ERM trainings for process owners across the enterprise to communicate the revisions in the revised policy, framework, risk governance structure, inter-group protocols, calendars, and assessment and reporting tools.
- Integration of risk management practice with certain business processes such as CAPEX execution and further alignment of risk management with strategic planning and performance management.
- Preparation of the Company's Risk Appetite statements, and calibration of operational risk thresholds as enhancements in key risk indicators monitoring.
- Giving special focus on climate-driven risks, with capacity building work to ensure readiness for disclosures using the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD) for the reporting year 2022.

MANAGEMENT OF TOP ENTERPRISE RISKS

The RMEC, composed of Manila Water Company's Management Committee and the CRO, determines the most significant risks facing the Company. Management of Top Corporate Risks, which have been mapped down to the department level, is delegated to the appropriate Risk Owners. For MWPV and MWAP, the RMEC is composed of the President/Chief Operating Officer, Leadership Team and the CFO/CRO. Risk Owners formulate and commit to a risk management plan, monitored by the ERM Department, which defines specific action points, accountability and timelines. The status of Top Enterprise Risks is regularly discussed at the RMEC and is reported to the BROC.

Rank	2020 Enterprise Risks	Updates and Mitigation Strategies
1	POLITICAL-REGULATORY RISK **RENEWAL OF THE CONCESSION AGREEMENT WITH MWSS** Failure to secure the viability of the business due to adverse political and regulatory actions	In December 2019, the President threatened to revoke the extension of the concession agreement with MWSS due to supposed onerous provisions in the original contract, and commissioned an independent review of the provisions with the objective of revising the contract. Manila Water has cooperated with the national government in the review of the provisions of the original concession agreement as well as subsequent amendments, outcomes of past disputes and its performance in the delivery of service obligations. The Company has provided all pertinent information requested and continues to engage in conversations with designated government representatives on matters related to the planned revisions in the agreement. The Company continues to faithfully deliver on its service obligations to its customers under the terms of the concession agreement still in effect and the most recent MWSS-approved business plan.
2	OPERATIONAL RISK **WATER SUPPLY** Failure to ensure adequate water supply and deliver 24/7 potable water at ≥7psi across the service area	To ensure adequate raw water supply especially during the dry season, Manila Water continues to implement MWSS-approved short and medium-term water source development projects such as rehabilitated and new deep wells, rehabilitation of the Alat source, and the Wawa-Calawis and Laguna Lake East Bay sources. As of end of 2020, the stored water in Angat Dam and La Mesa were at maximum levels due to the prevailing extended La Niña. Prospects for summer of 2021 are better than in 2019 when there was a drought caused by an El Niño. Nevertheless, the Company has a summer contingency plan and is scheduled to undertake drills on critical core and support processes.
3	COMPLIANCE RISK **CAPEX EXECUTION** Failure to execute CAPEX plan per approved business plan on a timely manner and on cost basis, leading to tariff clawback and non-recoverability of expenses.	The Company conceptualized and implemented Project Ark, a cross-functional initiative that addresses the various risk drivers and gaps that lead to the delay in the execution of major capital works across the respective project life cycles, from project development to execution. The first phase of the program addressed core CAPEX processes, policies, tools, and structures critical to being able to fast-track the water supply and used water commitments and meet CAPEX delivery targets. Among the improvements in the CAPEX organizational structure and delivery strategy are: (a) creation of a more aligned and streamlined project team structure within Corporate Project Management Group (CPMG), (b) maximizing technical talents in the organization by decentralizing project execution, (c) establishing the Supply Chain Management Group to allow for a more flexible and targeted approach to procurement, (d) implementing a more structured and holistic approach to land acquisition, and (e) applying a more efficient revised approval process. The second phase of the project specifically addressed process improvements, aimed at further improving end to end CAPEX delivery by reducing touch points and cycle times across all critical processes. This sub-program aims to improve CAPEX throughput by utilizing workflows, automation, reports, and dashboards to improve visibility and streamline coordination across all units. A comprehensive dashboard to track the realized improvements arising from each component of the initiative is already in place.

ENTERPRISE RISK MANAGEMENT

Rank	2020 Enterprise Risks	Updates and Mitigation Strategies
4	COMPLIANCE RISK **SEWER COVERAGE** Failure to attain % sewer coverage target in accordance with the service improvement plan	Manila Water has a regulator-approved target for increasing sewer coverage in order to maximize the utilization of its wastewater treatment facilities whose design years coincide with the end of concession. Since laying down sewer lines usually encounter difficulties with local governments mainly due to traffic disruption concerns, the Company identifies alternative projects and approaches that will contribute to meeting the global sewer coverage performance. At the same time, the Company updates the regulator regularly on the progress of wastewater projects, presents and justifies any deviation from the original plans, and seeks feedback. This provides the regulator an overview of the progress and the challenges that the Company experiences and serves as a venue to secure support.
5	OPERATIONAL RISK **INFO SECURITY & IT DISASTER RECOVERY** Failure to ensure full security of enterprise data and faster recovery of IT systems after disruptions	On IT Disaster Recovery: A Disaster Recovery Plan was drafted in 2019 to serve as guide for the annual DR Drill. On Information Security: The following were implemented by the IT Group: Information Security Education Program (ISEP), End user security (MFA, SSPR, Mobile Security), Email security (SEG), Website hardening (MWC, CWC, LAWC), Anti-spoofing protocols, Approval of Information Security Management System (ISMS) and Cybersecurity incident policy/ procedures, Implemented 2020 IT Security Projects such as BitLocker implementation, Azure Information protection (AIP) for data classification, Assigning Data Loss Prevention policies to confidential information, Continued information security awareness program thru monthly module assignment, Cybersecurity drills, Workshops with different MW groups on data classification, Web security, Identity and access management and establishment of Security Operations Center (SOC), Insurance policies and enhancement of OPSCMS IT network security.
6	COMPLIANCE RISK **WASTEWATER EFFLUENT COMPLIANCE (NUTRIENT REMOVAL)** Failure to comply with the DAO 2016-008 revised effluent standards in accordance with DENR deadlines	Manila Water applied a four-pronged approach to manage the compliance risk associated with the revised effluent standards: Technical Track – Identified feasible technical solutions for each facility and accelerated the implementation to comply with DENR Administrative Order (DAO) Compliance Action Plan (CAP). DENR/Laguna Lake Development Authority Track (LLDA) – Secured environmental regulator's approval of the submitted Compliance Action Plans and established a legal defense strategy should any challenges arise. Stakeholder Track – Secured the buy-in of concerned Local Government Units for the individual projects and timely acquisition of necessary project permits. MWSS Track – Secured the support of MWSS on the continuing implementation of facility and network retrofit plans vis a vis any outcomes of the various stakeholder-driven developments at the environmental policy maker (DENR).

REPORT OF THE BOARD RISK OVERSIGHT COMMITTEE TO THE BOARD OF DIRECTORS

For the year ended December 31, 2020

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

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

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

Directors No. of Meetings	Attended/Held	Percent Present
Jaime C. Laya	4/4	100%
Jose L. Cuisia, Jr.	4/4	100%
Oscar S. Reyes	4/4	100%
Gerardo C. Ablaza, Jr.	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.
- Appointed the Chief Finance Officer as concurrent Chief Risk Officer, and merged the Enterprise Risk Management and Sustainability departments.
- Increased the number of Board Risk Oversight Committee meetings to quarterly, instead of semi-annual, to provide more time for deeper discussions on risk analysis as well as provide ample attention to the risks of new business operations.
- The review was undertaken in the context that Management is primarily responsible for the risk management process.
- The Committee has reviewed the Enterprise Risk Management Process in Manila Water Company, Inc. and is satisfied that sufficient risk management systems are in place.

February 11, 2021

JAIME C. LAYA
Chairman

GERARDO C. ABLAZA, JR.
Member

JOSE L. CUISIA, JR.
Member

OSCAR S. REYES
Member

CONTINUING ON THE SUSTAINABILITY JOURNEY

Sustainability is the ability to meet the needs of the present without compromising the resources of the future. For Manila Water, this means consistently delivering essential services that address societal and environmental needs, using the core business to create positive and lasting impact for the Company, its customers, employees, business partners, supply chain, government partners and the investing community. To quote Manila Water chairman Fernando Zobel de Ayala in the early days of the East Zone concession, the Company has “a mission to fulfill, not a business to run”.

OVERALL MANAGEMENT APPROACH

Manila Water has long adopted a sustainability framework which articulates the impact its core business has on society, environment and the economy, but at the same time, the integration of the focus areas at the heart of corporate strategy, tactics and execution will ensure long-term survival and viability of the business. This framework serves as a template for communicating the unique context of sustainability in Manila Water and is used in the disclosures of key risks, accomplishments and impacts.

RESPONDING TO EVOLVING EXPECTATIONS OF STAKEHOLDERS

The Manila Water sustainability framework was adopted in 2004 and the first sustainability report was published in the succeeding year. Through the years, the Company evolved the scope and quality of its sustainability reporting in sync with the improvements in the Global Reporting Initiative (GRI) and Integrated Reporting Council (IIRC) specifications to respond to the growing expectations of the investing community. The advent of the UN Sustainable Development Goals in 2015 further cemented Manila Water’s role as a champion for Water and Sanitation, and the Company also adopted the indicators associated with SDG 6 to articulate its contributions and impact, along with those of other ancillary SDGs. (See Our Contribution to the Sustainable Development Goals in page 50.)

In recent years, investors and other stakeholders have increasingly demanded additional disclosures in ESG performance of companies. Data-driven sustainability has become more relevant to prepare businesses amidst emerging megatrends and negative externalities such as climate change, societal inequalities and a global pandemic. Given this backdrop, Manila Water commenced on using the Sustainability Accounting Standards Board (SASB) reporting framework, in addition to the others previously mentioned, for the 2020 reporting period. This new phase of the Company’s sustainability journey is a step forward to firm up Manila Water’s commitment to integrate emerging sustainability paradigms and practices into its management systems to boost long-term financial viability and address the evolving needs of stakeholders.

Developing our Employees

Ensuring a pool of competent talents that will deliver consistent water and sanitation services to customers and fuel the Company's growth aspirations

Helping Build Communities

Providing essential services of water and sanitation to all as a key ingredient to having sustainable communities, and if those communities are to be resilient, the water and sanitation services have to be resilient too

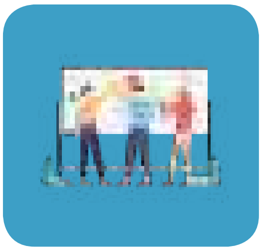
Protecting the Environment

Rehabilitating, protecting and enhancing the sources of raw water on which the Company is dependent on, and helping restore the quality of the natural environment through the management of wastewater

Safeguarding Health and Safety

Ensuring public health through the delivery of clean water

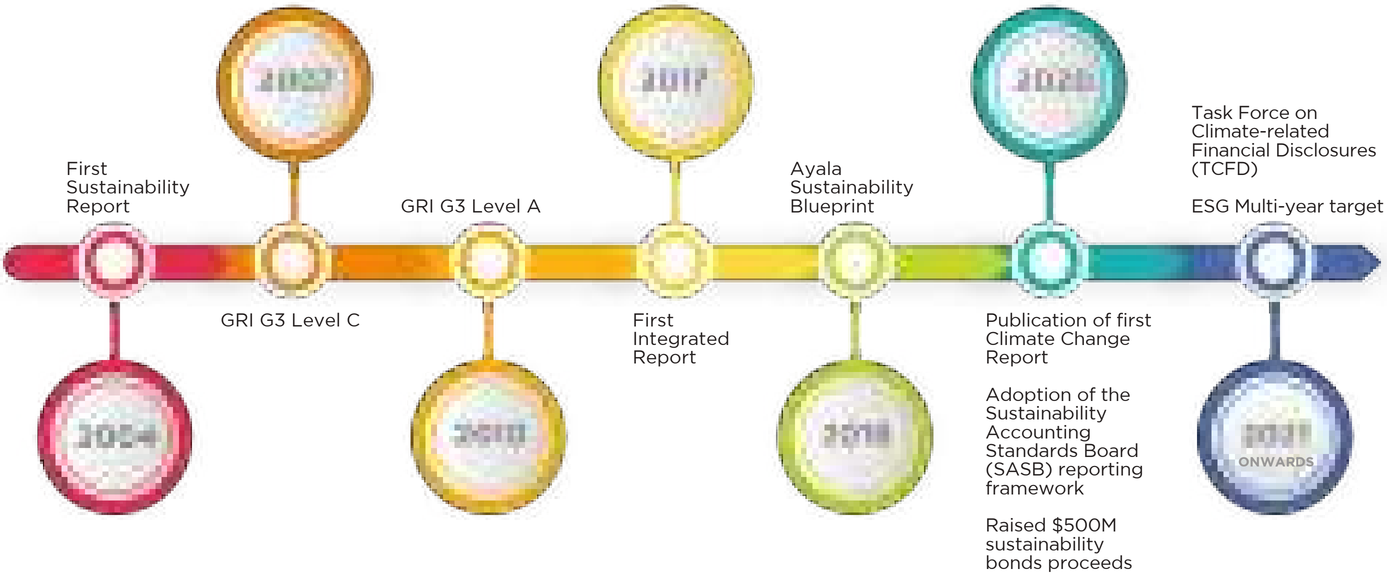
Ensuring the safety of employees, business partners and the general public as the Company undertakes its work to expand services



Contributing to Local & Nat'l Economics

Helping create and sustain economic opportunities for people and businesses where the Company operates

In addition to adopting an additional sustainability reporting framework, Manila Water has prepared its first five-year Climate Change Report, covering its progress in implementing its climate change commitments as stated in its Climate Change Policy, first adopted in 2007. It adopts elements from the Task Force on Climate-related Financial Disclosures (TCFD) recommendations for voluntary climate-related financial disclosures to inform and involve stakeholders. The report covers accomplishments of the East Zone Concession and major business units under MWPV that have been operational for at least five years: Boracay Water, Cebu Water, Clark Water, and Laguna Water. Moving forward, with Manila Water's recent signing up as a TCFD supporter, there is an intention to integrate the TCFD disclosures covering the reporting year 2022. The Company also intends to formalize its multi-year ESG targets in the near future.



THE BUSINESS AND ITS STAKEHOLDERS IN FULL ALIGNMENT

“Showing a genuine concern for the welfare of others is indispensable in the way we do our business.

Manila Water has long adopted a sustainability framework that aligns with the development goals of the country and the UN, and is at the very heart of the corporate vision and business strategy. The sustainability commitments were a product of listening to and close coordination with stakeholders, and adopted in response to societal and environmental needs that align with the long-term viability of the business.

The Company aims to provide a balanced, accurate, and accessible assessment of its strategy, performance, and prospects related to financial, economic, social, environmental, and governance issues and risks that have a material impact on the business and its stakeholders.

Manila Water follows a structured process to identify, understand, validate and prioritize its most material sustainability issues on a regular basis. However, the usual channels of engaging with stakeholders to discuss matters relevant to them were unavailable during a time of pandemic in 2020. In response, the Company had to employ online means in conducting its materiality exercise, such as surveys and focus group discussions via videoconferencing where possible.

The determination of material issues to the Company were guided by the following considerations:

- Reporting frameworks adopted by Manila Water, such as:
  - Global Reporting Initiative (GRI)
  - Integrated Reporting (<IR>)
  - Sustainability Accounting Standards Board (SASB)
  - United Nations Sustainable Development Goals (UN SDGs)

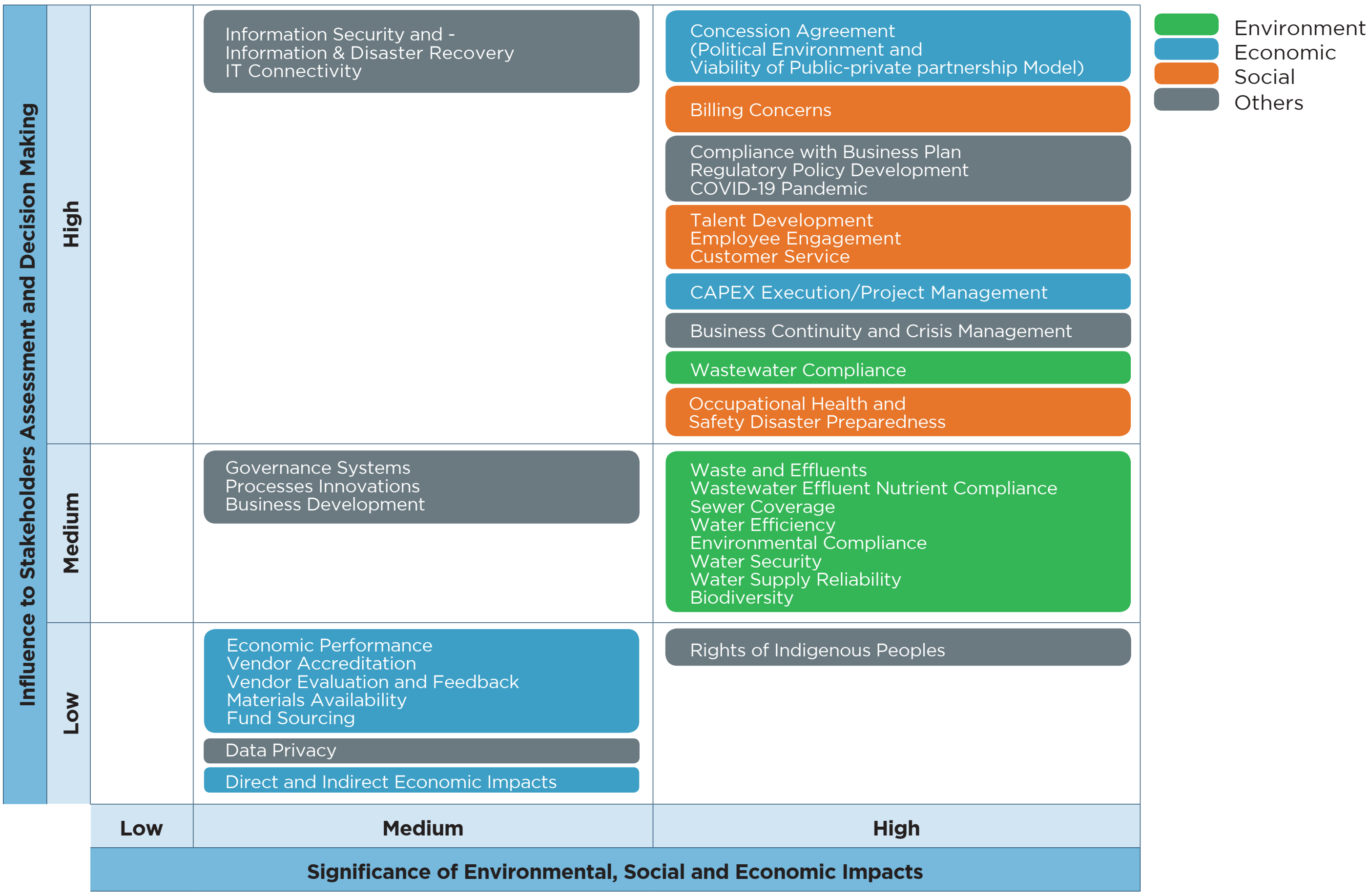
- Current and emerging risks/issues critical to achieving strategic objectives and the sustainability of the operating models of the business units;

- Feedback from key stakeholders gathered through virtual platforms due to the pandemic such as surveys, bulletins, social media, videoconferencing, and;

- Public controversies

2020 MATERIALITY MATRIX

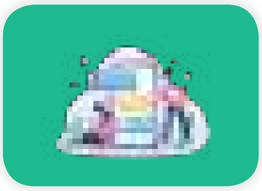
GRI 102-47



Influence to Stakeholders Assessment and Decision Making	Low	Medium	High
High		⬛ Information Security and - ⬛ Information & Disaster Recovery ⬛ IT Connectivity	🟦 Concession Agreement (Political Environment and Viability of Public-private partnership Model) 🟧 Billing Concerns ⬛ Compliance with Business Plan ⬛ Regulatory Policy Development ⬛ COVID-19 Pandemic 🟧 Talent Development 🟧 Employee Engagement 🟧 Customer Service 🟦 CAPEX Execution/Project Management ⬛ Business Continuity and Crisis Management 🟩 Wastewater Compliance 🟧 Occupational Health and Safety Disaster Preparedness
Medium		⬛ Governance Systems ⬛ Processes Innovations ⬛ Business Development	🟩 Waste and Effluents 🟩 Wastewater Effluent Nutrient Compliance 🟩 Sewer Coverage 🟩 Water Efficiency 🟩 Environmental Compliance 🟩 Water Security 🟩 Water Supply Reliability 🟩 Biodiversity
Low		🟦 Economic Performance 🟦 Vendor Accreditation 🟦 Vendor Evaluation and Feedback 🟦 Materials Availability 🟦 Fund Sourcing ⬛ Data Privacy 🟦 Direct and Indirect Economic Impacts	⬛ Rights of Indigenous Peoples

Significance of Environmental, Social and Economic Impacts

🟩 Environment
🟦 Economic
🟧 Social
⬛ Others

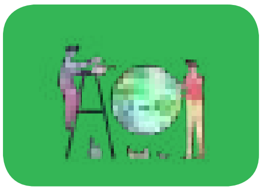


Developing our Employees

- Governance Systems and Process
- Talent Development - Capacity and Capability
- Employee Engagement
- Employee Health (COVID-19)

Helping Build Communities

- Customer Service
- Business Continuity
- Crisis Management
- Data Privacy
- Information and Disaster Recovery
- Rights of IPs
- Billing Concerns
- COVID-19 Pandemic

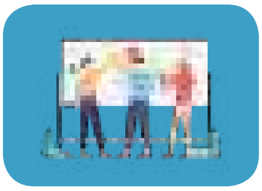


Protecting the Environment

- Waste and Effluents
- End-use Water Efficiency
- Climate change Mitigation and Adaptation
- Wastewater Compliance
- Wastewater Effluent Nutrient Compliance
- Sewer Coverage
- Regulatory Policy Development

Safeguarding Health and Safety

- Water Security
- Occupational Health and Safety



Contributing to Local & Nat'l Economics

- Economic Performance
- Direct and Indirect Economic Impacts
- CAPEX Execution
- Concession Agreement
- Vendor Accreditation
- Vendor Evaluation and Feedback
- Materials Availability
- Fund Sourcing
- Compliance to Business Plan

THE BUSINESS AND ITS STAKEHOLDERS IN FULL ALIGNMENT

ALIGNMENT AND ENGAGEMENT WITH STAKEHOLDERS

GRI 102-40, 102-42, 102-43, 102-44

Manila Water's work as a water, wastewater and environmental services provider is an essential element of any sustainable community, and thus, it cannot operate in a vacuum. It is imperative that the Company engages with key stakeholders - employees, regulators, national and local government agencies, investors, business partners, media, and especially the people in the communities it serves – in order to align with common objectives, respond well to their needs and interests, and challenge the Company to continuously improve and further magnify impact.

Stakeholder Group and Channels of Engagement	Concerns Raised	Our Responses
Employees (a) Regular meetings at all levels, varying sizes of groups and one-on-ones (b) Employee engagement surveys (c) Annual performance reviews (d) Roadshows (e) Email bulletins and online publications (f) Townhall meetings (g) Kumustahan sessions	• Compensation and benefits • Alignment of personal values with the Company's mission-vision • Employee Engagement • Succession plans • Availability of training opportunities, internal and external • Job security	• Annual performance-based salary adjustments. • Updated Manila Water Values, Core and Leadership Competencies. • Carefully planned and executed COVID-19 Re-entry Reponses which covers the following activities: Work Arrangements, Ensured Safe Workstations, Rapid Testing, Employee Travel Arrangements, Health Monitoring through the SARA app, Employee Toolkit, Employee Care Calls, Daily COVID-19 Bulletins, Employee Surveys for monitoring. • Implemented Total Wellness program under employee engagement to promote mental health and provide learnings that can help employees face the challenges of pandemic through Total Wellness Programs, Mahalaga Ka Survey & Quick Wins Initiatives and Professional Friends. • Utilized online learning platforms for Manila Water University and Percipio courses to increase employees' opportunities for learning. Successors Specific Trainings was also conducted. • Monitoring the progress of individual development plan of identified successors.

Stakeholder Group and Channels of Engagement	Concerns Raised	Our Responses

Community/Customers
(a) Regular coordination meetings with community kasanggas (partners) and benchmark customers
(b) Public consultations
(c) Distribution of flyers and bill inserts
(d) Toka Toka Advocacy and Lakbayan programs
(e) Communication channels such as the customer service hotline, SMS bill inquiry, email, Manila Water app, official Facebook and Twitter accounts
	• Water Supply
	  • Billing inquiries, e.g. excessive billing
	  • Service disconnection and reconnection
	  • Water service reliability, esp. during interruptions
	  • Water availability, esp. during summer
	  • Water quality
	• Wastewater
	  • Desludging
	  • Sewer and environmental charges
	  • Others
	  • Project-related disruption
		• Resolving complaints within internal service level targets
		• Direct coordination with customers
		• Updates to kasanggas (partners)
		• Regular posting of planned/unplanned activities to social media
		• Posting of barangays scheduled for desludging to social media
		• Immediate response to social media
		• Regular project updates to community leaders

Regulators (e.g. MWSS, CDC, TIEZA) (a) Regular correspondence and submission of reports (b) Meetings with regulatory offices/ 'Kumustahan' sessions (c) Public consultations, seminars, conferences and fora (d) Tariff adjustments	• Monitoring compliance with approved business plan • Concession Agreement renewal • Extraordinary Tariff Adjustments approval • New water source development • Alignment on advocacy matters, *(I.e., effluent standards, Manila Bay cleanup)* • COVID-19 measures • UN Global Analysis and Assessment of Sanitation and Drinking Water survey	• Participation in various engagements relative to the rate rebasing exercise • Attended and provided support in online public consultations of MWSS on proposed water source development projects • Involving other national government agencies on matters of misaligned policies and priorities • Dialogues concerning critical issues on contractual matters or service delivery
National Government Agency - Regulators (DENR, NWRB, LGUs, DOH, LLDA, DOLE, DPWH, MMDA, PCA) (a) Regular correspondence, submission of reports, permits and clearances (b) Regular briefings and public consultations (c) Toka Toka advocacy and Lakbayan programs	• Policy/governance matters • Operational matters • Position papers • Penalty settlement • New policy issuances in relation to pandemic	• Compliance to regulators requirements • Policy advocacy • Relationship Management • Compliance to new reporting and permitting requirements.
National Government Agency – Program Partners (a) Toka Toka Advocacy and Lakbayan programs (b) Regular briefings and updates (c) Participation in National Government Agencies (NGA) events	• Alignment of programs with Key Performance Indicators (KPIs) and Supreme Court Continuing Mandamus • Water Resource Management • Public Undertaking and Water Sector Policy • Rate Rebasing • Right-of-way Issues • Relocation of pipes affecting proposed projects • Alignment of infrastructure master plans	• Alignment of Information, Education and Communication (IECs), desludging caravan, and other environmental projects • Position papers and similar documents • Regular and close coordination on project planning and implementation • Delivery of requested support and event participation • Partnership in Toka Toka advocacy program

Local Government Units (LGU)
(a) Regular updates through letters or virtual meetings
(b) Presentation of Biological Nutrient Removal (BNR) Projects
(c) Public consultation on new water sources
(d) Kasangga Day
(e) Virtual IECs
(f) Participation in LGU events
	• Water
	  • Billing inquiries
	  • Excessive billing
	  • Reconnection
	  • Promissory notes
	  • New water sources
	• Wastewater
	  • Desludging
	• Others
	  • Projects
		• Direct coordination with LGUs
		• Updates to LGUs
		• Regular posting of planned/unplanned activities to social media
		• Posting of barangays scheduled for desludging to social media
		• Public information
		• Project updates

THE BUSINESS AND ITS STAKEHOLDERS IN FULL ALIGNMENT

Stakeholder Group and Channels of Engagement	Concerns Raised	Our Responses
Supply Chain (a) Annual forums and trainings (b) Annual focus group discussions (c) Vendor 360 Degree Feedback (d) Performance Issue Letters and Counselling sessions (e) Company presentations (f) E-mail blasts/bulletins/online publications	• Minimum accreditation requirements and schedule • Project pipeline • Use of tools such as Ariba and Energy Efficiency Contractor Portal (EPPM) • No feedback mechanism for vendors • Performance issues – rating criteria and evaluation results • No contact information of buyers and/or end-users to whom vendors can present to	• Standardized accreditation process across the enterprise with the use of Ariba (Vendor Database for buyers and Virtual Data Room for vendors), partnership with D&B (Financial and Environment and Health Assessment) and internal Technical Evaluators (Technical Capability assessment for suppliers (chemicals, technical materials), contractors, and service providers (maintenance) • Project pipeline are rolled out during Vendor Forums • Trainings are held for the use of Ariba and EPPM • One-on-one sessions are done as needed • While the whistle blowing policy is in place and vendors may raise concerns using the means provided by this, Vendor 360 Degree Feedback provides a structured feedback mechanism on Manila Water processes • Counselling sessions are done for vendors with performance issues to 1) discuss the issues, 2) analyze root cause, 3) arrest further decline in performance. Performance Ratings and criteria that are rated low are indicated in the Performance Issue Letters • Vendor Management endorses requests for product presentations to the appropriate buyer and/or end-users
Civil Society (a) As-needed courtesy visit (b) Face-to-face meetings	• Improvement in the socio-economic conditions of the community • Project partnership • Biodiversity and watershed management • Water availability	• Water Access, Sanitation and Hygiene (WASH) Program of Manila Water Foundation • Partnership with Civil Society Organizations (CSO) to manage watersheds *(i.e. World Wild Fund for Ipo Watershed)* • Ground water study and water safety plan *(i.e. Laguna Water)* • Rehabilitation of water networks and services • Engagement of local communities (indigenous peoples and non-indigenous people) in watershed management and protection. *(i.e. La Mesa, Ipo, General Nakar, and Upper Marikina* • Community development Initiatives in watersheds in partnership with Maynilad Water Services, Inc. (Maynilad)
Finance Community (a) Annual Integrated Report (b) Annual Stockholders' Meeting (c) Quarterly Analysts Briefing (d) Website and press releases (e) Roadshows and one-on-one meetings	• Regulatory environment and related developments • CAPEX projects implementation and disbursement • Water supply and water sources • Approved tariff/s and service improvement plan • Governance systems and processes • Business continuity (i.e., pandemic response, disaster response) • Material updates (i.e., Trident Water transaction, Concession Agreement (CA) Negotiation) • Controversies	• Timely/responsive, transparent and truthful communication to Investors and Stakeholders
Media (a) Regular media coordination (b) Bi-annual press briefings and conferences (c) Media coverage for special events (signing, sealing, inauguration, among others) (d) Regular dispatch of press releases and announcements (e) Website and social media posts on prevailing issues and service updates (f) Sponsorships of media events and advocacies (g) Media engagements and interviews (h) Media tours and visits	• CAPEX programs and projects • Sustainability programs and advocacies • Service improvement plans and programs • New water sources • Customer service policies • Water tariff and adjustments • New business operations, developments, expansion, acquisitions and disclosures • Business continuity and contingency plans • Engagement with stakeholders • Rate Rebasing • Customer concerns • CA Review • Relief operations and assistance during calamities and COVID-19	• Press Briefing and media engagements including virtual and online • Media visits of major projects and facilities • Invitation to events and public consultations, whether physical or virtual • Public information on issues and concerns • Regular seeding of relevant press releases • Regular interface with local and national media including virtual and online • Advisories and notices to customers • Media fora, interviews and press conferences including virtual and online • Relevant information posted on digital and social media platforms

HELPING BUILD COMMUNITIES

IF-WU-450a.4

> **“Providing lifeline services of water and wastewater** as a key ingredient to sustainable communities.”

KEEPING THE WATER FLOWING TO COMMUNITIES EVEN DURING A CHALLENGING TIME

Manila Water, as a water and sanitation service provider, is a lifeline in the communities it serves. No community can be sustainable without adequate water and sanitation available to everyone, and for a community to be resilient against man-made or natural threats, those water services must also be resilient. The Company has a core service obligation to provide water and wastewater services delivered to customers in a reliable and efficient manner, resilient towards various risk scenarios, and at an affordable cost. The Company continuously strives to expand these services to more people -- especially the marginalized -- and improve the way its services are delivered. The Company believes that inclusivity is fundamental in its service expansion plans, making sure that no one gets left behind especially the marginalized communities, also known as the base of the pyramid. The Company continues to enhance its business continuity program to anticipate different disruptive events. At the same time, the Company have made significant investments in ensuring asset and operational resilience.

ACCESS TO CLEAN WATER IN EVERY HOUSEHOLD

Manila Water’s flagship sustainability program, the key manifestation of its ‘creating shared value’ story, is the “Tubig Para Sa Barangay” (TPSB) or Water for the Community program that addresses the need of low-income communities for clean and affordable water. With technical, organizational and business model innovations adopted since 1997 to ensure that water services reached the unserved and underserved, the TPSB has become recognized as a best practice in the global water sector.

Complementing the TPSB program is the Lingap program that provides clean water to public service institutions such as schools, public markets, and hospitals, ensuring that people have access to clean and safe water beyond their dwellings. Both TPSB and Lingap were replicated and adopted in the Boracay and Laguna subsidiaries taking into consideration local conditions.

During the COVID-19 pandemic, Manila Water continued operating to serve communities with water which is vital in ensuring public health. In response to the Bayanihan Act, it provided concessions by deferring water service disconnections due to unpaid water bills, and installment schemes were agreed upon with affected customers.

HELPING BUILD COMMUNITIES

DISRUPTIONS AND RESILIENCY

The sustainability of Manila Water's provision of water and wastewater services to the public lies heavily on its resilience against any disruption, man-made or natural. This resiliency is a must on the physical assets, the employees and the support services that ensure a smooth recovery and restoration of operations arising from any disruption such as earthquake, floods and droughts.

Manila Water has initiated 'Project Kawayan', a flagship resilience program conceptualized to:

- Further improve the disaster management system, disaster response capability and organizational resiliency of the business,
- Adequately prepare, promptly respond, restore or recover its critical service and minimize service interruption in case of unavoidable incidents within tolerable recovery time, and
- Provide pre-drafted and pre-determined protocols to the organization on how to overcome a business disruption caused by an emergency through a business continuity manual

The project is led by the top leaders and business continuity plan partners from various groups across the Company. A technical working group conducts of risk assessment and business impact analyses which provide a view of possible impacts on human capital, financial, technical, reputational, operational and legal aspects of the Company.

As the Company's long-term operational viability is threatened by climate change, Manila Water is committed to make its assets, operations and supporting actors climate resilient to ensure the continuity of services. The Company's strategies to address the risks and opportunities of climate change are specified in the Manila Water Climate Change Policy which focuses mainly on climate change adaptation while supporting climate change mitigation initiatives. Among the adaptation initiatives are:

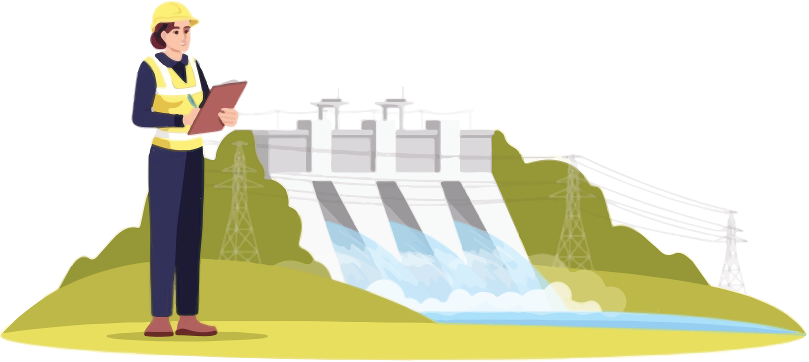
- Institutionalizing resiliency and adaptation assessment in the planning, construction, operation, and maintenance of all assets
- Retrofitting existing assets and building new assets to be climate-resilient
- Strengthening disaster risk reduction and management capacity of the organization
- Taking a proactive role in developing, protecting, rehabilitating, and enhancing water sources, including watersheds, surface, and groundwater resources.

(A comprehensive discussion of Manila Water's climate-related risks and opportunities, strategies and accomplishments are in the published 2015-2020 Manila Water Climate Change Report.)

NURTURING PARTNERSHIPS

Despite the COVID-19 pandemic, Manila Water continued to nurture partnerships with communities through the kasangga system. The community partners, or *kasanggas*, act as the force multipliers on the ground by relaying advisories to customers on matters such as water interruption, desludging drives, and public consultations. Due to government restrictions imposed during most of 2020, the Company's customer representatives maximized the use of online platforms such as Viber, Messenger and Facebook. This enabled the Company to receive real-time feedback, such as water pilferages, pipe breakages, and other service complaints, resulting in faster response times and problem resolution.

Reeling from a water crisis in early 2019, the Company has secured approval from the water security agency for the development of medium-term water sources, some of which are located in watersheds which are in the domain of indigenous peoples. As the new water headworks are being built, the Company has started work on the rehabilitation and enhancement of surrounding watersheds by engaging the local communities and people organizations in environmental education, provisioning of sustainable livelihoods and a long-term tree nurturing program focusing only on native species. Although engagement with the Dumagat indigenous peoples of Angat and Ipo have been going on for decades, in 2020 the Company embarked on forming partnerships with Dumagats of Tayabasan at the Marikina watershed to support the Wawa Calawis project. In the island of Boracay, Manila Water has a long existing partnership with the Ati community, particularly on the provision of potable water under the "Lingap Para sa Katutubo" program.



Manila Water's success through the years had been anchored on partnerships with stakeholders, and the strongest so far has been those with the local communities and customers. Notwithstanding external disruptions, the Company continues the work in nurturing those partnerships to further live the mission of ensuring that business operations remain inclusive, resilient and sustainable.

INVESTING IN PEOPLE

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

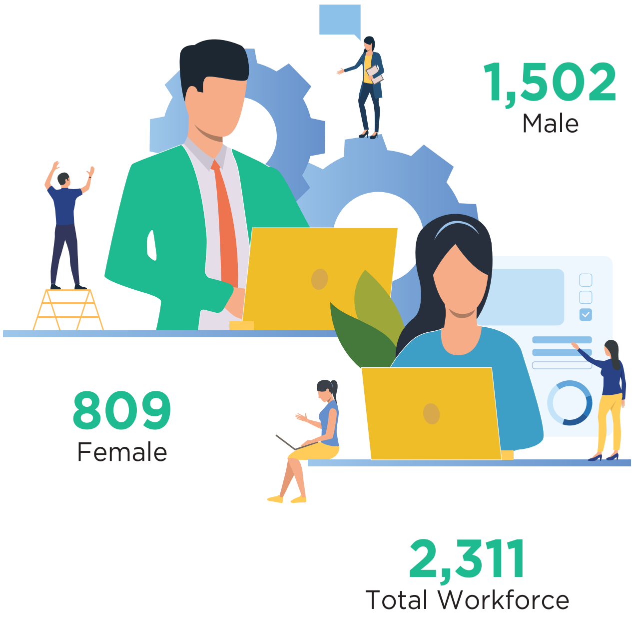
> **“A critical mass of empowered employees,** enables the Company to provide reliable service.”

Manila Water regards each employee as an important resource and partner in creating lasting value. Developing and investing in its workforce, the Company’s primary stakeholders, is at the very heart of sustainability in the Company. Without a critical mass of empowered employees, it is not possible to sustain the high quality of service and ensure continuous corporate growth. A strong pool of competent talents must possess the necessary knowledge, skills, and attributes unique to a water utility. The Company has instituted programs to continuously upskill its leaders and individual contributors to be the best in their respective disciplines, through training and actual practice, employing coaching and mentorship as a vital approach in propagating institutional expertise and memory.

Considering the disruptions in people’s lives brought on by the COVID-19 pandemic, in addition to the health and safety protocols developed to prevent the spread of the virus, particular attention was also given by the Company to its employees' well-being, especially on mental health. This Integrated Report has a Special Report on the Company’s COVID-19 response.

WORKFORCE DATA

GRI: 405-1



EMPOWERING EMPLOYEES THROUGH TRAINING AND EDUCATION

GRI: 404-1, 404-2

In the aftermath of the 2019 water crisis and despite the ongoing pandemic, Manila Water continues to implement its roadmap for core, leadership, and technical capability development. It is now a topmost priority to empower employees with knowledge and skills needed to adapt to the 'new normal.' The Company also believes that effective leadership is critical for employees to excellently perform their roles with the highest degree of integrity and competence, aligned with its aspiration to regain and sustain stakeholder trust.

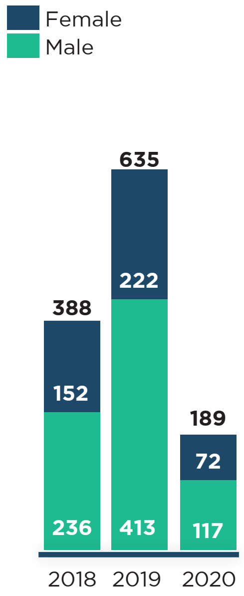
Manila Water provides its talents access to various learning and development opportunities consisting of in-house and external trainings and accelerated development programs under the Manila Water University. In 2020, 77 percent of the total number of employees were trained, clocking at 37,049 training hours across the enterprise.

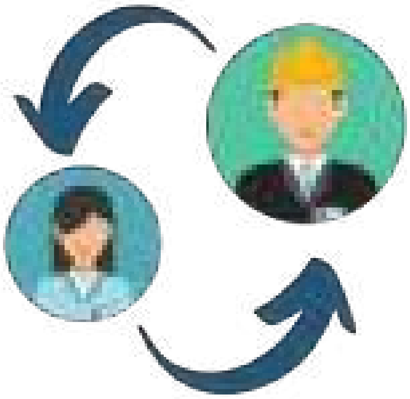
Manila Water University, the Company's corporate learning institution, provides a wide range of training and development courses that can be self-directed or conducted by a live instructor. The university programs are all competency-based, aimed at developing talents by enhancing their leadership, technical, and functional skills, in preparation for future critical roles. Furthermore, technical and leadership skills are learned within the virtual four walls of a classroom (or an online learning platform) and through close mentoring of leaders who oversee the implementation of stretched assignments.

The new work arrangements prompted by the COVID-19 pandemic accelerated the push for online learning. Percipio, an online learning platform that allowed Manila Water talents to access around 3,023 courses via their laptops or mobile devices at any time convenient to them, has provided a wealth of learning opportunities even beyond their current set of required competencies.

NEW HIRES DATA

GRI: 401-1





12.8%

Turnover Rate[1]

The ease of access to learning modules and courses against the pandemic's backdrop resulted in many employees trained and engaged. In 2020, 948 employees took advantage of online learning modules, compared to only an average of 200 employees in prior years.

The Company continued implementing the Cadetship Training Program, with its 27th batch graduating in early 2021. This six-month program provides eligible fresh graduates with opportunities for specialized training and work immersion experience, expanding business and technological competencies. Cadets attended online training programs and face-to-face immersion, complying with the Company's COVID-19 safety protocols.

The Technical School, also known as the Manila Water Institute of Technology (MIT) was launched in 2020, commencing with the identification of subject matter experts within in the organization who developed and piloted modules on Water Supply, Wastewater, and Water Quality.

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[1] Formula = Total Turnover: Current Year/Average of Total Turnover of Current Year and Previous Year

INVESTING IN PEOPLE

All modules were tailor-fitted to capacitate employees occupying various levels of technical roles. In the same year, identified priority modules in technical development were designed and piloted with 91 percent of the total target participants trained. Tech for Non-Tech modules (a.k.a. '101' courses) were also developed for non-technical talents to appreciate the technical aspects of water utility operations. Delivery of the developed modules to a broader audience is planned in 2021, and the development of more high-level, scenario-specific modules are envisioned to further develop talents within the Manila Water enterprise.

TRAINING AND EDUCATION DATA:
GRI: 404-1, 404-2, 405-1

BY GENDER

Gender	Actual Training Hours	Average Training Hours
Male	21,521	14.33
Female	15,528	19.19
Total	**37,049**	

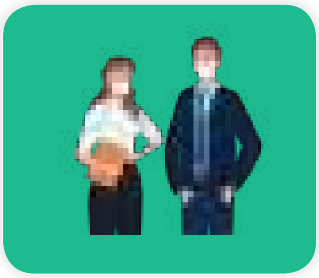
BY EMPLOYEE CATEGORY

Employee Category	Actual Training Hours	Average Training Hours
Senior Management	3,517	19.11
Middle Management	29,983	19.76
Rank-and-File	3,549	5.82

TYPES OF TRAININGS

Types	Number of Trainings
Technical/Functional/CPD	5,317
School	5
Leadership	401
Legal/Mandatory/Safety	53
Conferences/Symposiums	30
Onboarding Orientation	17
Total No. of Trainings	**5,823**

MAKING EMPLOYEES FEEL VALUED THROUGH OUR SAFETY & WELLNESS PROGRAMS



Employee Safety ECQ/GCQ Services

- Rapid Testing (4,205 headcount as of July 3, 2020)
- Work from Home for high-risk employees
- Shuttle Services
- PPE, Masks, Alcohol, and Vitamins Provisions
- Wellness monitoring and Teleconsult
- HR Employee Care Calls
- Employee Safety Apps: Call Tree, SARA, SAMA
- On-site shelter for critical workforce

Workplace Safety

- Creation of Re-entry Task Force Committee
- Rotational Remote Work Arrangement (Approx. 65 percent on-site workforce every week)
- Physical Distancing in seat arrangement (1.5 to 2ft between seats. 6ft Radius
- Workplace Safety Protocols
- Regular Workplace Disinfection
- Infectious Disease Policy

Total Wellness

- Online Talks and Bulletins
  - Mental Health
  - Financial Wellness
- Online Counseling Referral Program
- "Mahalaga Ka" Well-being Survey and Quick Interventions
- MMWO Professional Friend Program (35 Volunteers)

Communications & Employee Engagement Activities

- Communication campaign - WOW; 3Cs; etc.
- Employee Toolkit (Re-entry Play book for MWC)
- Employee Briefings and Regular Town halls
- Balita on Wednesday (BOW)
- Daily COVID-19 Bulletins
- Online Themed Events (e.g Anniversary, Halloween, Christmas)
- Online Staging of Corporate Recognition

EMPLOYEE WELL-BEING AND SAFETY

In 2020, Manila Water faced an unprecedented challenge that threatened employees' well-being and continued productivity. The COVID-19 pandemic disrupted the normal course of things and challenged the plans set for the year and forced the Company to re-think and re-strategize execution without sacrificing employee safety and well-being.

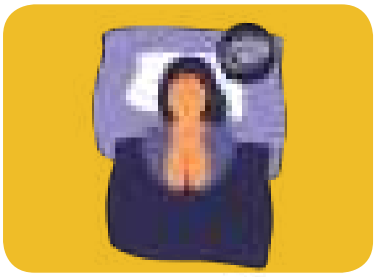
Employee health and safety was identified as a top priority when the Enhanced Community Quarantine was announced in March 2020. To help mitigate the coronavirus' spread among the workforce, Manila Water came up with programs, policies, guidelines and activities under four focus areas: employee safety, workplace safety, total wellness, and communications and employee engagement activities.

INVESTING IN PEOPLE

In a mid-year survey answered by employees related to Manila Water's efforts during Enhanced Community Quarantine (ECQ), the Company received a High Satisfactory rate of 3.58 out of 4 (94.5%) on their overall experience. The employees responded with the Company's re-entry efforts positively, resulting to a High Satisfactory rate of 3.54 out 4 (93.5%) An overwhelming number of employees also shared in the survey that they appreciated the Company's response during the pandemic on the following:

- Employee communication
- Work arrangements
- Employee guidelines and toolkits
- Workplace protocols

Apart from safety-related initiatives, programs to ensure overall employee well-being were also undertaken. Mental health was one of the focus areas as it was an emerging concern of the employees who had to adapt to a new work set-up. To this end, the Company implemented two major initiatives – Employee Care Calls and Mental Wellness Counselling to ensure employees' well-being. Employees reached out to fellow employees to check on their well-being and assess if internal or external support related to health or work was needed and resulted in an open line of communication between HR and employees.



Counseling Referral and Professional Friend Volunteer Program

- Implemented as an avenue where employees can reach out to trained professionals whenever employees feel overwhelmed, anxious, depressed, or isolated.

Total Wellness Talks and Bulletins

- To reinforce self-help
- increase awareness.

Mahalaga Ka! Survey

- To measure overall employee experience
- Launched to measure the talent's level of satisfaction in 3 areas of Digital Employee Experience:
- Remote Experience,
- Wellness, and
- Resilience.

COLLECTIVE BARGAINING AGREEMENT

GRI: 407-1

Manila Water values its employees' rights to participate in the formulation and review of policies concerning the rights and welfare of the workforce. The Company supports the employees' freedom of association and complies with the existing laws in this regard. In 2020, 12.60 percent of the East Zone Concession employees were covered by the latest collective bargaining agreement signed on 23 November 2018.

SAFEGUARDING HEALTH AND SAFETY

GRI 416-1, 416-2

> **“The safety of water is continuously managed from source** to address all water quality risks along the value chain.“

As a champion of SDG 6, Manila Water understands that access to water and sanitation is a right, and the provision of safe and potable water is essential to public health in communities. The Company has a commitment to comply with regulatory specifications on the quality of water provided to customers. All water quality risks along the water value chain, from source to tap, are addressed through comprehensive water safety plans. With the expansion of water and wastewater services as part of its service obligations, the Company operates hundreds of facilities and undertakes numerous infrastructure projects in the public space at any given time, such as pipelaying and leak repairs. The safety of employees, contractors and the general public are of paramount concern and safety programs are in place.

The COVID-19 pandemic challenged the Company beyond the usual occupational health and safety risk. Manila Water is a lifeline in communities and its services cannot be put on hold like other economic activities. The Company ensured that the health risk to all employees were minimized, especially on the operations frontliners, in order to be able to continue being productive. Adjustments in working arrangements and health reporting protocols were implemented, guided by the evolving understanding of the disease.

ACCESS TO SAFE DRINKING WATER

In compliance with the Department of Health’s Administrative Order 2014-0027 or the National Policy on Water Safety Plan for All Drinking-Water Service Providers, Manila Water has prepared Water Safety Plans (WSP) to ensure delivery of safe drinking water. In its commitment to maintaining high quality of water distributed to its customers, the Company developed and implemented a preventive risk management approach to manage water quality risks. Manila Water’s WSP aims to (1) minimize the contamination of source water, (2) ensure safe quality of water from treatment, storage and distribution, (3) identify potential risk and provide appropriate control measures in all parts of its operation, (4) implement and document effectiveness of identified control measures, and (5) provide and update policies and procedures. Each Water Safety Plan encompasses the entire water supply system – raw water sources, water treatment, pumping stations, reservoirs, and water distribution networks -- where applicable to the specific business unit.

Manila Water regularly collects and analyzes samples from vital points along each water supply system’s value chain to detect any emerging patterns, help in controlling treatment processes and validate compliance with the national drinking water standards.

84,757
Samples Analyzed

100%
Compliance with the drinking water standards[1]

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[1] 100 percent Compliance was achieved by 9 out of 11 business units covered in the reporting period. PNSDW Compliance of Bulakan Water was at 95 percent while Bulacan Aqua was at 99 percent. These two business units are relatively newly operational.

SAFEGUARDING HEALTH AND SAFETY

There were no health-based drinking water violations or significant exceedances in bacteriological parameters in 2020. Manila Water and its subsidiaries have robust quality control and monitoring protocols on bacteriological and other drinking water parameters, prescribed by both the Department of Health and the specific utility regulators of the business units.[1]

KEEPING THE WORKPLACE CLEAN AND SAFE GRI:2018 403-1, 403-2, 403-3

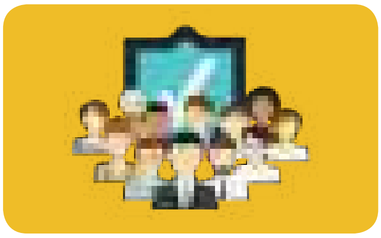
The Company has set up safety committees at the group, department and facility levels which are well represented by rank and file and managerial employees. These committees monitor safety performance regularly and implement continuous improvement initiatives to address gaps and overlaps in processes. The Company implements measures such as incident investigations among employees and contractors. Reporting and escalation procedures are in place, and consolidated reports are submitted to the Department of Labor and Employment. The government recently released new guidelines and the Company is executing improvements to comply with the new regulation.

Newly operational business units are undergoing change management initiatives to be able to align with the safety policies and procedures, as well as reporting protocols, of the parent Company.

GETTING THE WORKPLACE READY FOR COVID-19

In response to the COVID-19 pandemic, Manila Water Company took proactive steps to ensure the Company still operates effectively and essential water and wastewater services are continuously provided, and a primary objective is to ensure that all Manila Water employees, along with the workers of the contractors, remained safe and productive, and ultimately allowing the Company's infrastructure projects to continue. The Special Report on COVID-19 details the mitigating measures undertaken by the Company to respond to the pandemic.

INITIATIVES:



Shuttle Arrangement and Mobility App (SAMA)

- The Company provided shuttle service to employees to lessen their exposure when commuting to the office.

Call Tree App

- This application serves as a tool to ensure all employees are safe and responded significantly during emergency cases.

Alignment of policies with government guidelines

- Safety drills; Safety trainings to employees and contractors;
- Both employees and contractors undergo Rapid Testing during the first few months of the pandemic.
- Enhancement of health protocols based on new guidelines that resulted in needs-based testing upon check-ups and exposure.

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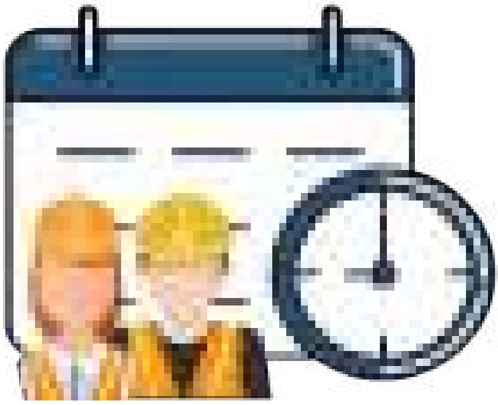
[1] 100 percent Compliance is applicable to 9 out of 11 business units covered in these reporting period. PNSDW Compliance of Bulakan Water is at 95 percent while Bulacan Aqua is at 99 percent, both are relatively newly operational.



In 2020, the East Zone Concession attained 2,959,832 safe man-hours covering organic employees and 5,655,236 safe manhours for its contractors.

Business Unit	Total Safe Man-hours as of 2020 Dec - Employees	Total Safe Man-hours as of 2020 Dec - Contractors
East Zone Concession	2,959,832	5,655,236[1]
Boracay Water	1,002,004	333,752
Bulacan Aqua Water	111,728	32,032
Bulakan Water	124,190	30,840
Calasiao Water	34,623	17,467
Cebu Water	87,451	116,957
Clark Water	716,975	163,380
Estate Water and Aqua Centro	540,200	669,893
Laguna Water	2,384,825	191,308
Obando Water	130,521	27,144
Calbayog Water	120,216	30,414
MWTV	95,872	11,296
Tagum Water	46,554	7,160
South Luzon Water	132,009	12,097
MWPV HQ	122,656	5,856.00
Vietnam		
Thu Duc Water	97,168	12,336.00
Kenh Dong Water	134,016	-[2]

[1] *A reset in contractors' safe man hours under the Manila Water Concession due to incidents in the second and third quarter of 2020*

[2] *Business units that do not report data for contractors' safe man hours are currently undergoing capacity building initiative and figures are expected to be provided covering the year 2021.*

PROTECTING THE ENVIRONMENT

> **"It is essential for the business to invest in rehabilitating,** protecting and enhancing watersheds and aquifers to ensure long-term water security."

Manila Water's commitment to protecting the environment addresses an existential risk: if there is no raw water, there is no business. The Company is heavily dependent on the provisioning function of ecosystem services, particularly on raw water supply, which justifies its significant investments in the natural environment. The Company helps protect the environment through watershed protection, rehabilitation, wastewater treatment and realizing operational efficiencies throughout the water value chain. These are also complemented by people-centric programs such as environmental stewardship advocacies and community initiatives to address the root causes of environmental degradation: poverty and apathy.

Manila Water's relationship with nature is not one-way though. The relationship is reciprocal, as the Company also performs services to ecosystems mainly through its wastewater operations. After water is used by customers, the Company collects and treats wastewater before discharging clean effluent back to the environment, thus reducing the pollution of rivers and lakes, and avoiding the release of greenhouse gases that otherwise untreated wastewater would form. In the course of championing UN SDG 6 (Access to Water and Sanitation), three allied sustainable development goals (SDG 13 – Climate Action, SDG 14 – Life Below Water, and SDG 15 – Life on Land) are also being supported by Manila Water.

MANAGING WATER RESOURCES

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

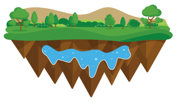
Manila Water ensures that raw water withdrawals from groundwater and surface water sources as well as its discharges are within regulatory limits and done in a manner that protects the water resources and receiving bodies of water. Manila Water has commissioned studies to understand the viability and sustainability of aquifer resources. Both surface & ground water abstractions are regulated by the water authority through the issuance of water permits or water rights.

Water Withdrawal by Source (in mcm)

	2018	2019	2020*
Groundwater	85.1	93.0	110.0
Surface Water	776.9	747.4	777.7
Bulk Water or Third Party Water	3.0	3.4	5.4
Groundwater	0.2	0.2	0.3
Surface Water	2.8	3.2	5.2
Total	864.9	843.8	893.1

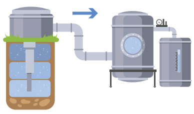
*Manila Water started the new classification of GRI:2018 303-3 in 2020 to segregate bulk water or third-party water sources, classify if raw water is freshwater or other water, and if raw water comes from water-stressed areas. In 2020, all water withdrawn is freshwater and no water is withdrawn from high to extremely high baseline water stress region.

87.1%
from surface water

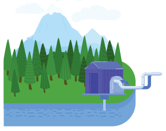


12.3%
from groundwater

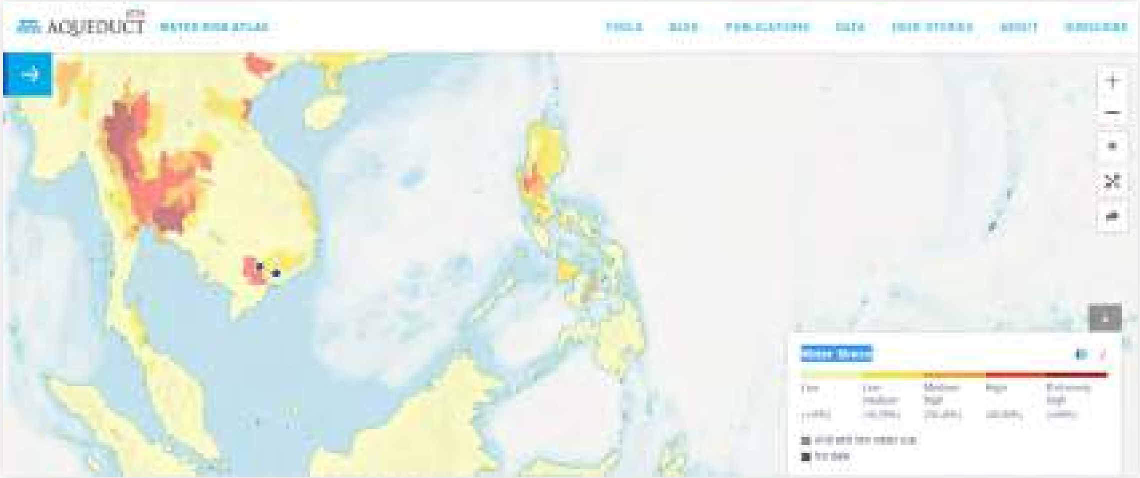
0.6%
from bulk water
or third-party water
(surface water source)



100%
freshwater abstracted



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



Source: World Resources Institute's Water Risk Atlas tool, Aqueduct

WATER SOURCES OF MANILA WATER

The Company's total water withdrawal in 2020 was 893.1 million cubic meters (MCM) of raw water across all its operating subsidiaries in the Philippines and Vietnam. 8.1 mcm of backwash water of water treatment was recovered and reused to add on the production of potable water. Based on the World Resources Institute's Water Risk Atlas tool, Aqueduct, Manila Water does not abstract water from high to extremely high baseline water stressed regions. All raw water abstracted is freshwater, which is defined as water with total dissolved solids of less than 1000 mg/L.

As much as possible, Manila Water prefers to utilize surface water sources as these are more renewable compared to groundwater. Eighty seven percent of the Company's raw water comes from surface water. The East Zone Concession abstracts 98 percent of its raw water from Umiray, Angat, Ipo, La Mesa Manila water system, and Laguna Lake, and only 2 percent comes from groundwater to augment its water supply requirements while new surface water sources are being developed. Cebu Water and Boracay Water sustainably sources from the Luyang River and Nabaoy River, respectively. Kenh Dong and Thu Duc Water in Vietnam sources from Dau Tieng Lake and Dong Nai River in Ho Chi MInh, respectively.

To ensure the sustainability of groundwater sources, Manila Water monitors groundwater conditions and determines how long the aquifer reserves will last. The status of groundwater abstraction is regularly reported to the National Water Regulatory Board (NWRB).

Groundwater studies were conducted to determine the sustainability of existing sources. The East Zone Concession's groundwater study in Metro Manila East Zone from 2016 reveals that groundwater levels are sufficient until 2055 with the extraction rates approved by NWRB even with a climate change scenario included. In addition, Manila Water has an on-going study on the assessment of groundwater dynamics and water quality of groundwater sources using isotope and nuclear techniques. This study is in partnership with the Philippine Nuclear Research Institute and National Water Resources Board.

Laguna Water conducts a groundwater study every four years since 2012. The results of the studies in 2012 and 2016 show that the groundwater in the covered areas is sufficient until 2090, at current rates of utilization growth. The 2020 groundwater study of Laguna Water focused on the impact of a 7.2 magnitude West Valley Fault earthquake on surrounding aquifers, the impact of Laguna Wellfield's 100 MLD extraction on downstream aquifers, and the effect of expanding the said wellfield.

PROTECTING THE ENVIRONMENT

The 2016 groundwater study of Clark Water identified locations of aquifer-rich sources and their available yields. Clark Water also commissioned surface water feasibility studies on the Sacobia, Marimla, and Bamban rivers. The results of these studies were used in Clark Water's master planning activities, for inclusion in the service improvement plan that will be reviewed by its regulator.

Manila Water keeps track of not only the water availability but also the changes in raw water quality of both surface and groundwater. Surface water supply is highly vulnerable to the impacts of climate change particularly during heavy rainfall and typhoons on degraded land which makes surface water turbid, while groundwater is dependent on natural factors such as topographic position and the mineral composition of the underlying geology. Both types of sources are affected by pollution and other human activities.

PROTECTING AND REHABILITATING WATERSHEDS

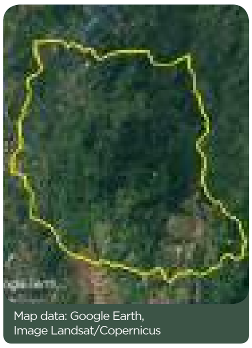
GRI 304-3, SASB IF-WU-440a.3

Manila Water recognizes the impacts of raw water availability and quality to its operations and conversely, the Company's impacts on the water sources. Thus, the Company anchors on nature-based solutions and environmental stewardship of key watersheds that it depends on. In 2020, Manila Water funded the protection of 9,515 hectares in Ipo, La Mesa, and Upper Marikina watersheds. The Company planted 16,241 native trees in 2020 reaching a total of 1,188,020 trees nurtured since it began its watershed management initiatives. Manila Water also helped in the formulation of the Integrated Watershed Management Plan of Ipo, La Mesa, Upper Marikina, and Luyang watersheds.

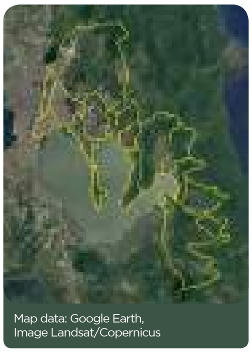
Watershed Risks and Mitigation Initiatives

Manila Water has identified the risks associated with its key watersheds and the mitigation initiatives to address these risks.

Watershed	Risks	Mitigation initiatives
General Nakar (Kaliwa, Kanan, Umiray, and 13 other minor watersheds)  Map data: Google Earth, Image Landsat/Copernicus	• Forest degradation/deforestation • Loss of biodiversity • Erosion • Vulnerability of surface and groundwater to contamination due to anthropogenic interventions • Disaster Risks (flood, rain-induced landslide and tropical cyclones)	• Finalization and implementation of Integrated Watershed Management Plan • Reforestation • Maintenance and development of previously enriched areas • Operationalization of Bantay Gubat/ Deputized Environment and Natural Resources Offices • Capacity building activities on sanitation and disaster risk reduction and management • Engagement into a Memorandum of Agreement for the management of Kaliwa Watershed and development of action plans

Watershed	Risks	Mitigation initiatives
Angat  Map data: Google Earth, Image Landsat/Copernicus	• Forest degradation/deforestation • In-migration • Increased sediment and pollutant loading from the watershed through surface runoff affecting water quality at the Angat Dam	• Formulation and implementation of Integrated Watershed Management Plan • Updating of watershed characterization, hydrologic modeling, and vulnerability assessment • Establishment of baseline information on the sediment and pollutant loading
Ipo  Map data: Google Earth, Image Landsat/Copernicus	• Forest degradation/deforestation (slash-and-burn farming, timber poaching, charcoal making, conversion of forest land into farms, frequent forest fires) • Illegal settlers/encroachment • Unregulated influx of mountaineers • Increased sediment and pollutant loading from the watershed through surface runoff affecting water quality at the Ipo Dam	• Updating and implementation of Integrated Watershed Management Plana • Institutionalization of Watershed Core Group to facilitate the formulation of action plans • Updating of watershed characterization, hydrologic modeling, and vulnerability assessment • Establishment of baseline information on the sediment and pollutant loading • Strengthening and deputation of the Bantay Gubat composed of Dumagats in the watershed for the protection of the watershed
La Mesa  Map Data: Google Earth, Image © 2020 Maxar Technologies, Image Landsat/Copernicus	• Presence of illegal settlers within the watershed • Increased sediment and pollutant loading from the watershed through surface runoff affecting water quality at the reservoir	• Protection of 2,659 hectares through Bantay Kalikasan • Reforestation/Enrichment • Maintenance and development of previously enriched areas • Updating and implementation of Integrated Watershed Management Plan • Updating of watershed characterization, hydrologic modeling, and vulnerability assessment • Establishment of baseline information on the sediment and pollutant loading • Implementation of nature-based solutions to address harmful algal blooms (i.e. fish stock inventory, phytoplankton assessment, seeding of appropriate fish species for algal bloom control, and piloting of transition planting, phytoremediation technology, and water and sediment control basin projects)
Upper Marikina  Map data: Google Earth, Image Landsat/Copernicus	• Forest degradation/deforestation (conversion to agriculture slash-and-burn farming) • Loss of biodiversity • Erosion • Vulnerability of surface and groundwater to contamination due to anthropogenic interventions (i,e, poor sanitation, poor solid waste management, etc.) • Disaster risks such as flood, landslide, and earthquake	• Reforestation • Maintenance and development of previously enriched areas • Institutionalization and operationalization of *Bantay Gubat*/Deputized Environment and Natural Resources Offices for watershed protection • Capacity building activities on sanitation and disaster risk reduction and management

PROTECTING THE ENVIRONMENT

Watershed	Risks	Mitigation initiatives
Laguna Lake  Map data: Google Earth, Image Landsat/Copernicus	• Forest degradation/deforestation (conversion to agriculture slash-and-burn farming) • Loss of biodiversity • Erosion/Sedimentation • Vulnerability of surface and groundwater to contamination due to anthropogenic interventions (i,e, poor sanitation, poor solid waste management, etc.) • Disaster risks such as flood, landslide, and earthquake • Presence of illegal settlers within the watershed • Increased sediment and pollutant loading from the watershed through surface runoff affecting water quality at the Laguna Lake	• Feasibiliy Study of the establishment of greenbelt (using bamboo and other appropriate species) along the lakeshore of Laguna de Bay to reduce sediment and pollution loading to the lake • Capacity building activities on sanitation and disaster risk reduction and management
Alat  Google Earth, Image © 2021 Maxar Technologies	• Degradation/deforestation • Increased sediment and pollutant loading from the watershed through surface runoff affecting water quality at the reservoir • Vulnerability of surface and groundwater to contamination due to anthropogenic interventions (i,e, poor sanitation, poor solid waste management, etc.)	• Watershed characterization, hydrologic modeling, and vulnerability assessment • Establishment of baseline information on the sediment and pollutant loading
Nabaoy  Map Data: Google Earth, Image © 2020 Maxar Technologies, Image © 2020 ONES/Airbus, Image Landsat/Copernicus	• Deforestation due to kaingin (slash and burn) • Surface runoff affecting water quality during heavy rainfall	• MOA with DENR and Nabaoy Forest Farmers Development Association for the protection and rehabilitation of 40 hectares in Sitio Mananga
Luyang  Map data: Image © 2021 Maxar Technologies, © 2021 Google, Image © 2021 ONES/Airbus	• Deforestation due to kaingin (slash and burn) • Surface runoff affecting water quality during heavy rainfall	• Watershed characterization and development of Integrated Watershed Management Plan

TREATING WASTEWATER RESPONSIBLY

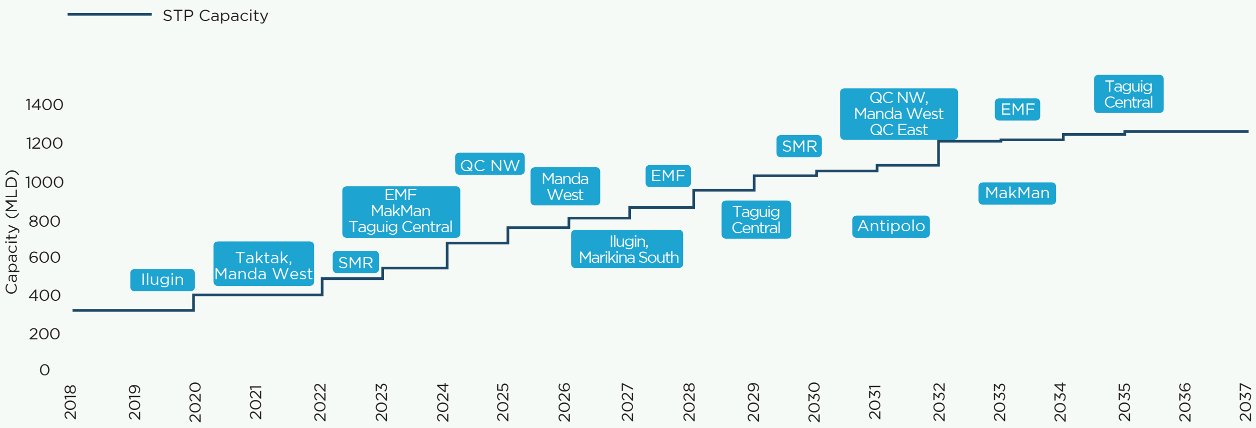
SASB IF-WU-140b.1.

Through its wastewater operations, Manila Water supports the abatement of water pollution by collecting and treating the water used by customers before discharging them to receiving bodies of water. The formation of methane, which has 21 times the global warming potential of carbon dioxide, is avoided through the treatment of wastewater in a centralized aerobic wastewater treatment instead of treating it passively in household septic tanks.

The East Zone Concession has expanded its sewer coverage to 31.48 percent in 2020 and continuously desludges septic tanks in unsewered areas every 5 years. The Company started operating its newest and one of the largest sewage treatment plant – the Ilugin STP with a total capacity of 100 million liters per day (mld) expandable to 165 mld. In 2020, the Company surpassed its desludging target at 111 percent even during the pandemic.

The East Zone Concession targets to attain 99 percent sewer coverage by 2037 as a commitment to the Supreme Court Mandamus with this wastewater masterplan.

WASTEWATER MASTER PLAN



	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
STP Capacity	310	310	410	410	495	545	680	775	805	867	957	1,027	1,052	1,087	1,209	1,219	1,244	1,259	1,259	1,259
% Sewer Coverage	15%	29%		32%					62%					90%						99%

PROTECTING THE ENVIRONMENT

Boracay Water, Clark Water, Estate Water, and Laguna Water operates their wastewater treatment facilities. Bulakan Water and Obando Water will begin their desludging services in their service coverage areas through a third-party service provider in 2021.

Wastewater Treatment Plants

	No. of wastewater treatment plants	Capacity, m^3/day	No. of wastewater facilities located in 100-year flood zones	Capacity, m^3/day of wastewater facilities located in 100-year flood zones
Boracay Water	2	11,500	0	0
Clark Water	1	30,000	0	0
Estate Water	24	67,740	0	0
Laguna Water	2	11,070	0	0
East Zone Concession	41	410,097	19	275,802
Total	70	530,407	19	275,802

Nineteen out of seventy wastewater treatment facilities with a total capacity of 275,802 m3/day are located in medium to high flood zones (0.5 meter to more than 1.5-meter flood level) based on a 100-year flood. Wastewater treatment facilities within these zones are built or retrofitted such that operations will not be affected, or there will be minimal impact during flooding such that normal operations can resume promptly after a short downtime.

Wastewater Treatment

	2018	2019	2020
Wastewater treated, mcm	62.4	64.2	74.1
Bio-chemical oxygen demand (BOD) removed[1], tons BOD	9,102	13,440	12,613
Carbon dioxide avoided due to wastewater treatment[2], tons CO_2e	57,346	79,085	74,030

Note:
1. BOD, or biochemical oxygen demand, is a proxy indicator of the quality (or organic content) of the waste. It pertains to the organic component removed from wastewater (in the form of sludge).
2. Computation of carbon dioxide avoided was based on the updated 2019 Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories

Manila Water treated a total of 74.1 mcm of wastewater in its 70 centralized aerobic wastewater treatment facilities before properly discharging it, avoiding 12,613 tons of organic pollutants from entering the water body. Further, 74,030 tons CO_2e was avoided from entering the atmosphere. Manila Water complies with the effluent guidelines and other regulations on wastewater.
The details of the effluent quality are in the Environmental Performance Index of the 2020 IR microsite.

Manila Water has started the upgrading of its wastewater facilities to meet its DENR-approved compliance action plans in compliance with the new DENR Revised General Effluent Standards of 2016 (DAO 2016-08) which requires the removal of nutrients such as nitrogen, potassium, and ammonia from wastewater to reduce algal growth in water bodies.

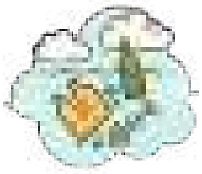
ENSURING ENVIRONMENTAL COMPLIANCE GRI:2018 306-2, GRI 307-1

To ensure environmental compliance, Manila Water has a proactive approach. Potential non-compliance is monitored frequently and acted upon to avoid adverse environmental impacts. Manila Water has Pollution Control Officers appointed for each facility who ensure compliance with all environmental regulatory requirements and whose performance is validated through regular internal audits. Waste minimization and pollution prevention are being implemented through operational control measures needed to address significant environmental aspects and impacts as identified in Hazard Identification, Risk Assessment, and Control (HIRAC) system. Manila Water had no significant environmental fines and penalties of more than PhP 50,000 nor non-monetary sanctions in 2020.

SOLID WASTE MANAGEMENT

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

74.11 mcm
Wastewater treated



12,613 tons
BOD removed

74,030 tons
CO_2e Avoided

PROTECTING THE ENVIRONMENT

Non-hazardous Waste Disposed, tons

	2018	2019	2020
Biosolids	44,564	33,736	21,939
Grit and screenings	2,085	1,060	1,238
Total	**46,649**	**34,796**	**23,177**

HAZARDOUS WASTE MANAGEMENT

Manila Water fully complies with the regulatory requirements set by DENR on hazardous waste management. East Zone Concession donates its used oil and used-lead acid batteries to ABS-CBN Foundation's Bantay Langis and Bantay Baterya, respectively. The Company shifted to LED lighting, reducing the amount of busted fluorescent lamps generated year-on-year. In 2020, a total of 133.04 tons of hazardous wastes were generated. Hazardous wastes are properly stored in hazardous wastes storage and transported, treated, and safely disposed of through DENR-accredited service providers.

Hazardous Waste Generated, tons

	2018	2019	2020
Busted fluorescent lamps	7.45	0.56	0.22
Contaminated materials	0.23	1.76	0.25
Other hazardous wastes	45.00	0.41	120.22*
Spent Chemicals	0.10	0.34	0
Used lead-acid batteries	2.05	3.24	3.45
Waste oil	6.56	13.69	4.86
Grease traps	6.38	7.72	4.05
Waste Electrical and Electronic Equipment	0.03	0	0
Total	**67.79**	**27.72**	**133.04**

*Increase of other hazardous wastes type was due to a one-time disposal of hazardous wastes.

IMPROVING OPERATIONAL EFFICIENCY

Beyond environmental compliance, Manila Water continuously finds ways to improve its operations across its value chain to reduce resource consumption, environmental impacts, and operating expenses.

Non-revenue Water

In 2020, Manila Water incurred 107.5 mcm non-revenue water (NRW) losses due to pipe leaks, illegal connection, pilferage, and use of fire hydrants. Manila Water undertakes a continuing NRW reduction program to attain or maintain the optimal NRW reducing wastage of water, energy, chemical, and other raw materials.

The program involves both technological and stakeholder-approach. Manila Water utilizes the district metering areas organization approach in managing non-revenue water that usually arises from too much local pressure, undetected leaks and metering error. Furthermore, the Company works with the community kasanggas in identifying leaks and illegal connections.

In 2020, managing NRW was a big challenge due to the inability of field personnel to ‘walk the line’ during the community quarantines, thus preventing a timely detection and resolution of leaks, real time adjustment of pressure and identification of tampered meters.

PROTECTING THE ENVIRONMENT

End-of period Non-revenue water, percent

	% NRW at the start of operation	2018	2019	2020
Boracay Water	29% (2010)	13.8%	9.8%	21.7%[1]
Bulacan Aqua	50% (2017)	34.3%	24.0%	23.7%
Bulakan Water	39.3% (2019)	-	39.3%	37.5%
Calasiao Water	12.1% (2018)	5.5%	6.8%	6.1%
Cebu Water	5% (2015)	2%	3%	3.6%
Clark Water	15% (2011)	6.7%	7.4%	6.0%
Estate Water	47% (2016)	38.0%	30.0%	15.0%
Laguna Water	48% (2009)	16.7%	18.0%	17.9%
East Zone Concession	63% (1997)	11.4%	10.4%	15.5%[2]
Obando Water	52.9% (2018)	47.7%	49.8%	49.2%
Kenh Dong Water	-	3.0%	3.0%	3.0%
Thu Duc Water	-	1.8%	0.0%	1.5%

Notes:
1 Boracay Water increase in NRW is driven by the 31 pipe leaks including the 100mm and 200mm distribution line & 300mm transmission line in Balabag area damaged by DPWH contractor due to the ongoing road and drainage rehabilitation in the island.
2There was an increase in NRW in the East Zone Concession due to maintenance of high pressure to customers to ensure high water availability during the pandemic as mandated by the government and less implementation of network maintenance activities such as leak detection, leak repair, customer meter replacement due to the limitations during quarantine.

CHEMICALS GRI 301-1

The treatment of raw water for driking uses non-renewable chemicals such as alum, blended phosphate, chlorine, lime, polyaluminum chloride (PAC), polymer, and sodium hydroxide to make water potable. Aside from the biological aerobic process, wastewater treatment utilizes non-renewable chemicals such as chlorine, PAC, and polymer.

Chemical consumption is dependent on the quality of raw water and incoming wastewater. In 2020, the Company had a significant decrease in the chemical concentration of its water supply, due to lower turbidity in surface water compared to 2019. Incoming raw water and wastewater quality are regularly monitored to adjust the concentration of chemicals for optimum treatment. Innovations and various operational improvements are constantly taking place to optimize processes. Watershed protection and rehabilitation, the Company's medium to long-term nature-based solution to address raw water quality, are further strengthened to prevent soil erosion and raw water turbidity during heavy rainfall.

Chemical Consumption, tons

	2018	2019	2020
Water Supply	23,656.4	97,072.6	26,595.9
Wastewater	2,517.0	2,485.4	2,659.2
Total	**26,173.4**	**99,558.0**	**29,255.1**

Chemical Consumption Intensity

	2018	2019	2020
Water Supply, tons/MCM raw water abstracted	28.50	115.1	29.5
Wastewater, tons/MCM treated	40.38	39.02	35.9

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

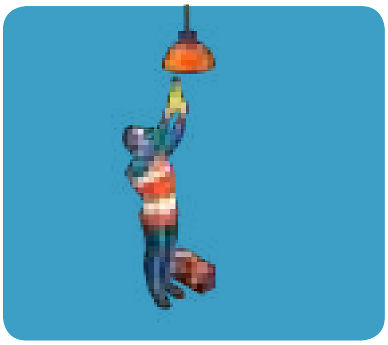
Energy is one of the highest operating expenses of Manila Water given the energy-intensive nature of its operations. Manila Water continuously innovates to further improve energy efficiency and explores the use of renewable energy in its operations.

The East Zone Concession had secured ISO 50001 Energy Management System certification on its ten largest-energy consuming facilities from 2014 to 2019. Since the Philippine Congress passed the Energy Efficiency and Conservation Act (RA 11285) in 2019, the Company retained and expanded the Energy Management System on all facilities without securing re-certification. The new law requires, among others, (1) the integration of an Energy Management System Policy into business operations based on the ISO 50001 framework or other frameworks, (2) the submission of an Annual Energy Utilization Report, and Annual Energy Efficiency and Conservation Report, (3) setting up of energy efficiency, conservation and renewable energy programs, (4) improvement of average Specific Energy Consumption and (5) the appointment of a Certified Energy Conservation Officer or Certified Energy Manager. Manila Water has taken steps to comply with all the requirements of RA 11285 and is set to submit its report to the Department of Energy in April 2021.

PROTECTING THE ENVIRONMENT

ENERGY EFFICIENCY INITIATIVES

East Zone Concession has installed solar panels at FTI Septage Treatment Plant, Makati North Sewage Treatment Plant, and Delos Santos Pumping Station. On average, these facilities generate 170,000 kWh solar power every year. In addition, Manila Water will start sourcing renewable energy equivalent to 16 percent of the East Zone Concession's electricity consumption through a renewable power purchase agreement with the Open Access service-provider starting on mid-2021. Clark Water and Boracay Water use solar streetlights, while Laguna Water has installed solar panels in their Booster 3 facility that generates an average of 90,000 kwh/year. Estate Water will also utilize solar energy in its facilities starting 2021.



Water Supply Operations

- Optimization of processes and equipment (e.g. VFDs)
- Replacement of old pumps with new eco-booster pumps
- System load balancing
- Rehabilitation of deep wells
- Pressure management
- Non-revenue water reduction program

Wastewater Operations

- Optimization of processes and equipment
- Use of appropriate and more efficient blowers
- Replacement of inefficient pumps/systems
- Proper scheduling of operations during low flow

General

- Conversion to LED lighting
- Replacement of air conditioning units to inverter-type
- Regular preventive maintenance
- Clean Fleet Initiatives (Use of energy-efficient vehicles, car pooling, preventive maintenance, and eco-driving techniques)

Electricity Consumption, million kWh

	2018	2019	2020
Electricity	231.0	244.2	265.6

Fuel Consumption, thousand liters

	2018	2019	2020
Diesel	1,226*	1,598*	1,471
Gasoline	166	190	128
Total	**1,392**	**1,788**	**1,599**

*2018 and 2019 diesel consumption due to inclusion of the desludging consumption of Boracay Water and Clark Water to within the organization consumption since desludging is done internally in these two business units.

Energy Consumption, GigaJoules (GJ)

	2018	2019	2020
Electricity	831,439	879,884	956,071
Diesel	47,999	61,975	56,955
Gasoline	5,775	6,193	4,463
Total	884,214*	948,052*	1,017,489

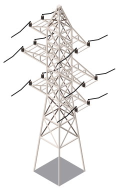
*Restated 2018 and 2019 energy consumption due to inclusion of the desludging consumption of Boracay Water and Clark Water to within the organization consumption since desludging is done internally in these two business units

Energy Intensity

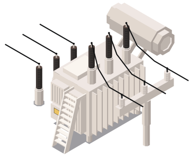
	2018	2019	2020
Water Supply, GJ/MCM billed volume	1,017	1,072	1,150
Wastewater, GJ/MCM wastewater treated	1,487*	1,668*	1,351

*Restated the 2018 and 2019 wastewater energy intensity due to inclusion of the desludging consumption of Boracay Water and Clark Water to within the organization consumption since desludging is done internally in these two business units.

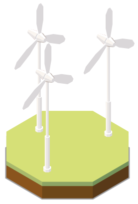
Manila Water supports the Philippines' climate change mitigation targets under the Paris Agreement and the UN SDGs on Climate Action through its energy efficiency and renewable energy initiatives, and the expansion of wastewater coverage to avoid methane generation from septic tanks. The Company also helps in carbon sequestration through watershed/forest protection and rehabilitation.



65.0%
percentage
grid electricity[1]



28.9%
percentage
Open Access[2]



0.1%
Percentage
renewable energy[3]

6.0%
Percentage Fuel

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1. Percent grid electricity – grid, excluding open access
2. Open Access – direct purchase of electricity from the power supplier
3. Renewable energy includes on-site renewable energy generated; purchased through a renewable power purchase agreement but excludes the renewable portion of the electricity grid that is outside the influence of the Company (as per SASB definition)

PROTECTING THE ENVIRONMENT

Greenhouse Gas Emissions, tons CO_2e

	2018	2019	2020
Scope 1 [a]	3,680	4,711*	4,198
Scope 2 [b]	164,015	172,268	180,872
Scope 3 [c]	1,563*	1,599*	1,117
Total	**169,258**	**178,577**	**187,677**

[a] Scope 1 emissions are direct CO2 emissions from the use of fuel for vehicles, generator sets, and other equipment. Updated gasoline emission factor from 2.34 kg CO2e/L to 2.27 kg CO2e/L, the latest emission factor of GHG Protocol.
[b] Scope 2 emissions are indirect CO2 emissions from the use of electricity of the company. Scope 2 emission factor for Open Access (0.69 kg CO2e/kWh), Luzon and Visayas Grid (0.64 kg CO2e/kWh) were computed by multiplying the monthly grid blend with the specific emission factor per fuel type. The emission factor of Mindanao grid (0.7797 kg CO2e/kWh) and Vietnam Grid (0.8795 kg CO2e/kWh) were based on the latest available National Grid Emission Factor.
[c] Scope 3 emissions are CO2 emissions from the desludging operations by contractors.
*Restated due to inclusion of desludging diesel consumption of Boracay Water and Clark Water in the diesel consumption within the organization.

74,030 tons
CO2e avoided due to wastewater treatment

GHG Intensity

Average GHG (Scope 1 and Scope 2) Intensity	2018	2019	2020
Water Supply operations, tons CO_2e/MCM billed volume	195	203	212
Wastewater operations, tons CO_2e/MCM wastewater treated	276	308	237

420,000 tons
CO_2e carbon sequestered[1] through its tree nurturing initiatives in 2,288 hectares

ADVOCATING ENVIRONMENTAL PROTECTION

Manila Water educates and engages its employees, customers, supply chain, and key stakeholders to advance its environmental protection initiatives. The Company believes that through partnerships and collaboration, more can be collectively done. Manila Water regularly conducts engagement activities through channels including seminars, trainings, forums, bulletins, and social media.

Lakbayan Water Trail Tour, a long-time water education program and environmental advocacy of Manila Water to help raise awareness on the value of water and wise and mindful consumption of water, catered to 54 groups and 1,791 participants in 2020. During the pandemic, Lakbayan shifted to online sessions with topics on water and wastewater treatment processes. Participants were also encouraged in doing their Toka (share) for the environment by doing any of the four applicable call to actions 1) solid waste segregation, 2) sewer line connection, 3) solid waste management, 4) sharing the advocacy to friends and family.

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[1] Based on rough estimates using carbon sequestration of 236 tons of CO2 per hectare in a natural forest and 88 tons of CO2 per hectare in an agroforestry from a published literature of Camacho, et.al, Carbon Sequestration Benefits of the Makiling Forest Reserve, Philippines. 2009.

The Company further strengthened its environmental awareness campaign in its social media platforms to continuously educate stakeholders.

Manila Water

October 16, 2020

Living a zero-waste life is not easy but if we stick to these 5Rs, it is certainly possible. Let's do our part to protect the environment.

Manila Water

Dahil sa pagdami ng populasyon, tumataas din ang demand sa malinis na tubig. Ngunit ang suplay ng tubig ay hindi pa nadadagdagan. Maging #WaterWais para lahat tayo ay may tubig na magagamit.

Manila Water strongly promotes environmental sustainability through various media including its social media platforms.

CONTRIBUTING TO LOCAL AND NATIONAL ECONOMIES

IF-WU-240a.4

> **“Improved health of customers from water and wastewater services** ensures optimal productivity which in turn fuels local and national economic growth.”

Manila Water is a vital partner in economic growth at the community and national levels. In the course of expanding service coverage and providing customers with quality water and wastewater service, Manila Water invests heavily in and operates essential infrastructure which create jobs and opportunities within the organization and across the supply chain. At the personal level, the Company contributes to the improved health of customers with the delivery of clean water and sanitation, ensuring optimal productivity of individuals which in turn fuels local and national economic growth and helps lessen inequality and reduce poverty.

SUPPORTING THE ECONOMY DURING A PANDEMIC

Water is essential for drinking, sanitation, and food production for millions of people. It is imperative that the Company maintains a steady supply of water across homes, communities, healthcare facilities, schools, and other public spaces. This need was magnified in the country’s strategic responses to the pandemic, one of which is the frequent washing of hands to prevent the spread of disease. Manila Water ensured that the distribution of clean water was uninterrupted, despite the mobility restrictions and health hazards to water utility personnel who are also considered frontliners. Disconnection activities were suspended, and as the pandemic left millions of Filipinos with limited income, grace periods and installment schemes for paying water bills, and through online means, were offered to customers. For commercial and industrial customers that suffered from the economic slowdown, Manila Water ensured that water supply did not become a limitation, best exemplified by the uninterrupted services by the Laguna and Clark subsidiaries which serve major industrial zones.

In 2020, Manila Water provided direct employment to 2,311 individuals in Metro Manila and its subsidiaries across the Philippines, Vietnam and Indonesia. No Manila Water employee lost his or her job due to the COVID-19 pandemic. The health and safety of the Company’s frontliners was a topmost priority as meter reading and bill delivery were suspended during the enhanced community quarantine, but continuous employee productivity was ensured through innovative measures. Work-From-Home arrangements for employees were established and health protocols were developed for employees who needed to report to the main office, work hubs, facilities, and project sites.

Aside from supporting employees, the Company also assisted the workers in the supply chain so that CAPEX projects will continue uninterrupted. Unlike Manila Water which secured an exemption from the quarantine restrictions, the contractors needed support from the Company to secure government approvals to mobilize.

In 2020, the Company provided business opportunities to 558 vendors, 195 of which were new engagements compared to the 2019 vendor pool. The accredited vendor pool is shared among the East Zone Concession and the Company's subsidiaries across the Philippines. As part of the strengthening of the procurement system of the Company's subsidiaries, Manila Water Philippine Ventures established its localized procurement offices and process in the second half of the year. Similar to the East Zone Concession, the localized procurement policy continues to embed sustainability in its practices through incorporating social and environmental elements in its vendor accreditation process. Moving forward, the Company aims to establish a system for estimating the number of indirect jobs from those businesses through their engagement with Manila Water.

CAPEX Disbursements in PhP	
2016	8.8 B
2017	13.0 B
2018	10.0 B
2019	12.8 B
2020	12.1 B

Despite the slowdown brought by the pandemic, the Company's investments in service expansion and reliability were felt by the larger community of stakeholders as capital expenditures reached Php 12.1B. Planned CAPEX disbursements for the next few years are expected to be record-setting as the Company fulfills its commitments to provide water to more customers, secure the future supplies of water, expand the capability to protect the environment through wastewater treatment, and ensure the resiliency of the said services.

The Company provided business opportunities to 558 vendors

Manila Water provided direct employment to 2,311 individuals in Metro Manila and its subsidiaries across the Philippines, Vietnam and Indonesia.

MANILA WATER FOUNDATION

WASH IN PANDEMIC

The COVID-19 pandemic and the many unprecedented events that occurred in 2020 emphasized the vital need to ensure water access, sanitation, and hygiene (WASH), especially to the underserved and marginalized sector. While access to water, sanitation and hygiene has been crucial to rise against the odds, still it is a privilege for those who do not have adequate WASH services within their reach.

With this advocacy at its core, Manila Water Foundation kept forging ahead amid the pandemic to reach those in the most vulnerable situations. MWF rose to the challenge, and immediately reconstructed its WASH programs to serve those at the frontline.

In summary, MWF has now reached out to 4,336,478 individuals, and touched lives in a total of 69 provinces nationwide with the combined contributions of all its major programs and its WASH in Pandemic initiatives.

The programs of the MWF continue to contribute to various UN Sustainable Development Goals (SDG), supporting Goal 6: Clean Water and Sanitation. Aside from this, MWF anchors its programs to Goal 1: No Poverty, Goal 3: Good Health and Well-Being, Goal 4: Quality Education, Goal 14: Life Below Water, Goal 9: Industry, Innovation and Infrastructure, Goal 11: Building Sustainable Cities and Communities, and Goal 17: Partnership for the Goals.

Despite the pandemic and the challenges that marked 2020, MWF continues to pursue its vision of more communities having clean, safe and potable water and safely managed sanitation. With its WASH in Pandemic, Integrated WASH, Flagship and Special Programs, MWF works hard to keep the nation’s lifeblood flowing for a future where no community is left behind.

2020 Achievements of the WASH in Pandemic Program

Supporting the health and safety protocols directed by the national government in 2020, MWF launched its WASH in Pandemic program. It aimed to provide hygiene facilities, supplies and education to communities and institutions as precautionary measures to address the threat of COVID-19. The WASH in Pandemic program was divided into three subcategories: WASH in Pandemic for Communities, WASH in Pandemic for Institutions, and WASH in Pandemic for Emergencies.

For WASH in Pandemic for Communities, MWF focused to serve at-risk areas highly affected by COVID-19. Under the initiative, MWF was able to build 13 handwashing facilities in public markets, health centers and other public spaces in Quezon City, Marikina, Pasig, Mandaluyong and San Juan.

Meanwhile, the WASH in Pandemic for Institutions paved the way to establish effective relationships with like-minded organizations to bring the necessary interventions to a targeted sector. Through its participation at the League of Corporate Foundations (LCF), MWF led the implementation of LCFWinS: *Lingap Eskwela sa Pandemya*, LCF's call for collective impact among its member corporations and corporate foundations. The initiative supports the Department of Education's WASH in Schools (WinS) program with the goal of providing adequate WASH facilities for schools across the country. Moreover, MWF also served as a co-organizer in the Ayala Group's *Brigada ng Ayala*, leading its *Kalusugan at Kaligtasan* cluster.

Lastly, for WASH in Pandemic for Emergencies, MWF reached out to local government units, national agencies, quarantine facilities and hospitals to provide support especially to health care and safety workers who are the forefront at the fight against the pandemic.

Crucial to the implementation of the WASH in Pandemic program is upholding health and safety. With this, the design of the facilities constructed under the program showcases a "hybrid" design. This allows users to switch on the tap in two ways: with a lever that can be used by hand or an elbow, or by stepping on a foot pedal. There is also a one-meter distance between faucets to observe physical distancing. To make it more accessible for all, there is a lowered sink which can be easily used by children and persons with disabilities (PWDs). Equally important, each facility is built with three faucets with soap containers and installed with signages about COVID-19 precautionary measures, proper handwashing, and the responsible use of water. These ensure that the facility is not merely an access point but also acts as an avenue to magnify important messages during the pandemic.

WASH in Pandemic Communities

214,375
individuals served

13
hygiene facilities constructed

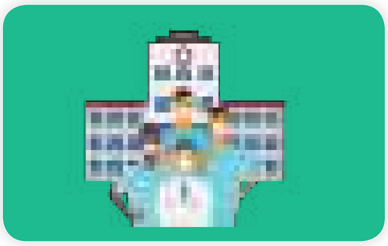
2,800
hygiene kits with IECs distributed

WASH in Pandemic Institutions

110,187
individuals served

9
hygiene facilities constructed

3,100
hygiene kits with IECs distributed



WASH in Pandemic Emergencies

64,106
individuals served

9,843
gallons of water deployed with hygiene products

42
water dispensers donated

MANILA WATER FOUNDATION

2020 ACHIEVEMENTS OF THE INTEGRATED WASH PROGRAM

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

Integrated WASH in Pilot Communities

In 2020, MWF continued to support its pilot communities in the Integrated WASH program.

Despite the pandemic, the Water Group organized by MWF in Sitio Monicayo, Mabalacat City, Pampanga was able to deliver 38,725.29 m^3 to the community, with P709,760 worth of water collections to be used for the sustainability of the water system. For its sanitation phase, Sitio Monicayo's Sanitation Group has also been organized, with 45 toilet-less households provided with a toilet facility between the end of the 2019 to early 2020. Behavioral change communication (BCC) materials i.e. WASH Jingle, "*Bayang May Kalinga*," WASH Storybook, "*May Tubig na Sina Tinay*," and WASH module, "*Gabay sa Tubig, Sanitasyon at Palalusugan*" were also turned over to the community as it closed out the project by the end of the year.

Meanwhile, in Barangay Sapang Uwak, Porac, Pampanga, MWF inaugurated water facilities early in 2019 to address this basic need of access to clean, potable and safe water. Three water storage tanks and three-kilometer piped connections to 13 watering points were built in the community where its main source of water is a natural spring. This was in partnership with Manila Water Philippine Ventures – North Luzon Regional Business Development (MWPV-NLRBD) and the Municipal Government of Porac. In 2020, MWF officially turned over the project to the Porac Municipal LGU for its sustainability.

Roots to Shoots

In 2020, MWF's Integrated WASH Program was tapped to lead the WASH component of Roots to Shoots (RTS) program, a three-year multi-stakeholder, multi-sectoral initiative equally led in a consortium with Pilipinas Shell Foundation and World Vision Development Foundation. With particular focus on the earliest stages of child development, the initiative aims to foster the right conditions for children to take root, grow, and branch out to reach their full potential.

Under Roots to Shoots, MWF immersed in the towns of Bombon and Pasacao in Camarines Sur to provide technical and capacity building support to the local water district which yielded better water quality and service in the area. Through the rehabilitation of the water system, 900 households connected to the water district experienced 24 hours of water supply for the first time after two years. Moreover, the construction of 17 handwashing facilities encouraged behavioral change on proper hygiene among the community residents to protect them from the spread of communicable diseases such as COVID-19.

WASH Community: Sitio Monicayo, Mabalacat City, Pampanga

38,725.29 m^3
volume of water delivered
to the community

709,760
Amount of collected money from rationing

WASH Community: Barangay Sapang Uwak, Porac, Pampanga

15,120 m3
volume of water delivered
to the community

WASH Community: Bombon and Pasacao, Camarines Sur

13
Covered Barangays

920
Households with Improved Water Access

276
Capacity Building Attendees

17
Handwashing Facilities Built

7
Community Facilities with Improved Water Access

1
Sanitation Facility

2020 ACHIEVEMENTS OF MWF FLAGSHIP PROGRAMS

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

Lingap is an infrastructure development program for hygiene and drinking facilities in public institutions such as schools and health centers.

To support the learners and teachers in an Islamic community, MWF in partnership with GMA Kapuso Foundation, helped rehabilitate the sanitation and hygiene facilities at Datu Saber Elementary School in Marawi City. In November 2020, MWF officially turned over the school's newly rehabilitated four-faucet hygiene facility and three-cubicle toilet facility.

2,309
Individual Served

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

The highlight of the *Ahon* program in 2020 is the inauguration of the *Ahon Tubig* project in partnership with Laguna Water, Water.org, and the local government of Cabuyao City. The project aimed to provide piped-in water service connections for 136 families at Barangay Niugan and Barangay Mamatid.

For *Ahon Sanitasyon*, MWF in partnership with Philippine Bobbin Corporation turned over two (2) five-cubicle communal toilets in Barangay Muzon 1 and 2 in Rosario, Cavite. These provide safely managed sanitation access to 235 households, addressing 32.5 percent of the population practicing open defecation in the community.

MWF also turned over a four-cubicle public toilet the at Sta. Lucia Chapel in Boracay Island in partnership with Boracay Water and Barangay Manocmanoc. The public toilet aims to not only promote health and sanitation among churchgoers, but to also encourage environmental sustainability through wastewater treatment.

680
Ahon Tubig:
Individuals Served

22,015
Ahon Sanitasyon:
Individuals Served

MANILA WATER FOUNDATION

Health in Our Hands is an educational program for institutions and communities on the importance of proper hygiene practices as key to a healthy living. While usually organized with large audiences, this year's global celebrations allowed MWF to adapt and maximize its online resources. MWF utilized its social media platforms to inform, educate, and encourage its audiences, especially the youth who are learning from home. To complement the celebrations, MWF also reached out to special institutions and public spaces to distribute much-needed hygiene products that are essential in the fight against COVID-19.

3,384,687
World Oral Health Day:
Individuals Reached

7,452,777
Global Handwashing Day:
Individuals Reached

1,562,428
World Toilet Day:
Individuals Reached

2020 ACHIEVEMENTS OF MWF SPECIAL PROGRAMS

MWF also serves through its Special Programs, which promotes national development and immediately addresses our people's needs in times of disasters and calamities.

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

From a volcanic eruption to devastating typhoons that occurred in 2020, MWF was able to serve those in the most vulnerable situations through the *Agapay* program. Following the impact of Taal Volcano's eruption, Typhoons Pepito, Quinta, Rolly and Ulysses, MWF deployed around 58,810 gallons of drinking water and around a thousand hygiene kits to severely affected communities in Metro Manila and other areas of Luzon.

MWF Prize for Engineering Excellence is a biennial award and the first-ever recognizing body in the country that honors Filipino engineers who made notable contributions in the areas of water, sanitation, environment, and sustainability for marginalized communities.

AGAPAY TUBIG

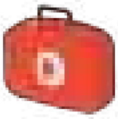
67,163
Residents Served

22,015
Ahon Sanitasyon:
Individual Served

AGAPAY SANITASYON

67,163
Residents Served

4,870
Food packs
distributed



956
Hygiene kits
distributed

In 2020, the Prize launched an Engineers for Excellence Webinar Series, featuring The Prize's awardees, to inform and encourage audiences about the impact of engineering and innovation in creating solutions to issues related to the COVID-19 pandemic. Topics of the webinar are as follows: Episode 1: "Engineer Entrepreneurs in the Time of the Pandemic", how engineer-entrepreneurs thrive in the time of the pandemic; Episode 2: "Engineers Supporting Frontliners," how engineering innovations contribute to support the frontline workers; and Episode 3: "Engineers Supporting Backliners," how engineering innovations provide solutions to agricultural challenges amid the pandemic.

4
new awardees
in 2020

10
Total Awardees
since 2015

3
Webinar Episodes
Conducted

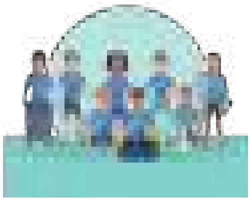
6,295
Viewers Engaged

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

Harboring volunteers in the middle of the pandemic had several logistical challenges, but this did not hinder MWC's pool of talents to volunteer. Technical volunteers provided their time and expertise as design engineers of the hygiene facilities built under the WASH in Pandemic program. Some offered their time and talents in MWF's major campaigns and events such as the creation of learning modules uploaded on the Department of Education's online learning site, DepEd Commons, while others braved the risk of COVID-19 and led the handovers of hygiene kit donations to hotspot communities.

Anchoring on the enterprise's business expertise in water supply and sanitation, MWF aligns itself with the Manila Water Company's sustainability framework by helping build communities, protecting the environment, safeguarding health and safety, contributing to local and national economies, and developing our employees. With the breadth of its WASH in Pandemic, Flagship and Special Programs, and the depth of its core program, the Integrated WASH, MWF forges ahead to bring WASH for All Communities—amid the pandemic and beyond. MWF commits to be the heart of the Manila Water enterprise, ensuring that the nation's lifeblood keeps flowing.

982.5
Volunteer Manhours



225
Total Volunteers

53
Activities

Manila Water's Net Income stood at Php4.5 billion in 2020, lower by 18 percent against the previous year mainly driven by the lower contribution from the domestic subsidiaries due to the impact of COVID-19, as well as one-off recognition of additional estimates for probable losses across the Group.

The Parent Company, which houses the East Zone Concession, recovered from the water crisis in 2019, sustaining near 100 percent water availability to its customers despite the challenges posed by the pandemic. The favorable water levels and the Company's resilient service performance helped bolster growth. However, total revenues were affected as the new normal led to a shift in customer mix, in favor of the residential segment. Meanwhile, performance of the Non-East Zone businesses was highly affected by the restrictions brought about by the health crisis, accounting policies affecting income, as well as provisions for various exposures recognized in 2020.

12.1B

Capital Expenditure

Capital Expenditure Contribution:

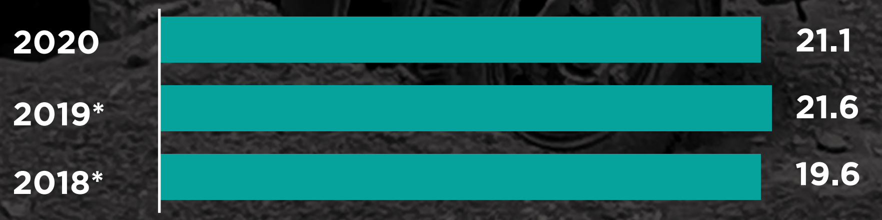
81%

East Zone

19%

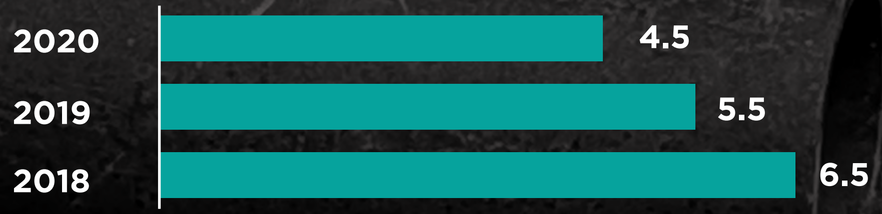
Domestic Subsidiaries

Revenues (in billion Php)



*Restated to exclude discontinued operations in accordance with PFRS 5.

Net Income (in billion Php)



BUSINESS REVIEW

Manila Water continued its thrust to develop and construct water and wastewater facilities amidst the pandemic

BUSINESS REVIEW

East La Mesa Water Treatment Plant

PARENT COMPANY (EAST ZONE CONCESSION)

The Parent Company houses the East Zone Concession and holds the exclusive right to provide water and wastewater services to the Eastern Part of Metro Manila. The concession area covers 1,400 square kilometers encompassing 23 cities and municipalities with a population of close to 7.2 million comprising a broad range of residential, semi-business, commercial and industrial customers.

The East Zone Concession plays a critical role in nation building with an established commitment to national development in 1997 by taking on the mandate of rehabilitating and expanding the MWSS water and wastewater system. The concession has undertaken significant investments in expanding service coverage, improving operational efficiencies, reducing system losses, and developing additional water sources to meet the needs of the growing population.

BUSINESS REVIEW: PARENT COMPANY (EAST ZONE)

Taguig North Sewage Treatment Plant

> **“Despite being faced with the impact of the Enhanced Community Quarantine,** the East Zone Concession continued to provide reliable water distribution service.”

East Zone Business Area

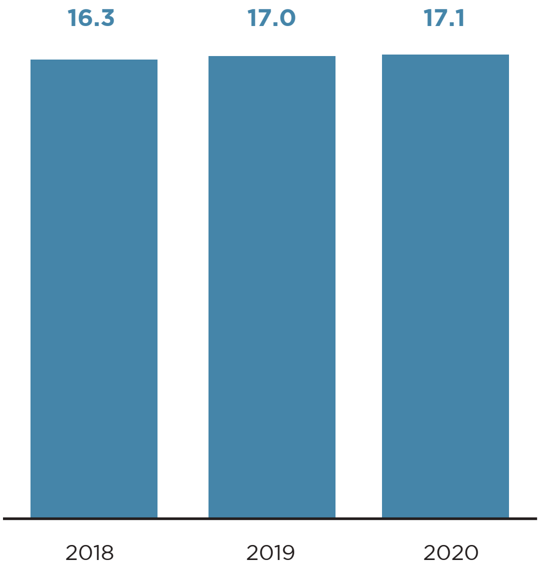
It has also successfully managed Metro Manila’s water crisis in 2019 and coordinated efforts with government agencies, regulators, and customers to restore 24/7 water supply services.

It has been a long and difficult year across the globe as the rapid outbreak of the Corona Virus presented a significant commercial impact across all industries. The Parent Company’s revenues in 2020 were relatively flat at Php17,104 million, despite the 3 percent growth in billed volume from 493.9 million cubic meters in 2019 to 506.4 mcm in 2020. This is due to the shift in customer mix brought about by the COVID-19 pandemic. Specifically, revenue mix shifted 8 percentage points in favor of the residential segment as businesses ceased operations and more people are confined to their homes during the imposed quarantines.

	FY 2020	**FY 2019**	**% Change**
Billed Volume (in mcm)	506.4	493.9	3%
Billed Connections (in '000s)	1,018	1,002	2%
(in Million Php)			
Revenues	17,104	17,039	0%
EBITDA	10,145	10,492	(3%)
Net Income	4,666	5,022	(7%)

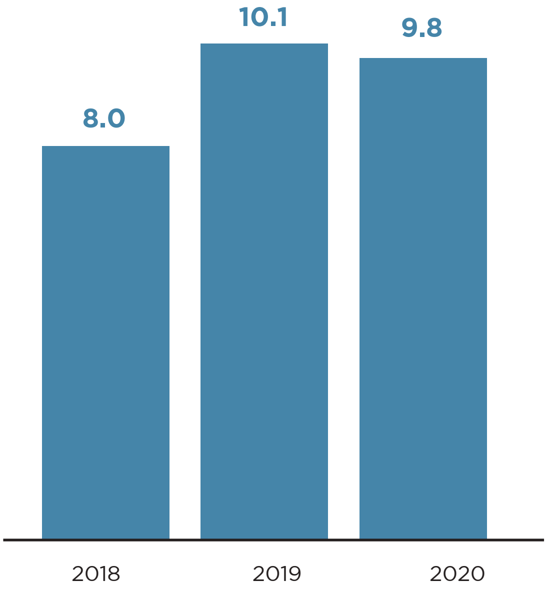
3-YR. REVENUE

(in billion Php)



3-YR. CAPITAL EXPENDITURES

(in billion Php)



Despite being faced with the impact of the Enhanced Community Quarantine, the East Zone Concession continued to provide reliable water distribution service. The Company worked with various stakeholders to ensure optimal raw water allocation and dam levels, sustained the 24/7 operation of supply and distribution facilities, as well as carefully monitored water availability levels to ensure that customers have sufficient water for their basic needs and hygiene requirements.

To alleviate the economic impact of the pandemic to the East Zone customers, Manila Water extended its due dates for water bills which resulted in a P259 million increase in Expected Credit Losses. Despite these challenges, the Company registered an 18 percent decrease in costs and expenses, driven in no small part by the implemented cost management measures.

Net income of the East Zone Concession declined 7 percent in 2020 to Php4.7 billion

Despite mobility restrictions, the Company continued its thrust to develop and construct water and wastewater infrastructures for the current and future demand growth of East Zone customers, disbursing capital expenditures worth Php9,840 million, over Php4 billion of which attributable to the fourth quarter of the year. This feat marks the highest quarterly contribution in recent history.

BUSINESS REVIEW

Laguna Wellfield in Biñan, Laguna

MANILA WATER PHILIPPINE VENTURES

Manila Water Philippine Ventures supports the improvement of local communities' quality of life with its 22 domestic subsidiaries implementing water and environmental projects across the country. MWPV focuses on developing strong partnerships with local governments as well as key players in the property sector led by 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).

BORACAY WATER

Efficent management of water and wastewater infrastructure in top resorts to maximize gains from tourism rebound

LAGUNA WATER

Leverage on operations and maintenance expertise to serve Property Development Sector

CLARK WATER

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

ESTATE WATER

Continue gaining traction water, wastewater and sanitation services using appropriate BD Approach

BUSINESS REVIEW: MANILA WATER PHILIPPINE VENTURE

AQUA CENTRO
BULACAN AQUA ESTATES
BULAKAN WATER
CALASIAO WATER
CALBAYOG WATER
CEBU WATER
OBANDO WATER
SOUTH LUZON WATER
TAGUM WATER
TECHNICAL VENTURES

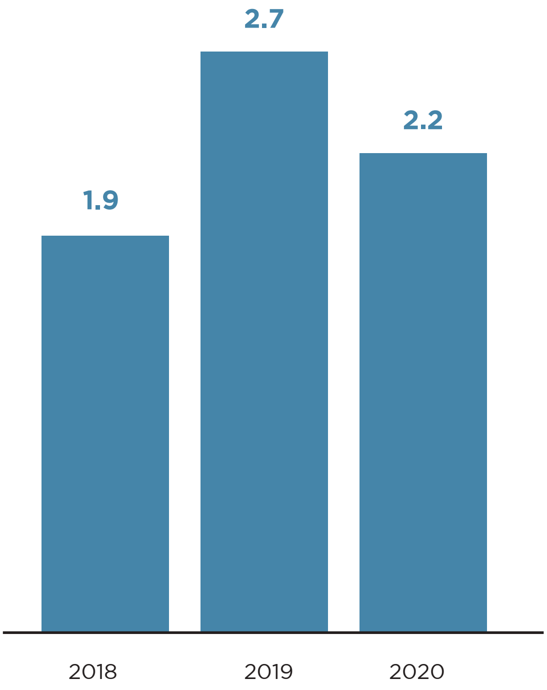
While MWPV acts as a vehicle for expansion in the Philippines via new acquisitions and partnerships, the new business development teams re-aligned the Group's top priorities and took a step back in pursuing new opportunities in the water space in light of the COVID-19 pandemic. The non-East Zone businesses focused in stabilizing current operations and meeting service level standards. Nevertheless, business units are definite that the potential opportunities in the water space remain robust and will continue to pursue business growth objectives as soon as the circumstances becomes better.

On a consolidated MWPV level, revenues declined by 10 percent to Php4,224 million. Specifically, the notable 4 percent growth in water and wastewater revenues for the period was offset by the 70 percent decline in Estate Water's supervision fees. The year-on-year growth in water and wastewater revenues was attributable to the 9 percent increase in billed volume, mostly coming from the full year operations of new operating subsidiaries, as well as higher effective tariff of Laguna Water with its upward tariff adjustment implemented at the start of 2020.

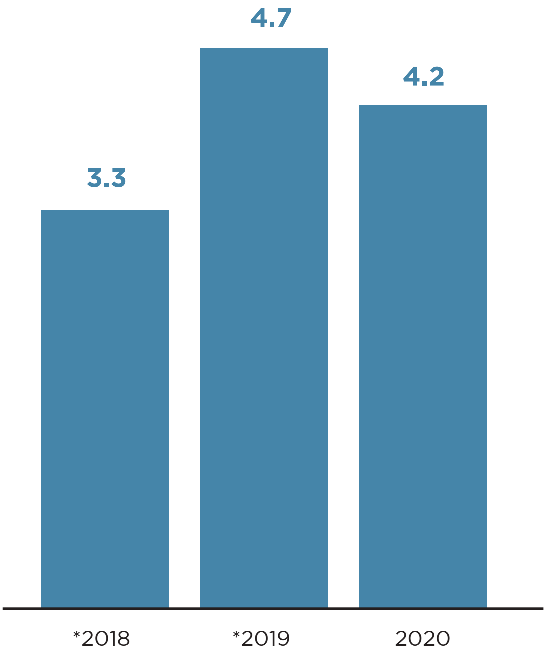
Laguna Water's billed volume increased two percent to 44.9 mcm in 2020 from 44.1 mcm in 2019 on the back of increased consumption by the residential segment, but was partially offset by the lower consumption of commercial and industrial accounts due to the restrictions brought about by the COVID-19 pandemic. Meanwhile, with the tourism and manufacturing sectors largely affected by the pandemic, Boracay Water and Clark Water's billed volume declined by 33 percent and 7 percent respectively. Lastly, Estate Water's billed volume was flat versus the previous year at 10.5 mcm in 2020.

MWPV posted a net loss in 2020 amounting to Php480 million.

3-YR. CAPITAL EXPENDITURES
(in billion Php)



3-YR. REVENUE
(in billion Php)



*Restated to exclude discontinued operations in accordance with PFRS 5.

Business Unit		2020 Billed Connections	2019 Billed Connections	Increase/ Decrease	2020 Billed Volume (in mcm)	2019 Billed Volume (in mcm)	Growth Rate
Water Supply Performance							
Distribution	Laguna Water	112,696	111,726	970	44.9	44.1	2%
	Clark Water	2,067	2,082	(15)	13.4	14.5	-7%
	Boracay Water	5,351	5,796	(445)	3.2	4.8	-33%
	Obando Water	9,450	9,284	166	1.9	1.8	9%
	Bulakan Water	12,653	12,201	452	2.8	1.6	80%
	Calasiao Water	2,811	2,421	390	0.5	0.4	34%
	South Luzon Water	19,399	18,891	508	4.8	2.3	113%
	Calbayog Water	13,885	14,214	(329)	3.0	0.5	496%
B2B	Estate Water	14,153	11,527	2,626	10.5	10.5	0%
	Aqua Centro	8,967	7,088	1,879	2.2	1.4	58%
	BMDC	8,554	8,095	459	2.1	1.8	13%
Bulk	Cebu Water	1	1	-	11.2	13.0	-13%
	Tagum Water	1	-	1	4.2	-	-

Business Unit		2020 Revenues (in Mn Php)	2019 Revenues (in Mn Php)	Growth Rate
Water Supply Performance				
Distribution	Laguna Water	1,889	1,678	13%
	Clark Water	428	464	-8%
	Boracay Water	304	675	-55%
	Obando Water	83	75	10%
	Bulakan Water	63	32	96%
	Calasiao Water	20	11	82%
	South Luzon Water	142	68	109%
	Calbayog Water	115	22	436%
B2B	Estate Water	794	1,367	-42%
	Aqua Centro	61	47	30%
	BMDC	49	39	25%
	MWTV	218	110	99%
Bulk	Cebu Water	256	182	41%
	Tagum Water	157	53	196%

MWPV deployed capital expenditures amounting to Php2,249 Mn, 18 percent lower than 2019 due to mobility restrictions. The Group remains ready to ramp-up on infrastructure building upon further easing of quarantine restrictions in order to pursue and attain its objectives.

BUSINESS REVIEW

Thu Duc Water Treatment Plant in Ho Chi Minh City

MANILA WATER ASIA PACIFIC

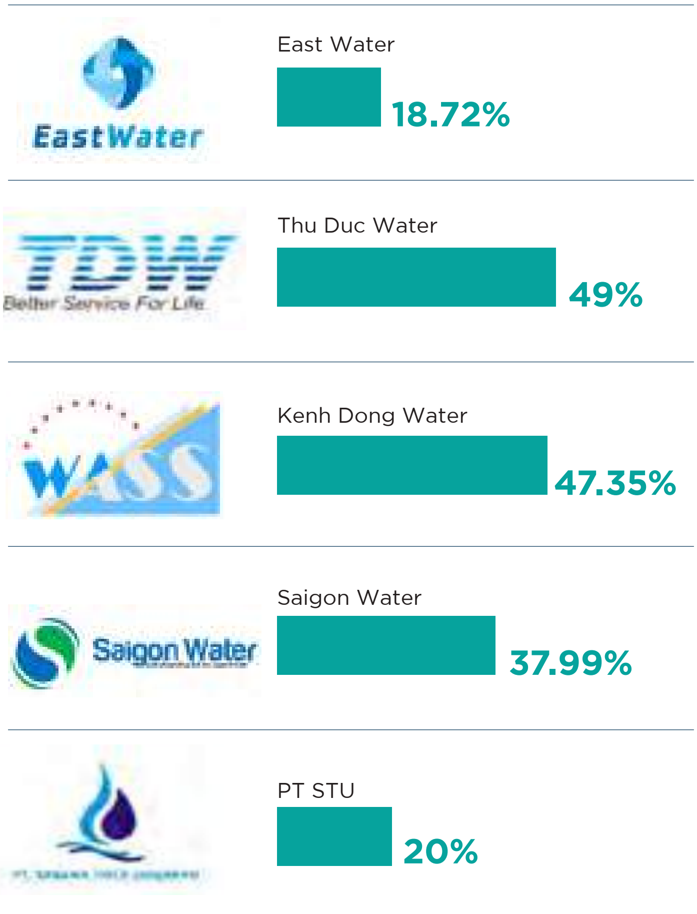
Manila Water's presence in the ASEAN region is spearheaded by Manila Water Asia Pacific. With market presence in Vietnam, Thailand and Indonesia, MWAP leverages the experience gained from the East Zone to explore opportunities in the region.

MWAP is no exception to the negative impact of the global health crisis, the COVID-19 pandemic, and continues to face many challenges along the way.

BUSINESS REVIEW: MANILA WATER ASIA PACIFIC

> **"Despite the challenges posed by the COVID-19 pandemic,** the Group inked a Management, Operations and Maintenance Contract with Saudi Arabia's state-run water agency"

Kenh Dong Raw Water Reservoir in Ho Chi Minh City



On a consolidated MWAP level, equity share in net income of associates decreased by 67 percent to Php214 million. This was mainly due to the recent finalization of the purchase price allocation of the investment in East Water which was acquired in 2018. Goodwill for the acquisition was reduced by THB1,496 million, which was reallocated to Fair Value of the underlying assets of East Water. As of December 31, 2020, total adjustment related to the fair value amortization of East Water's investment amounted to THB259 million, equivalent to Php411 million.

Despite the challenges posed by the COVID-19 pandemic, the Group inked a Management, Operations and Maintenance Contract with Saudi Arabia's state-run water agency, the National Water Company. This operations and maintenance contract is in partnership with the French water distributor Saur Group and Saudi's Miahona Company. The seven-year agreement covers the implementation of enabling projects and the management of the water and wastewater facilities and systems of the North West Cluster served by National Water Company. The cluster includes the cities of Madinah and Tabuk, comprised of 300,000 square kilometers of land area, with a population of more than three million. This initiative is among the first of the Kingdom of Saudi Arabia's plans to privatize its water infrastructure sector. Said country's 2030 Vision targets to carry out a series of contracts to improve the water distribution services in all of its six clusters.

MWAP's consolidated net loss ended at Php371 million in 2020.

Billed Volume (in mcm)	2020	2019	Inc (Dec) %
East Water	326.8	382.1	-14%
Thu Duc Water	109.8	110.5	-1%
Kenh Dong Water	64.9	61.8	5%
Saigon Water	121.7	94.7	29%
PT STU	5.3	5.3	1%

Billed Volume not based on Attributable Ownership

(in Million Php)	FY 2020	FY 2019	% Change
Equity Share in Net Income of Associates	**214**	**654**	**(67%)**
East Water, Adjusted	(179)	295	(161%)
Impact of Fair Value Amortization	*(411)*	*(29)*	
East Water, before PPA	*232*	*323*	*(28%)*
Thu Duc Water	267	245	9%
Kenh Dong Water	164	131	26%
Saigon Water	(37)	(19)	(98%)
PT STU	(0.7)	1.5	(148%)

BUSINESS REVIEW

Pipelaying in Laguna Technopark

MANILA WATER TOTAL SOLUTIONS

Manila Water Total Solutions focuses on vertical expansion across the Water Value Chain through the creation of innovative products and services such as the provision of distribution network and technical services, integrated used water services and packaged purified water under the Healthy Family brand.

As the fallout from the COVID-19 pandemic comes into clearer view, MWTS continues to face challenges in its operations.

For Healthy Family, bottle sales declined by 56 percent to 2.5 million bottles from 5.7 million bottles in the same period last year. Despite initiatives to push for cost efficiency, Healthy Family ended the year with a net loss of Php63 million.

On August 26, 2020, the Company announced the closure of its Healthy Family Business Division effective October 31, 2020 due to said division's recurring losses and inability to financially sustain business operations. The dynamic competitiveness in the bottled water industry and recent economic challenges, despite notable efforts of management to improve operating efficiency and profitability, proved too difficult for the business to cope and keep operations viable.

For the Environmental Services segment, the slowdown in projects caused a significant drag on profitability, resulting to a net loss of Php16 million. This is likewise the case for the Pipelaying segment, wherein delays in the implementation of its remaining projects have driven down performance to a net loss of around Php11 million.

These developments led to MWTS posting a net loss of Php109 million for the year.

CORPORATE GOVERNANCE

COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

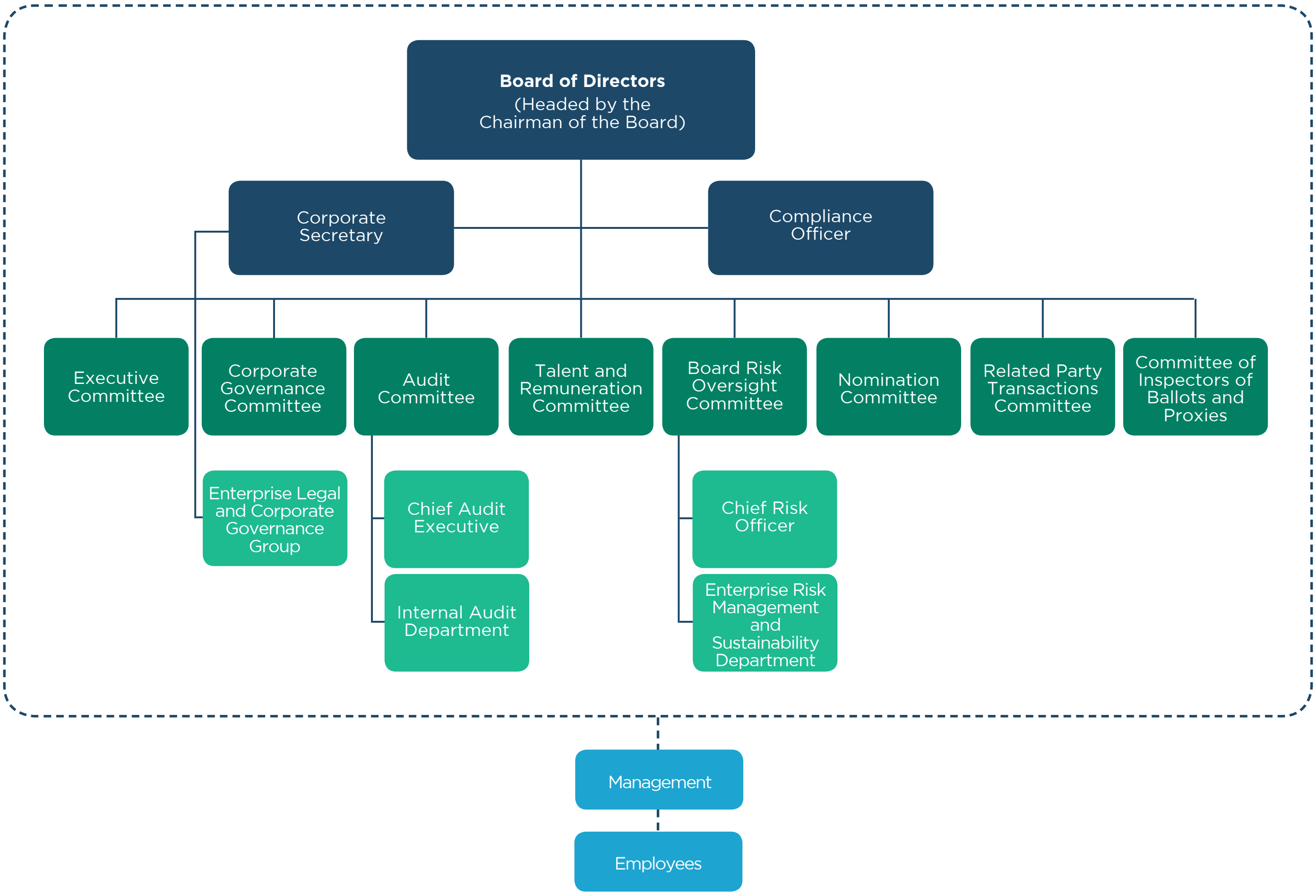
Board of Directors

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

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

Board Composition

The Board has eleven (11) members who are elected by the stockholders during the annual stockholders' meeting ("ASM"). The Board should have at least three (3) independent directors, or such number as to constitute at least one-third of the member of the Board, whichever is higher.



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

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

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

Principles and Procedures for Submission and Evaluation of Nominations and Endorsement for Election of Candidates to the Board of Directors

Manila Water encourages the selection of a mix of competent directors, each of whom can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.

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

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

   All nominations to the Board, whether for first time nominees or repeat nominees, or for independent directors, shall be submitted to the Nomination Committee, through the Office of the Corporate Secretary, at least thirty (30) working days before the date of the ASM. The stockholders, in making their nominations, or the Company, may make use of professional search firms or external sources of candidates when searching for candidates to the Board.

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, may even make an inquiry with their professional networks and outside references.

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

   If the ground for disqualification of a nominated director becomes known prior to the scheduled ASM, the nominated director shall not be endorsed for election at the stockholders' meeting except when such disqualification is temporary and the same is cured or remedied prior to the scheduled stockholders' meeting.

   A director with temporary disqualification may still be endorsed by the Nomination Committee for election at the ASM subject to the sixty (60) day curing period if the ground for temporary disqualification is capable of being cured. However, if the disqualification becomes permanent after endorsement by the Nomination Committee and before the ASM, the nominee shall be given the discretion to refuse his nomination. If the nominee

CORPORATE GOVERNANCE

is thereafter elected, or the disqualification becomes permanent during his term of office, the aforesaid director may be removed subject to the provisions of and procedures under Section 2.4.2 of the Charter of the Board.

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

iv. If a nominee is not endorsed for election by reason of a disqualification, the resolution of the Nomination Committee should clearly specify the grounds relied upon for disqualification.

v. The Chairman of the Board shall provide input to the Nomination Committee on its recommendation for approval of (i) candidates for nomination or appointment to the Board; (ii) members and chairs of Board Committees; and (iii) appointment of Executive Officers.

c) Election of Directors

The directors of the Company shall be elected by majority vote at the annual meeting of the stockholders at which a quorum is present. At each 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.

QUALIFICATIONS AND DISQUALIFICATIONS OF DIRECTORS

General Qualifications of Directors

A nominee to the Board must have the following General Qualifications:

a) Ownership of at least one (1) share of the capital stock of the Company.

b) At least twenty-one (21) years of age.

c) A college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or sufficient experience and competence in managing a business to substitute for such formal education.

d) Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions.
e) Other relevant qualifications, such as membership in good standing in business, professional organizations, or relevant industry.
f) Non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

Specific Qualifications of Directors

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

a) Non-executive directors shall possess such qualifications and stature to effectively participate and help secure objective, independent judgement on corporate affairs and to substantiate proper checks and balances.

b) Directors who are members of Board Committees shall have such additional qualifications necessary to effectively discharge the functions of the relevant Board Committee.

c) At least one of the independent directors must have accounting expertise (accounting qualification or experience).

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

e) Independent directors must have all requisite qualifications for independence under Securities and Exchange Commission (SEC) Memorandum Circular No. 16, Series of 2002.

f) Officers, executives, and employees of the Company may be elected as directors but cannot and shall not be characterized as independent directors.

g) If a director elected or appointed as an independent director becomes an officer, employee or consultant of the Company, the Company shall forthwith cease to consider him as an independent director.

h) If the beneficial ownership of an independent director in the Company or its related corporations shall exceed two percent (2%) of the subscribed capital stock of such corporation, the Company shall forthwith cease to consider him as an independent director, except when the independent director takes the appropriate action to remedy or correct the disqualification within sixty (60) days from the occurrence of the ground, in which case, he may still be considered an independent director.

Permanent Disqualifications

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

a) Any person who has been finally convicted by a competent judicial or administrative body of the following: (i) any crime involving the purchase or sale of securities as defined in the SRC, e.g. proprietary or non-proprietary membership certificate, commodity futures contract, or interest in a common trust fund, pre-need plan, pension plan or life plan; (ii) any crime arising out of the person's conduct as an underwriter, broker, dealer, investment corporation, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or, (iii) any crime arising out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

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

Such disqualification shall also apply when such person is currently subject to an effective order of the SEC or any court or other administrative body refusing, revoking or suspending any registration, license or permit issued under the Corporation Code of the Philippines, SRC, or any other law administered by the SEC or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation promulgated by the SEC or BSP, or otherwise restrained to engage in any activity involving securities and banking. Such person is also disqualified when he is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from association with a member or participant of the organization;

c) Any person finally convicted judicially or administratively of an offense involving moral turpitude or fraudulent acts or transgressions such as, but not limited to, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation or perjury;

d) Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the SRC, the Revised Corporation Code of the Philippines, or any other law administered by the SEC, or any rule, regulation or order of the SEC or the BSP;

e) Any person judicially declared to be insolvent;

f) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations, or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;

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

CORPORATE GOVERNANCE

h) No person shall qualify or be eligible for nomination or election to the Board if he is engaged in any business which competes with or is antagonistic to that of the Company. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged –

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

   ii. If he is an officer, manager or controlling person, or the owner (either of record or beneficially) of ten percent (10%) or more of any outstanding class of shares of any other corporation or entity engaged in any line of business of the Company, or when in the judgment of the Board, by at least three-fourths (3/4) vote, deems that the laws against combinations in restraint of trade shall be violated by such person's membership in the Board; or

   iii. If the Board, in the exercise of its judgment in good faith, determines by at least three-fourths (3/4) vote that he is the nominee of any person set forth in (i) or (ii).

   In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relations.

i) Other grounds as the SEC may prescribe.

Temporary Disqualifications

The following shall constitute grounds for temporary disqualifications of directors:

a) Refusal to fully disclose the extent of his business interest as well as refusal to comply with all other disclosure requirements under the SRC and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.

b) Absence or non-participation in more than Fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency unless such absence was due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election.

c) Dismissal or termination from directorship of any publicly listed company, public company, registered issuer of securities and holder of a secondary license from the SEC. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination.

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

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

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

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

Roles and Responsibilities of the Board

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

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

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

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

c) The Board shall be responsible for ensuring and adopting an effective succession planning program for directors, key officers, and management to ensure growth and a continued increase in the shareholders' value. This includes adopting a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the Company.

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

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

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

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

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

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

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

CORPORATE GOVERNANCE

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

a) The Board should ensure the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

b) The Board shall ensure a formal, transparent board nomination and election process.

c) The Board shall monitor the effectiveness of the Company's governance practices and make changes as needed.

d) The Board shall oversee the process of disclosure and communications.

e) The Board shall regularly review, at least annually, the mission and vision of the Company and shall revise the same, as may be necessary, in accordance with the strategic directors of the Company.

INDEPENDENT DIRECTORS

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

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

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

Board Committees

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

The Executive Committee

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

a) the approval of any action for which shareholders' approval is also required;

b) the filling of vacancies in the Board;

c) the amendment or repeal of the By-laws or the adoption of new By-laws;

d) the amendment or repeal of any resolution of the Board, which by its express terms is not so amendable or repealable;

e) the distribution of cash dividends to shareholders;

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

The Executive Committee meets as needed and performs such other functions as may be properly delegated to it by the Board. The Executive Committee held nine (9) meetings in 2020 .

The Audit Committee

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

The Audit Committee provides the check and balance mechanism and is 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 recommends and/or concurs to the appointment, replacement, re-assignment and removal or dismissal of the Company's external auditors and 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. Mr. Jaime C. Laya, an independent director and a member 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. The Committee held four (4) regular meetings and two (2) special meetings in 2020.

The Corporate Governance Committee

The Corporate Governance (CG) Committee is composed of three (3) independent directors including the Chairman. The CG Committee is tasked with ensuring compliance with and proper observance of corporate governance principles and practices, and has the following duties and functions, among other functions as may be delegated by the Board from time to time:

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

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

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

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

e) Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance; and

f) Proposes and plans relevant trainings for the members of the Board.

Additional duties and responsibilities of the Committee are set forth in its charter.

The Compliance Officer, in coordination with the Corporate Secretary, shall support the Committee in the performance of its functions. The Corporate Governance Committee held two (2) meetings in 2020 .

The Board Risk Oversight Committee

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

This committee is tasked to provide assistance in fulfilling the Board's oversight responsibilities in relation to risk governance in Manila Water, which includes ensuring that the Management maintains a sound and responsive risk management system across the organization; promote an open discussion regarding risks faced by the Company, as well as risks faced by its subsidiaries that may have potential impact on the Company's operations, and ensure that risk awareness culture is pervasive throughout the organization.

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

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and other risks of the Company, and crisis management. In coordination with the Audit Committee, ensures that the Company's internal audit work plan is aligned with risk management activities and that the internal control system considers all risks identified in the risk assessment process.

The Board Risk Oversight Committee held four (4) meetings in 2020. Beginning in 2020, the BROC is expected to meet every quarter as compared to the semi-annual frequency in previous years.

The Related Party Transactions Committee

The Related Party Transactions Committee (RPT) Committee is composed of three (3) non-executive directors [two (2) of whom shall be independent directors] and chaired by an independent director. As of December 31, 2020, the RPT Committee is composed of 3 independent directors.

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

On October 28, 2019, the Related Party Transactions Committee approved the amendments to the Company’s Policy on Related Party Transactions in order to comply with the provisions of the Rules on Material Party Transactions for Publicly Listed Companies of the SEC. The amendments to the Company’s Policy were ratified by the Board of Directors during its Regular Meeting on November 26, 2019. The RPT Committee met once in 2020.

The Nomination Committee

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

This committee is tasked to install and maintain an evaluation process to ensure that all directors to be nominated to the Board during the annual stockholders' meeting have all the qualifications and none of the disqualifications stated in the Manual, the Charter of the Board and the Committees, and under existing laws and regulations undertakes the process of identifying the quality of directors consistent with the Company's strategic directions, and to ensure that the directors have the competence and professional background that will enable them to perform their duties as directors of Manila Water. For this reason, the Committee shall not endorse a nominee for appointment by the Board unless it has determined that all nominees have all the qualifications and none of the disqualifications for the position.

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

The Nomination Committee also provides and 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 three (3) times in 2020 .

The Talent and Remuneration Committee

The Talent and Remuneration Committee is composed of at least three (3) members, a majority of whom are independent directors, and under its Charter is required to be chaired by an independent director. As of December 31, 2020, the Committee is composed of four (4) members, three (3) of whom are independent directors.

The Committee is tasked with the duty to determine and approve all matters and policies relating to the remuneration and benefits of the Company's directors and key officers; to 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; to determine and approve all matters relating to the remuneration and benefits of the Board and the Company's officers; to evaluate and recommend for Board approval the pertinent guidelines on executive compensation, including nonmonetary remuneration; and to periodically review and evaluate the policy on remuneration in order that it be in a sufficient level to attract and retain directors and officers of the Company.

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

On November 14, 2019, the Talent and Remuneration Committee approved the addition of the following in its scope of powers, duties and responsibilities: a) total rewards, merit increases, salary, and retirement and benefits plan, b) senior management and executive promotions, c) overall succession landscape, d) tracking of key talents, e) talent management and risk updates. The amendments were ratified by the Board of Directors during its regular meeting held on November 26, 2019. The Talent and Remuneration Committee held four (4) meetings in 2020.

The Committee of Inspectors of Ballots and Proxies

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

This committee is mandated to validate proxies issued by the stockholders and to determine if the same are in accordance with existing laws, rules, and regulations prior to the annual stockholders' meeting. This committee also serves as the default inspector of ballots and tabulator of votes during the annual stockholders' meeting, and as such, is required to coordinate closely with the Office of the Corporate Secretary and the independent validator of votes appointed for the purpose. The Committee met twice in 2020.

Corporate Orientation and Corporate Governance Trainings for Directors

The members of the Board are required to regularly attend seminars and conferences to continuously update themselves on the developments in policy, regulations, and standards on good corporate governance. Under the Company's Manual, the members of the Board are also provided with such resources, trainings, and continuing education to enable each member to actively, independently, and judiciously participate in Board and Committee meetings.

Newly elected members of the Board undergo orientation programs for them to have a working knowledge of the statutory and regulatory requirements affecting the Company. They are also required to keep abreast with industry developments and business trends in order that they may promote the Company's competitiveness and sustainability. Attendance in a corporate governance seminar conducted by a duly recognized private or governmental institution is also a mandatory requirement prior to their assumption of office and during their term of office.

The Company also provides general access to training courses to its directors as a matter of continuous professional education as well as to enhance their skills as directors and keep them updated in their knowledge and understanding of the Company’s business. The Board and Board Committees are also allowed to hire independent legal counsel, accountants, or other consultants to advise them when necessary.

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

Upon assumption of office, a director appointed for the first time undergoes a corporate orientation program conducted by the Office of the Corporate Secretary. The corporate orientation program includes modules on the operations of the Company, as well as relevant contracts of the Company. The orientation also covers existing policies, rules and regulations of the Company. The curriculum of the orientation program may be revised as often as necessary to include other relevant subjects and matters relating to the Company. In addition to the corporate orientation program for new directors, the Office of the Corporate Secretary informs the Board of any updates on the matters covered by the orientation program. The corporate orientation program and updates are usually given during the regular meetings of the Board.

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

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Corporate Governance Programs Attended by the Board of Directors in 2020

Name of Director	Date of Training	Title of Training	Training Provider
Fernando Zobel de Ayala	November 10, 2020	The Board Agenda 2020: The Business of Building Back Better	Institute of Corporate Directors
Jaime Augusto Zobel de Ayala	November 10, 2020	The Board Agenda 2020: The Business of Building Back Better	Institute of Corporate Directors
Jose Rene Gregory D. Almendras	November 10, 2020	The Board Agenda 2020: The Business of Building Back Better	Institute of Corporate Directors
Antonino T. Aquino	November 10, 2020	The Board Agenda 2020: The Business of Building Back Better	Institute of Corporate Directors
Gerardo C. Ablaza, Jr.	November 10, 2020	The Board Agenda 2020: The Business of Building Back Better	Institute of Corporate Directors
Delfin L. Lazaro	November 10, 2020	The Board Agenda 2020: The Business of Building Back Better	Institute of Corporate Directors
John Eric T. Francia	November 10, 2020	The Board Agenda 2020: The Business of Building Back Better	Institute of Corporate Directors
	December 16, 2020	Future Trends	Institute of Corporate Directors
Oscar S. Reyes	November 10, 2020	The Board Agenda 2020: The Business of Building Back Better	Institute of Corporate Directors
Sherisa P. Nuesa	October 21, 2020	Technology Governance for Directors	Institute of Corporate Directors
	November 10, 2020	The Board Agenda 2020: The Business of Building Back Better	Institute of Corporate Directors
	November 19, 2020	7th SEC-PSE Corporate Governance Forum	Securities and Exchange Commission
Jaime C. Laya	October 17, 2020	Advanced Corporate Governance Training	Institute of Corporate Directors
		Anti-Money Laundering in the Age of Technology	
	November 10, 2020	The Board Agenda 2020: The Business of Building Back Better	Institute of Corporate Directors
Jose L. Cuisia, Jr.	November 10, 2020	The Board Agenda 2020: The Business of Building Back Better	Institute of Corporate Directors

Board Meetings

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

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

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

Attendance of Directors in Board Meetings

In 2020, a total of eleven (11) meetings were held by the Board (exclusive of the Annual Stockholders' Meeting), as follows:

1. Special Board Meeting held on January 31, 2020
2. Regular Board Meeting held on February 20, 2020
3. Organizational Board Meeting held on April 17, 2020
4. Regular Board Meeting held on May 13, 2020
5. Non-Executive Directors' Meeting held on June 11, 2020
6. Regular Board Meeting held on August 10, 2020
7. Regular Board Meeting held on October 5, 2020
8. Special Board Meeting held on November 17, 2020
9. Regular Board Meeting held on November 24, 2020
10. Non-Executive Directors' Meeting held on November 24, 2020
11. Special Board Meeting held on December 18, 2020

Mr. Jose Rene Gregory D. Almendras, the Company's President and Chief Executive Director, is an Executive Director and was not a party to the meeting of the Non-Executive Directors held on June 11, 2020 and November 24, 2020.

During the 2020 Annual Stockholders' Meeting held on April 17, 2020, and conducted virtually via https://asm.ayala.com/MWC2020, 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.

Quorum in Board Meetings

Under the Charter of the Board, at least two-thirds (2/3) of the members of Board (as fixed in the Articles of Incorporation) shall constitute a quorum for the transaction of corporate business, and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except when a higher quorum is required in contracts binding on the Company.

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

Board Remuneration

The Board determines a level of remuneration for directors that shall be sufficient to attract and retain directors and compensate them for attendance at meetings of the Board and Board Committees and their performance of numerous responsibilities of a Board member. The Remuneration Committee is responsible for recommending to the Board the fees and other compensation for directors. In fulfilling this duty, the 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 annual stockholders' meeting held on April 11, 2011 and has not been modified since then. In the same annual meeting, the stockholders approved the amendment of the By- laws, giving the Board of Directors the authority to determine the amount, form, and structure of the fees and other compensation of the directors.

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2020 Board of Directors' Attendance in Committee Meetings

Executive Committee	Meetings Attended/Held
Fernando Zobel de Ayala	6/9
Gerardo C. Ablaza, Jr.[1]	2/2
John Eric T. Francia[2]	7/7
Jose Rene Gregory D. Almendras	8/9
Antonino T. Aquino	9/9
Sherisa P. Nuesa	9/9

Audit Committee	Meetings Attended/Held
Oscar S. Reyes	6/6
Jaime C. Laya	6/6
John L. Cuisia, Jr.	6/6
Gerardo C. Ablaza, Jr.	6/6
Sherisa P. Nuesa[3]	1/1

Corporate Governance Committee	Meetings Attended/Held
Sherisa P. Nuesa	2/2
Jaime C. Laya	2/2
Jose L. Cuisia, Jr.	2/2

Board Risk Oversight Committee	Meetings Attended/Held
Jaime C. Laya	4/4
Gerardo C. Ablaza, Jr.	4/4
Oscar S. Reyes	4/4
Jose L. Cuisia, Jr.	4/4

Related Party Transactions Committee	Meetings Attended/Held
Sherisa P. Nuesa	1/1
Jaime C. Laya	1/1
Jose L. Cuisia, Jr.	1/1

Nomination Committee	Meetings Attended/Held
Jose L. Cuisia, Jr.	3/3
Oscar S. Reyes	3/3
Jaime C. Laya	3/3

Talent and Remuneration Committee	Meetings Attended/Held
Jose L. Cuisia, Jr.	4/4
Fernando Zobel de Ayala	4/4
Oscar S. Reyes	4/4
Sherisa P. Nuesa	4/4

Committee of Inspectors of Ballots and Proxies	Meetings Attended/Held
Xerxes Noel O. Ordanez	2/2
Gerardo M. Lobo II	2/2
Representative from the External Auditor	2/2

Vision, Mission and Corporate Objectives

To ensure good governance of the Company, the Board is mandated under the Manual to formulate strategic objectives, key policies, and procedures for the management of the Company. Furthermore, the Board has established the mechanism for monitoring and evaluating the performance of the Management, especially that of the President and CEO. Under its Charter, the Board is enjoined to periodically review the vision, mission, corporate strategic objectives, and key policies of the Company to sustain the Company's market competitiveness and enhance shareholder value. Accordingly, in its regular meeting held on November 20, 2018, the Board has confirmed the following mission and vision of the Company, as representative of its strategic and corporate objectives:

Vision
Our vision is to become a leader in the provision of water, used water and environmental services which will empower people, protect the environment and enhance sustainable development.

Mission
Our mission is to create an exceptional customer experience in the provision of sustainable solutions vital to health and life.

Core Values

- Care (Malasakit)
- Excellence (Kahusayan)
- Resilience (Katatagan)
- Collaboration (Bayanihan)
- Integrity (Katapatan)

The Company's new set of core values was presented to the Talent and Remuneration Committee on October 28, 2020

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1 Mr. Ablaza served as the Vice-Chairman of the Executive Committee from 01 January 2020 to 16 April 2020
2 Mr. Francia became the Vice-Chairman of the Executive Committee on 17 April 2020 after he was elected as a director.
3 Although not a member of the Audit Committee, Ms. Nuesa attended one of the Special Audit Committee Meetings held last year.

Annual Board Evaluation

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

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

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

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

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

Office of the Corporate Secretary

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

The Management

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

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

The Manual requires the Company to disclose the relationship between the Chairman, and the President and CEO, if any, in its annual report to the SEC. The Chairman of the Board, Fernando Zobel de Ayala, and the President and CEO of the Company, Jose Rene Gregory D. Almendras, are not related to each other.

Succession Planning

The Board, with the assistance of the Remuneration Committee, the Nomination Committee, and the Company's Corporate Human Resources Group, has adopted a professional development program for employees, officers, and senior management. Through competency management, the Company has put in place a process to determine the skills necessary for particular positions in the Company and identifies key talents for purposes of succession. The Company's Corporate Human Resources Group has developed a Talent Master Plan to determine the optimal organizational structuring, recruitment strategies, performance evaluation methodologies, total rewards management, and career development. These are all geared to attract, retain, and engage the Company's employees, officers, and senior management, and to cultivate them to become the Company's future business leaders.

The development of a leadership talent pool is crucial to the success of Manila Water in the future. Hence, it is one of the top strategic priorities of the Company. For the succession of the top key management positions, the Company has formed an Acceleration Pool composed of selected high potential key talents within the organization.

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

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

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The Management Committee is composed of the top key executives of the Company from the President and CEO to those occupying positions equivalent to Vice Presidents.

The Compliance Officer

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

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

The Corporate Governance Office

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

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

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

The Internal Audit

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

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

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

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

The Chief Risk Officer

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

The Chief Sustainability Officer

The Chief Sustainability Officer (CSO) ensures that the Company manifests in an authentic manner the commitments it made under its Sustainability Policy and Framework, with focus on the following areas: helping build communities, protecting the environment, safeguarding health and safety, contributing to local and national economies, and developing employees. The CSO monitors environmental, economic, social and governance performance in accordance with prevailing frameworks such as GRI, IIRC, SASB and the UN SDGs, and identifies sustainability-related risks and issues which are discussed at the Board level and communicated to relevant stakeholders.

The CSO also leads new sustainability initiatives, usually as incubated projects with cross functional teams, which eventually are turned over to the natural owners within the organization, depending on the sustainability/ Environmental, Social and Corporate Governance (ESG) aspect. It also ensures that business strategy and growth initiatives take into account corresponding environmental and social impacts.

The Corporate Governance Manual

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

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

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

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

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

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

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

The Company's Manual is continuously being revised in accordance with the directives and issuances of the SEC and to comply with the highest standards of corporate governance. The latest revision to the Manual was approved and ratified by the Board on August 10, 2020.[1]

Related Party Transactions

To further instill the Company's policies on related party transactions, the Board adopted the Policy on Related Party Transactions (the "RPT Policy"). The RPT Policy confirms that the Company and its subsidiaries shall enter into any related party transactions solely in the ordinary course of business, on ordinary commercial terms, and on the basis of arm's length arrangements, which shall be subject to appropriate corporate approvals and actions of the Company or the related parties, as the case may be.

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

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

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

The Code of Business Conduct and Ethics

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

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

Honesty and Fair Dealing

The core principle of the Company is to conduct business honestly and fairly with its investors, suppliers, contractors, service providers, customers and employees and other third parties. Directors, Officers and employees shall act honestly, ethically and 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, or misrepresentation or other similar acts. Officers and employees involved in the procurement process for services, materials, supplies, and equipment shall strictly comply with the Company's Procurement Policy.
The Procurement Policy is an integral part of this Code.

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[1] The amended Whistle blower Policy of the Company was approved by the Audit Committee on August 5, 2020 and ratified by the Board on August 10, 2020. The Policy took effect on August 15, 2020.

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

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

Reporting of Fraudulent or Dishonest Acts (Whistle Blower Policy)

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

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

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

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

Conflict of Interest

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

Under the policy, a conflict of interest arises when a director, an officer or employee appears to have a direct or indirect personal or financial interest in any transaction, which may deter or influence him from acting in the best interest of the Company. It is not required that there be an actual conflict; it is only required that there could be perceived conflict by an impartial observer.

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

Corporate Entertainment and/or Gifts

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

Insider Trading

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

All Directors, Key Officers, employees, consultants, advisers of the Company, and members of the immediate families of directors and key officers (the "Covered Persons") who are living in the same household as the directors and key officers who have direct or indirect knowledge, from time to time, of material facts or changes in the affairs of the Company, which have not been disclosed to the public, including any information likely to affect the market price of the Company's shares, shall:

a) Not trade in the Company's securities directly or indirectly; and

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

CORPORATE GOVERNANCE

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 Procurement Policies of the Company are downloadable at the Company website.

The Vendors' Code of Conduct

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

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

The Enterprise Risk Management Policy

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

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

Safety, Health and Welfare Policy

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

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

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

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

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

- Systematically manage and control its health and safety risks through effective risk assessment processes; and

- Regularly revisit, improve, develop and maintain its Quality, Environment, Health and Safety management system to ensure its effectiveness and relevance to the changing needs of the Company to drive continuous improvement in operations, quality, environmental, health and safety performances.

Stockholder Rights

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

Right to Notice of Meetings and Right to Attend Meetings

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

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

Right to Appoint a Proxy

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

CORPORATE GOVERNANCE

proxy should be resolved in the stockholders' favor.

Right to Propose the Holding of and to Attend Meetings

The Manual provides that the minority shareholders shall have the right to propose the holding of a meeting as well as the right to propose items in the agenda of the meeting, provided that the items proposed are for legitimate business purposes.

Right to Make Nominations to the Board of Directors

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

Voting Right and Right to Participate at Stockholders Meetings

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

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

c) Under the Company's By-laws, the affirmative vote of stockholders as of the record date constituting 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:

    i. Amendment of the Articles of Incorporation;
    ii. Adoption and/ or amendment of the By-laws (unless the power to amend By-laws have been delegated to the Board by the stockholders);
    iii. Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the corporate property;
    iv. Incurring, creating or increasing bonded indebtedness; Increase or decrease of capital stock;
    v. 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
    vi. Dissolution of the Company, among others.

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

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

f) The Board should encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting should be available on the Company website within five (5) business days from the end of the meeting. The draft minutes of the 2020 Annual Stockholders Meeting was posted on the Company's website on April 24, 2020.

Dividend Rights

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

Pre-Emptive Right

All stockholders have pre-emptive rights or the right to subscribe to new shares of the Company, unless there is a specific denial of this right in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Company. The Articles of Incorporation may provide the specific rights and powers of shareholders with respect to the particular shares they hold, all of which are protected by law so long as they are not in conflict with the Revised Corporation Code.

Right to Information and Inspection

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

Appraisal Right

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

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

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

iii. In case of merger or consolidation.

Quorum and Voting Procedures at the Stockholders Meetings

Unless otherwise provided by law or the By-laws, stockholders as of Record Date constituting 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. 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. However, the following corporate acts and measures 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:

CORPORATE GOVERNANCE

1. Amendment of the Articles of Incorporation;
2. Adoption and/or amendment of the By-laws;
3. Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the corporate property;
4. Incurring, creating or increasing bonded indebtedness;
5. Increase or decrease of capital stock;
6. Merger or consolidation of the Company with another company;
7. Investment of corporate funds in another corporation or business for any purpose other than the primary purpose for which it was organized;
8. Dissolution of the Company

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

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

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

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

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

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

Public Ownership

The Company is compliant with the requirement of the PSE on minimum public ownership with 55.87% of its shares subscribed and owned by the public as of December 31, 2020. In compliance with the requirements of the PSE, the Company regularly and timely discloses its public ownership report and immediately makes a public disclosure of any change thereon.

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

Name	December 31, 2020	Class of Shares	December 31, 2019	Class of Shares
Directors				
Fernando Zobel de Ayala	1	Common	1	Common
Jaime Augusto Zobel de Ayala	1	Common	1	Common
Jose Rene Gregory D. Almendras	5,000	Common	5,000	Common
Antonino T. Aquino	12,749,543	Common	12,749,543	Common
Gerardo C. Ablaza, Jr.	3,646,078	Common	4,126,078	Common
John Eric T. Francia	1	Preferred	1	Preferred
Delfin L. Lazaro	1	Common	1	Common
Oscar S. Reyes	330,001	Common	330,001	Common
Sherisa P. Nuesa	5,093,607	Common	5,093,067	Common
Jaime C. Laya	59,800	Common	59,800	Common
Jose L. Cuisia, Jr.	1	Common	1	Common
Officers				
Solomon M. Hermosura	70,100	Common	50,100	Common
Virgilio C. Rivera, Jr.	3,265,058	Common	3,265,058	Common
Ma. Cecilia T. Cruzabra	0	N.A.	0	N.A.
Abelardo P. Basilio	1,069,700	Common	1,069,700	Common
Esmeralda R. Quines	707,590	Common	707,590	Common
Janine T. Carreon	514,800	Common	514,800	Common
Liwayway T. Sevalla	63,000	Common	63,000	Common
Maidy Lynne B. Quinto	175,000	Common	175,000	Common
Arnold Jether A. Mortera	342,900	Common	342,900	Common
Robert Michael N. Baffrey	470,723	Common	470,723	Common
Evangeline M. Clemente	309,400	Common	312,400	Common
Gerardo M. Lobo II	184,600	Common	184,600	Common
Rolando V. Caraig	0	N.A.	N.A.	N.A.
Mark Tom Q. Mulingbayan	144,100	Common	144,100	Common

MAJOR SHAREHOLDERS

	December 31, 2020	Class of Shares	December 31, 2019	Class of Shares
Ayala Corporation	866,946,196*	Common	866,946,196*	Common
Philwater Holdings Corporation	3,999,999,998	Preferred	3,999,999,998	Preferred

** Includes shares held through PCD Nominee Corporation (21,409,000 shares) and Michigan Holdings, Inc. (1,00,000), a wholly owned subsidiary of Ayala Corporation*

CORPORATE GOVERNANCE

Corporate Governance Recognition and Awards

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

Company Website

In the pursuit of the Company's thrust to continuously improve awareness of best practices in the conduct of its business and operations especially in corporate governance across the organization, including dealings with its business partners and customers, Manila Water constantly updates its website, www.manilawater.com with a section dedicated to corporate governance and investor relations.

The Corporate Governance section of the website contains all disclosures made by the Company to the PSE and SEC, as well as its Manual, the Code, the Charters of the Board and its Committees, the various corporate governance policies and other matters and information of relevance to the stockholders and all stakeholders. The Company discloses its corporate governance practices, corporate events calendar, and other material information on its website in a timely manner.

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

Independent Public Accountants

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

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

The same accounting firm is being recommended for re-election at the meeting for a remuneration of Php2.40 million, exclusive of VAT and out-of-pocket expenses. The agreement with SGV covers the annual audit of the Company.

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

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

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

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

(b) Audit and Audit-Related Fees

The Company's Audit Committee[2] reviews and approves the scope of audit work of the external auditor and the amount of audit fees for a given year. The amount of audit fees will then be presented to the stockholders for approval in the annual meeting. The scope of and payment of services rendered by the external auditor other than the audit of financial statements are also subject to review and approval by the Audit Committee.

The aggregate fees billed by SGV are shown below with the comparative figures for 2020:

External Audit Fees	**Audit and Audit-Related Fees of the Company**	
	2020	**2019**
Audit Fees	P2,288,000.00	P2,200,000.00
Audit-related Fees	8,800,000.00	125,000.00
Consultancy Fees	-	178,400.00
Non-audit Fees[1]	89,000.00	872,000.00
Total	**P11,177,000.00**	**P3,375,400.00**

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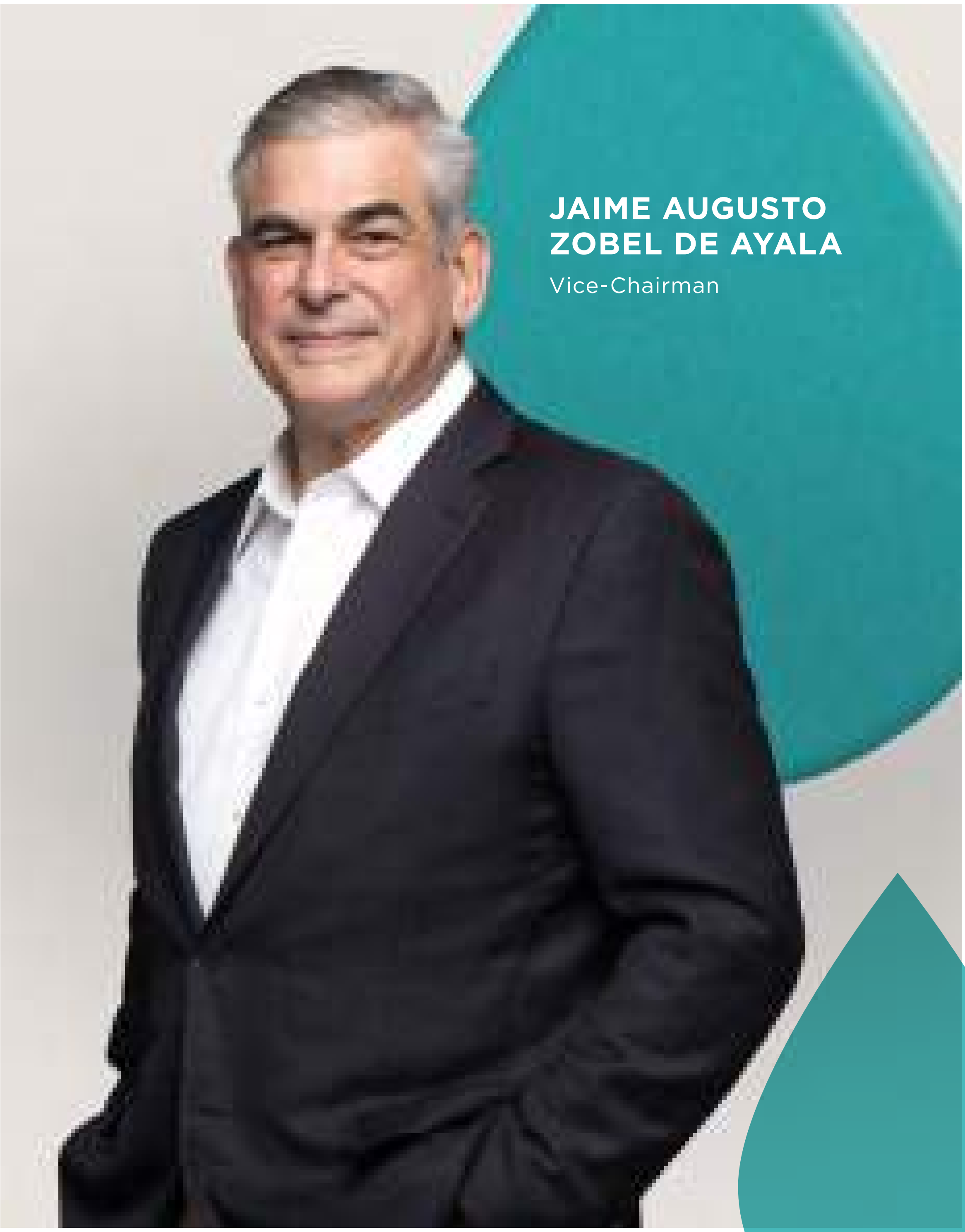
[1] Includes proxy validation, validation of ASM votes, Loan Compliance Report (2019 only) and training (2019 only).

[2] The Audit Committee (formerly the Audit and Governance Committee) is composed of the following: Oscar S. Reyes (Chairman and independent director), Jose L. Cuisia Jr. (Independent Director), Jaime C. Laya (Independent Director), and Gerardo C. Ablaza, Jr.

BOARD OF DIRECTORS

FERNANDO ZOBEL DE AYALA

Chairman



JAIME AUGUSTO ZOBEL DE AYALA

Vice-Chairman

BOARD OF DIRECTORS

JOSE RENE GREGORY D. ALMENDRAS

President and
Chief Executive Officer

ANTONINO T. AQUINO

Non-Executive Director

GERARDO C. ABLAZA, JR.

Non-Executive Director

DELFIN L. LAZARO

Non-Executive Director

BOARD OF DIRECTORS

JOHN ERIC T. FRANCIA

Non-Executive Director

OSCAR S. REYES

Lead Independent Director

JAIME C. LAYA

Independent Director

SHERISA P. NUESA

Independent Director

BOARD OF DIRECTORS

JOSE L. CUISIA, JR.

Independent Director

SOLOMON M. HERMOSURA

Corporate Secretary

Fernando Zobel de Ayala	Chairman of the Board of Directors Member of the Executive Committee Member of the Talent and Remuneration Committee
Jaime Augusto Zobel de Ayala	Vice-Chairman of the Board of Directors
Jose Rene Gregory D. Almendras	President and Chief Executive Officer Member of the Executive Committee
Antonino T. Aquino	Non-Executive Director Member of the Executive Committee
Gerardo C. Ablaza, Jr.	Non-Executive Director Member of the Audit Committee Member of the Board Risk Oversight Committee
Delfin L. Lazaro	Non-Executive Director
John Eric T. Francia	Non-Executive Director Vice-Chairman of the Executive Committee
Oscar S. Reyes	Lead Independent Director Chairman of the Audit Committee Member of the Board Risk Oversight Committee Member of the Nomination Committee Member of the Talent and Remuneration Committee
Jaime C. Laya	Independent Director Chairman of the Board Risk Oversight Committee Member of the Audit Committee Member of the Board Risk Oversight Committee Member of the Corporate Governance Committee Member of the Related Party Transactions Committee Member of the Nomination Committee
Sherisa P. Nuesa	Independent Director Chairman of the Corporate Governance Committee Chairman of the Related Party Transactions Committee Member of the Executive Committee Member of the Talent and Remuneration Committee
Jose L. Cuisia, Jr.	Independent Director Chairman of the Nomination Committee Chairman of the Talent and Remuneration Committee Member of the Audit Committee Member of the Corporate Governance Committee Member of the Board Risk Oversight Committee Member of the Related Party Transactions Committee
Solomon M. Hermosura	Corporate Secretary

MANAGEMENT COMMITTEE

► From left to right

EVANGELINE M. CLEMENTE
Group Director
Strategic Asset Management

ABELARDO P. BASILIO
Chief Operating Officer
Manila Water Operations

ROBERT MICHAEL N. BAFFREY
Group Director
Corporate Project Management

ESMERALDA R. QUINES
Group Director
East Zone Business Operations

◄ From left to right

MA. CECILIA T. CRUZABRA
Chief Finance Officer
Treasurer, concurrent
Chief Risk Officer
Compliance Officer
and Group Director
for Corporate Finance
and Strategy

JO KRISTINE C. REVIL
Enterprise Stakeholder
Engagement Head and
Group Head
Corporate Regulatory
Affairs

VIRGILIO C. RIVERA
Chief Operating Officer
New Business
Operations

MAIDY LYNNE B. QUINTO
Group Director
Subsidiary
Operations

JOSE RENE GREGORY D. ALMENDRAS
President and
Chief Executive
Officer

◄ From left to right

ARNOLD JETHER A. MORTERA
Group Director
Corporate Operations

JANINE T. CARREON
Group Director
Corporate Human
Resources

NESTOR JERIC T. SEVILLA, JR.
Group Head
Corporate Strategic Affairs
and Department Head
Corporate Communications

LIWAYWAY T. SEVALLA
Group Director
Chief Information Officer
Data Protection Officer
and Group Director
Business and
Technology Service

*Photo was taken pre-pandemic (February 2020)

MANAGEMENT TEAM

As of December 31, 2020

OFFICE OF THE PRESIDENT

Rolando V. Caraig
Chief Audit Executive

ENTERPRISE LEGAL AND CORPORATE GOVERNANCE GROUP

Gerardo M. Lobo II
Department Head
Enterprise Corporate and Contract
Advisory Services

Ia Laurienne R. Castro
Department Head[1]
Enterprise Legal Services and
Regulatory Support

Romelyn A. Obligacion
Enterprise Senior Legal Counsel

Pierre Albert L. Salva
Enterprise Senior Legal Counsel

Angelo Christian T. Arayata
Enterprise Legal Counsel

Nadine Alessandra S. Gloria
Enterprise Legal Counsel

ENTERPRISE REGULATORY AND STAKEHOLDER ENGAGEMENT GROUP

Dyan Mae O. Berdin
Department Head
Public Policy

Elmer M. Largo
Department Head
Technical Regulation

Marvin V. Lascano
Department Head
Financial Regulation

Maria Lourdes P. Miranda
Department Head
Business Operations Regulation

CORPORATE FINANCE AND STRATEGY GROUP

Pauline M. Mercado
Division Head
MWO/Parent Controllership

Mark Tom Q. Mulingbayan
Chief Sustainability Officer
Department Head
Enterprise Risk Management and
Sustainability

Mark S. Orbos
Department Head
Corporate Strategy and Investor
Relations

Karoline C. Sangalang
Chief Finance Officer
Manila Water Philippine Ventures
and Manila Water Total Solutions

Marsha Emelinda Q. Santos
Chief Finance Officer
Manila Water Asia Pacific
Department Head
Financial Planning

Jocelyn Frances P. Sison
Division Head
Treasury and Insurance Management

Daisy Marie D. Balagtas
Department Head
Accounts Payable and Tax Operations

Nathan Gideon H. Correa
Department Head
Concession Investment Accounting

Ma. Lourdes M. Dalusung
Finance Head
Laguna AAAWater Corporation

Ma. Irel M. Espuerta
Finance Head
MWPV Visayas-Mindanao

Alvin S. Evangelista
Finance Head
Vietnam

Anna Marie Joy S. Fernandez
Department Head
Financial Accounting, Controllership
and Treasury
MWPV Corporate Finance

Anne Lizbeth J. Olmo
Department Head
Financial Accounting

Xerxes Noel O. Ordanez
Department Head
Controllership and Analysis

Erwin D. Osorio
Department Head
Treasury

Jeza P. Salcedo
Finance Head
Estate Water

Lizelle D. Zamora-Dimacuha
Department Head
Tax Management

Jerome V. Caylao
Corporate Planning Manager

Marichrisse Lennore S. Ramos
Corporate Planning Manager

CORPORATE INFORMATION TECHNOLOGY GROUP

Alexander S. Guray
Department Head
IT Infrastructure Services

Felise Isabel J. Oclarit
Department Head
IT Service Delivery Governance

Elmer D. Pevidal
Department Head
Systems and Solutions

Jocelyn D. Santiago
IT Solutions Delivery Lead

CORPORATE HUMAN RESOURCES GROUP

Camela A. Chiu
Department Head
HR Business Partnership

Josephine M. Silva
Department Head
HR Operations

Yvette B. Sonza
Department Head
Talent Acquisition, OD, and
Succession Management

Aileen V. Yoro
Department Head
Total Rewards Management
Samantha V. Villegas
HR Business Partner

CORPORATE OPERATIONS GROUP

Joemar B. Emboltorio
Division Head
Water Supply Operations

Estelita C. Orodio
Division Head
Technical Services

Donna Eloisa C. Perez
Division Head
Wastewater Operations

Ronan Joy S. Abear
Department Head
Telemetry and Meter Management

Gerald C. Balucan
Department Head
Maintenance Services

Sarah Monica E. Bergado
Department Head
Operations Management Support

Sharon Parker B. Cerbito
Department Head
Wastewater Performance and Planning

Jennifer Mitchell V. Chan
Grid Facilities Head
Wastewater Operations

Joannatess B. De Vera
Department Head
Laboratory Services

Rey Ann C. Dela Cruz
Department Head
Water Supply Operations Planning

Eden Lou M. Dela Cruz
Department Head
Property Management

Rommel F. Faustino
Grid Facilities Head
Wastewater Operations

Allan Roy B. Ortiz
Department Head
Business Continuity Solutions

Florante A. Panganiban
Department Head
Compliance and Watershed Management

Dexter M. Quibuyen
Department Head
Operations Monitoring and Control

Mark Jason T. Reyes
Department Head
Fleet Management

Orlando A. Villareal
Department Head
Distribution Operations

Lyn Joceffin D. Zamora
Department Head
Water Supply Treatment Operations

Cynthia L. Iblan
Department Head[1]
Water Sources Operations

Jilleane M. Jongko
Grid Facilities Head[1]
Wastewater Operations

Riza A. Oiga
Grid Facilities Head[1]
Wastewater Operations

William C. Alcantara
Operations Program Manager

Cresencio V. Filart Jr.
Technical Operations Head
Distribution Operations

Crisanto S. Ignacio
Technical Operations Head
Distribution Operations

Arnaldo R. Palo
Technical Operations Head
Distribution Operations

CORPORATE PROJECT MANAGEMENT GROUP

Edgar B. Bausa
Department Head
Engineering

Anthony D. Castillo
Department Head
Construction Management

Renato C. Belmonte Jr.
Headline Project Manager
Water Supply System

Catherine R. Co
Department Head
Project Management Office

Bernadette E. Del Rosario
Department Head
Project Stakeholder Engagement

Rolly D. Falculan
Headline Project Manager
Capital Works - North

Jocelyn M. General
Headline Project Manager
Wastewater System

Jommel Omar A. Gomez
Department Head
Safety Solutions

Arlene Kris C. Go-Sy
Department Head
Quality Assurance

Maria Elizabeth D. Tayamora
Headline Project Manager
Capital Works - South

Benedicto E. Amarillo
Senior Project Manager

Francis Erwin A. Cruz
Senior Project Manager

Michaelangelo V. Cubelo
Senior Project Manager

Brian Crisanto A. Dela Rosa
Senior Project Manager

Avelino P. Marfori III
Senior Project Manager

Byder M. Nangit
Senior Project Manager

Salvador O. Nicdao Jr.
Headline Design Manager

Eden J. Polloso
Senior Project Manager

Julius Edgar B. San Juan
Senior Project Manager

Rene N. Santos
Framework Manager

Jackie Lou O. Siat
Senior Project Manager

Vincent Raymond C. Siat
Senior Project Manager

CORPORATE STRATEGIC AFFAIRS GROUP

Fernando L. Busuego III
Department Head
Advocacy and Research

EAST ZONE BUSINESS OPERATIONS GROUP

Diana Lou B. Gomez
Division Head
East Zone Business Support

Marvin J. Panday
Division Head
East Zone Business Area Operations

Valentino S. Alano
Area Business Manager
Quezon City

Jeanifer L. Aurelio
Area Business Manager
Mandaluyong-Makati

Raquel R. Catacutan
Department Head
Customer Service and Stakeholder Management

Mary Celine G. Dela Torre
Department Head
Billing and Collection

Katherine May F. Delos Reyes
Department Head
Demand Forecasting and TMS Management

MANAGEMENT TEAM

Emmanuel S. Ferrer III
Department Head
Program and Policy Development

Marie Joy S. Flores
Area Business Manager
Marikina

Al D. Lamoste
Area Business Manager
Taguig

Romely T. Paraiso
Area Business Manager
Pasig

Kristoffer D. Sabater
Area Business Manager
Rizal

STRATEGIC ASSET MANAGEMENT GROUP

Christine Aubrey N. Emboltorio
Department Head
Strategic Asset Planning

Carlos Noel P. Carlos Jr.
Department Head
Asset Investment and Management Support

Ana Kristina R. Josef
Department Head
Portfolio Management

Frederick S. Sangalang
Department Head
Asset Management

Froilan Antonio C. BacuĐgan
Asset Performance Evaluation
and Optimization Manager

Rodney D. Cruz
Portfolio Manager

Bernaliza B. Espina
Portfolio Manager

Elwin A. Merquita
Portfolio Manager

Romulo A. Samia, Jr.
WW Systems Analysis and
Planning Manager

SUPPLY CHAIN MANAGEMENT GROUP

Jhoana R. Tamayor
Deputy Head[1]
Supply Chain Management

Mira Gloria R. Bautista
Department Head
Operational Planning and
Procurement

Shiela Mae H. Muaña
Department Head
Inventory and Warehouse
Management

Alfonso Miguel U. Dela Torre
Procurement Head[1]
CAPEX – North Grid

Jennifer G. Doctor
Procurement Head[1]
CAPEX – South Grid

MANILA WATER FOUNDATION

Reginald M. Andal
Executive Director
Manila Water Foundation

MANILA WATER PHILIPPINE VENTURES

PV Corporate

Real C. Magtangob
Corporate Regulatory and
External Affairs Head
PV Corporate

Eleanor B. Misa
Human Resources Head
PVAP Human Resources

Joe-jit P. Velasquez
Corporate Planning Head[1]
PV and AP Corporate

Teresita S. Arendela
Finance Head
Northeast Luzon Regional Cluster

Yves P. Barbasina
HR Business Partner
South Luzon Regional Cluster

Rhoel H. Borhillo
Finance Head
Manila Water Technical Ventures and
Manila Water Total Solutions

Donna May D. Buaquen
HR Business Partner
PV Corporate and Manila Water
Technical Ventures

Kristine Jessah R. Guevarra
Business Operations Support Head
Subsidiary Operations

Liezel T. Lee
Policy and Program
Development Head
Subsidiary Operations

Edward R. Limosnero
HR Business Partner
VisMin Regional Cluster

Shannon Valerie M. Manalang
Finance Head
Northwest Luzon Regional Cluster

Mayee Henessy D. Rivera-Miranda
Talent Management and Organization
Development Head
PVAP Human Resources

Melanne L. Ng
HR Business Partner
North Luzon Regional Cluster

Jenniffer S. Ordoñez
Change, Communication and
Engagement Head
PVAP Human Resources

Jasmin Bien S. Orpilla
Finance Head
Boracay Island Water Company

Rainier R. Pagalilauan
Total Rewards Management Head
PVAP Human Resources

John Michael M. Rico
Regulatory Planning and External
Affairs Head
PV Corporate

Lovely Joy M. Bambico
HR Business Partner[1]
Estate Water and Asia Pacific

Pieter L. Tobing
Special Projects/Transition Lead
Subsidiary Operations

North-East Luzon Regional Cluster

Ma. Christina S. Cruz
Regional General Manager[1]
Northeast Luzon Regional Cluster and
Operations Manager
Obando Water Company, Inc.

Rei Christian C. Buluran
Operations Manager
Bulacan MWPV Development
Corporation and
Bulakan Water Company
Water Company

North-West Luzon Regional Cluster

Christian Mhel C. Marcos
Regional General Manager
Northwest Luzon Regional Cluster,
General Manager
Clark Water Corporation and
Regional Business Development Head
North Luzon RBD

Adrian Bryan M. Magallanes
Operations Manager
Calasiao Water Company, Inc.

Giovanni G. Ocampo
Regional Technical Operations Head
Northwest Luzon Regional Cluster and
Technical Operations Head
Clark Water Corporation

Eidelweiss S. Pascua
Regional Business Operations Head
Northwest Luzon Regional Cluster and
Business Operations Head
Clark Water Corporation

Kim Ameltriof L. Twaño
Regional Regulatory &
External Affairs Head[1]
Northwest Luzon Regional Cluster and
Regulatory & External Affairs Head[1]
Clark Water Corporation

Christian Byron M. Villamor
Regional Project Management and
Technical Services Head
Northwest Luzon Regional Cluster and
Project Management and
Technical Services Head
Clark Water Corporation

South Luzon Regional Cluster

Shoebe Hazel B. Caong
Regional General Manager
South Luzon Regional Cluster and
General Manager
Laguna AAAWater Corporation

Melissa A. Alcasid
Regional Technical Operations Head
South Luzon Regional Cluster and
Technical Operations Head
Laguna AAAWater Corporation

Rodel V. Del Rosario
Regional Technical Services Head
South Luzon Regional Cluster and
Technical Services Head
Laguna AAAWater Corporation

Sol Teresita N. Dimayuga
Regional Regulatory and External
Affairs Head
South Luzon Regional Cluster and
Regulatory and External Affairs Head
Laguna AAAWater Corporation

Felipe A. Fradejas, Jr.
Regional Project Management Head
South Luzon Regional Cluster and
Project Management Head
Laguna AAAWater Corporation

Angelie C. Miranda
Operations Manager
MWPV South Luzon Water
Corporation

Francisco A. Loresco
New Business Development Head and
Business Operations
for Expansion Head
Laguna AAAWater Corporation

Camille B. Orbeso
Regional Business Operations Head
South Luzon Regional Cluster and
Business Operations Head
Laguna AAAWater Corporation

Visayas-Mindanao Regional Cluster

Constantine O. Uy
Regional General Manager
VisMin Regional Cluster and
Regional Business Development Head
VisMin RBD

Rodrigo A. Abinsay
Regional Technical Operations Head
VisMin Regional Cluster

Christiane Henritz R. Batallones
Operations Manager
Calbayog Water Company, Inc

Danvir Mark D. Farnazo
Operations Manager
Tagum Water Company, Inc

Ruby Rose G. Mercado
Operations Manager
Cebu Manila Water Development, Inc.

Estate Water

Barny F. Kim
General Manager
Estate Water

Sundy N. Bergado
New Business Development Head
Estate Water

Argine M. Carreon
Business Operations Head
Estate Water

Rubenson M. Cruz
Technical Services Head
Estate Water

Jose Paulo V. Serias
Technical Operations Head
Estate Water

Boracay Island Water Company

Maria Mabelle G. Amatorio
General Manager
Boracay Island Water Company

Raymond H. Camara
Project Management and Technical
Services Head
Boracay Island Water Company

Joanna Paz I. Intas
Technical Operations Head
Boracay Island Water Company

Manila Water Technical Ventures

Jeson Jason J. Campos
Technical Sales Head
Manila Water Technical Ventures

Emmanuel G. Pineda
Program Management Head[1]
Manila Water Technical Ventures

MANILA WATER ASIA PACIFIC

Antonio B. Capati
Country Manager
Indonesia

John Walter E. Tendencia
Country Manager
Vietnam

Raymund V. Vagilidad
Operations Manager
Thu Duc Water

Karen Joy T. Hernandez
Finance Head
MWAP Corporate Finance

MANILA WATER TOTAL SOLUTIONS

Roberto V. Vasquez
Department Head
Product Innovation & Development

Nelson C. Cuaresma
Product Innovation & Development
Manager

2020 MWC AWARDS & CITATIONS

*All Anvil Awards were received pre-pandemic

References:

1. https://www.manilawater.com/customer/agos/2020-03-06/manila-water-bags-five-anvil-awards
2. https://www.manilawater.com/corporate/agos/2020-10-26/manila-water-laboratory-services-recognized-as-laboratory-of-excellence
3. https://www.theasset.com/article/42302/the-asset-triple-a-country-awards-2020-southeast-asia

- Gold Anvil Award for Manila Water Foundation's "2018 Annual Report: Framing A New Direction"
- Silver Anvil Award for Manila Water Foundation's "Working Towards a Clean Boracay: MWF's Ahon Sanitasyon Program"
- Silver Anvil Award for Manila Water's "Water for Every Disaster: Emergency Reservoirs"
- Silver Anvil Award for Laguna Water's "Sewage and Treatment Process Video: Encouraging Communities to Take Part in Responsible Used Water Management"
- Silver Anvil Award for Laguna Water's "Lakbayan: Understanding the Water and Used Water Trail"
- "Laboratory of Excellence" for Manila Water Laboratory Services, Proficiency Testing by Waters ERA in August-September 2020
- Best Sustainability Bond – Corporate for Manila Water Company's US$500 million Sustainability Bond, The Asset's Annual Triple A Country Awards 2020
- 2020 Ayala Innovation Excellence Award for Project Air Vent: Water Supply Deficit Mitigation for Northern Quezon City (Luzon Treatment Plant), Spark 7: Ayala Innovation Summit
- Outstanding CSR Project in Health for Manila Water Foundation's Integrated WASH Program in Porac, Pampanga, League of Corporate Foundations (LCF) Corporate Social Responsibility (CSR) Guild Awards

MEMBERSHIP / AFFILIATION

INTERNATIONAL

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

LOCAL

1. Philippine Water Works Association (PWWA)
2. European Chamber of Commerce of the Philippines (ECCP)
3. British Chamber of Commerce Philippines (BCCP)
4. Philippine Chamber of Commerce and Industry (PCCI)
5. Management Association of the Philippines (MAP)
6. Philippine 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 Business for Sustainable Development (PBSD)

GRI AND SASB CONTENT INDEX

This Integrated Report has used and referenced relevant 2016, 2018 and 2020 GRI standard, and 2018 Water Utilities & Services Standard for SASB in disclosing the Company's material topics.

GRI Standard Disclosures		Page Number / Content
GRI 100 UNIVERSAL STANDARDS DISCLOSURES		
Organization Profile		
102-1	Name of Organization	Manila Water Company, Inc.
102-2	Activities, brands, products, and services	38
102-3	Location of headquarters	303
102-4	Location of operations	37
102-5	Ownership and Legal form	35
102-6	Markets served	37
102-7	Scale of the organization	35, 60
102-8	Information on employees and other workers	60-64
102-9	Supply chain	39, 56
102-10	Significant changes to the organization and its supply chain	39, 56
102-11	Precautionary Principle or approach	44-49
102-12	External initiatives	35, 40-41, 57, 65, 75, 79
102-13	Membership of associations	149
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102-14	Statement from senior decision maker	4-7, 8-11
102-15	Key impacts, risks, and opportunities	44-49
Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	2-3
Governance		
102-18	Governance structure	34-35, 108
102-19	Delegating authority	108-133
102-23	Chair of the highest governance body	34-35, 108, 134
102-24	Nominating and selecting the highest governance body	116-117
102-25	Conflicts of interest	127
102-26	Role of highest governance body in setting purpose, values, and strategy	108-109, 113-114
102-27	Collective knowledge of highest governance body	108-109
102-28	Evaluating the highest governance body's performance	109-112
102-29	Identifying and managing economic, environmental, and social impacts	113-114

GRI Standard Disclosures		Page Number / Content
102-30	Effectiveness of risk management processes	44-49, 129
102-31	Review of economic, environmental, and social topics	113-114
102-32	Highest governance body's role in sustainability reporting	113-114, 124
102-33	Communicating critical concerns	44-49, 52-56
102-34	Nature and total number of critical concerns	44-49, 52-56
102-36	Process for determining remuneration	117
102-37	Stakeholders' involvement in remuneration	117
Stakeholder Engagement		
102-40	List of stakeholder groups	54
102-41	Collective bargaining agreements	64
102-42	Identifying and selecting stakeholders	52-56
102-43	Approach to stakeholder engagement	52-56
102-44	Key topics and concerns raised	52-56
Reporting Practice		
102-45	Entities included in the consolidated financial statements	1
102-46	Defining report content and topic Boundaries	53, 150-157
102-47	List of material topics	53
102-48	Restatements of information	81-82
102-49	Changes in reporting	None
102-50	Reporting period	This report covers the period of January 1, 2020 to December 31, 2020
102-51	Publication date of most recent report	Apr-20
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Mark Orbos Director, Corporate Strategy and Investor Relations Mark Tom Q. Mulingbayan Chief Sustainability Officer
102-54	Claims of reporting in accordance with the GRI Standards	1, 150
102-55	GRI content index	150-155
102-56	External assurance	158-161

GRI AND SASB CONTENT INDEX

GRI Standard Disclosures		Page Number / Content
GRI 200 ECONOMIC SPECIFIC DISCLOSURES		
Economic Performance		
201	Management Approach	36, 84
201-1	Direct Economic Value Generated & Distributed	36
201-4	Financial assistance received from the gov't.	The Manila Water Group has not received any financial assistance or subsidy from the government for the current year
Indirect Economic Impacts		
203	Management Approach	34
203-1	Infrastructure investments and services supported	34-35, 40-41, 86-91
Procurement Practices		
204	Management Approach	47
204-1	Proportion of spending on local suppliers	41
Anti-Corruption		
205-2	Communication & training about anti-corruption policies & procedures	128
GRI 300 ENVIRONMENTAL SPECIFIC DISCLOSURES		
Scope and Boundary: Environmental indicators include all operating Philippine subsidiaries particularly the Bulacan Aqua Estate, Bulacan Water, Boracay Water, Calasiao Water, Cebu Water, Clark Water, Estate Water, Laguna Water, East Zone Concession , Manila Water Total Solutions and Obando Water. Manila Water Asia Pacific's Kenh Dong Water and Thu Duc Water are also included in the scope.		
Material		
301	Management Approach	78
301-1	Materials used by weight or volume	79, Environmental Performance Index in Microsite
Energy		
302	Management Approach	79-80
302-1	Energy consumption within the organization	81, Environmental Performance Index in Microsite
302-3	Energy Intensity	81, Environmental Performance Index in Microsite
Water		
303	Management Approach	68-72
2018: 303-3	Water Withdrawal by Source	39, 68, Environmental Performance Index in Microsite

GRI Standard Disclosures		Page Number / Content
Biodiversity		
304	Management Approach	70-72
304-3	Habitats protected or restored	35, 39, 41, 70, Environmental Performance Index in Microsite
Emissions		
305	Management Approach	80-82
305-1	Direct (Scope 1) GHG emissions	82, Environmental Performance Index in Microsite
305-2	Energy Indirect (Scope 2) GHG emissions	82, Environmental Performance Index in Microsite
305-3	Other indirect (Scope 3) GHG emissions	82, Environmental Performance Index in Microsite
305-4	GHG emission intensity	82, Environmental Performance Index in Microsite
Wastes		
306	Management Approach	48, 73-76
306-1	Water Discharge by Quality and Destination	41, 74, Environmental Performance Index in Microsite
2020:306-2	Waste Generated	76-77
306-3	Significant spills	No significant spills
Environmental Compliance		
307	Management Approach	75
307-1	Environmental Compliance	75
	Environmental Education and Advocacy	40, 82-83
	Non-revenue water	35, 77-78
Supplier Environmental Assessment		
308	Management Approach	56
308-1	New suppliers that were screened using environmental criteria	39,56
GRI 400 SOCIAL SPECIFIC DISCLOSURES		
Scope and Boundary: Consolidated figures of Manila Water which includes all local and international subsidiaries		
Employment		
401	Management Approach	60
401-1	New employee hires and turnover	61

GRI AND SASB CONTENT INDEX

GRI Standard Disclosures		Page Number / Content
Occupational Health and Safety		
2018:403	Management approach	65
2018:403-1	Occupational health and safety management system	66
2018:403-2	Hazard identification, risk assessment, and incident investigation	66
2018:403-3	Occupational health services	66
2018:403-9	Work-related injuries	Economic and Social Performance Index in Microsite
2018:403-10	Work-related injuries	Economic and Social Performance Index in Microsite
Training and Education		
404	Management Approach	61
404-1	Average hours of training per year per employee	62, Economic and Social Performance Index in Microsite
404-2	Programs for upgrading employee skills and transition assistance programs	62, Economic and Social Performance Index in Microsite
Diversity and Equal Opportunity		
405	Management Approach	34, 60
405-1	Diversity of governance bodies and employees	34, 60, Economic and Social Performance Index in Microsite
Nondiscrimination		
406	Management Approach	60
406-1	Incidents of non-discrimination and corrective action taken	There were no incidents of discrimination in 2020
Freedom of Association and Collective Bargaining		
407	Management approach	55
407-1	Operations & suppliers in which the right to freedom of association and collective bargaining may be at risk	64
Rights of Indigenous People		
411	Management approach	56, 59
411-1	Incidents of violation involving the rights of IPs	There were no incidents of violation involving the rights of IPs in 2020

GRI Standard Disclosures		Page Number / Content
Local Communities		
413	Management Approach	57
413-1	Operations with local community engagement, impact assessment, and development programs	57-59, 86-91
Customer Health and Safety		
416	Management Approach	65
416-1	Assessment of the health and safety impacts of product and service categories	65-66
416-2	Incidents of non-compliance concerning the health & safety impacts of products & services	There were no incidents of non-compliance concerning health and safety impacts of products and services
Socio-economic Compliance		
419	Management Approach	57
419-1	Non-compliance with laws & regulations in the social & economic area	There were no fines and sanctions above Php 50,000.00 (whether monetary or non-monetary) noted for non-compliance with relevant laws and/or regulations.

SASB Accounting Metrics		Page Number/ Content
Energy Management		
IF-WU-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewables	81
Distribution Network Efficiency		
IF-WU-140a.1	Water main replacement rate	Business units will undergo a capacity building initiative to standardize the data collection on water main replacement rate. Figures are expected to be provided covering the year 2021.
IF-WU-140a.2	Volume of non-revenue real water losses	77
Effluent Quality Management		
IF-WU-140b.1	Number of incidents of non-compliance associated with water effluent quality permits, standards, and regulations	75
IF-WU-140b.2	Discussion of strategies to manage effluents of emerging concern	48, 75

GRI AND SASB CONTENT INDEX

SASB Accounting Metrics		Page Number/ Content
Water Affordability & Access		
IF-WU-240a.1	Average retail water rate for (1) residential, (2) commercial, and (3) industrial customers	Not applicable Ave. water retail rate is set by the regulatory agency to which each business unit of the Company reports to.
IF-WU-240a.2	Typical monthly water bill for residential customers for 10 Ccf of water delivered per month	Business units will undergo a capacity building initiative to standardize the data collection of a typical monthly water bill for residential customers for 10 Ccf. Figures are expected to be provided covering the year 2021.
IF-WU-240a.3	Number of residential customer water disconnections for non-payment, percentage reconnected within 30 days	Economic and Social Performance Index
IF-WU-240a.4	Discussion of impact of external factors on customer affordability of water, including the economic conditions of the service territory	84-85
Drinking Water Quality		
IF-WU-250a.1	Number of (1) acute health-based, (2) non acute health-based, and (3) non-health-based drinking water violations	66
IF-WU-250a.2	Discussion of strategies to manage drinking water contaminants of emerging concern	65-66
End-Use Efficiency		
IF-WU-420a.1	Percentage of water utility revenues from rate structures that are designed to promote conservation and revenue resilience	Not Applicable No rate structures designed to promote conservation and revenue resilience, approved by the regulatory agency of each business unit.
IF-WU-420a.2	Customer water savings from efficiency measures, by market	The Company publishes Water-saving hints and tips on its website and in social media.

SASB Accounting Metrics		Page Number/ Content
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	68-69
IF-WU-440a.2	Volume of recycled water delivered to customers	Manila Water does not recycle its wastewater for delivery to customers.
IF-WU-440a.3	Discussion of strategies to manage risks associated with the quality and availability of water resources	68-72 2015-2020 Manila Water Climate Change Report
Network Resiliency & Impacts of Climate Change		
IF-WU-450a.1	Wastewater treatment capacity located in 100-year flood zones	74
IF-WU-450a.2	(1) Number and (2) volume of sanitary sewer overflows (SSO), (3) percentage of volume recovered	Manila Water does not monitor its sewer overflows.
IF-WU-450a.3	(1) Number of unplanned service disruptions, and (2) customers affected, each by duration category	Business units will undergo a capacity building initiative to standardize the data collection of unplanned service disruptions, and customers affected. Figures are expected to be provided covering the year 2021.
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	58 2015-2020 Manila Water Climate Change Report

INDEPENDENT ASSURANCE STATEMENT

INTRODUCTION

DNV GL Business Assurance Philippines Branch ("DNV") has been commissioned by the management of Manila Water Company Inc. ("MWC", SEC Identification Number: A199611593) to undertake an independent assurance of the sustainability/non-financial disclosures in MWC's 2020 Integrated Report (the "Report") in its printed format for the year ended 31st December 2020. The intended users of this Assurance Statement are the management of the Company.

We performed this assurance engagement using DNV's assurance methodology VeriSustainTM[1], which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements (ISAE) 3000 Revised*, along with the Global Reporting Initiative's ("GRI's") Principles for Defining Report Content and Report Quality and the Sustainability Accounting Standards Board's ("SASB's") industry-specific Standards. The verification engagement was carried out from December 2020 to March 2021.

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

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion related to assurance of non-financial sustainability disclosures in this Report. We are providing a 'limited level' of assurance based on DNV's VeriSustain and no external stakeholders were interviewed as part of this assurance engagement.

The engagement excludes the sustainability management, performance, and reporting practices of MWC's suppliers, contractors, and any third-parties mentioned in the Report. The Company's position statements, the statements for the management approach, and case studies and examples are excluded from the scope of our work.

RESPONSIBILITIES OF THE MANAGEMENT OF MWC AND OF THE ASSURANCE PROVIDER

The Board of MWC has sole responsibility for the preparation of the Report and is responsible for all information provided in the Report as well as the processes for collecting, analysing and reporting the information presented in the Report. MWC has stated that this Report has been prepared based on the Guiding Principles and Content Elements of the International <IR> Framework (the "<IR> Framework") and has adopted general disclosures and selected topic-specific disclosures related to identified material topics from the GRI Standards 2016, selected GRI Standards (2018 and 2020) as well as the SASB Standards 2018 (Water Utilities & Services).

DNV's assurance engagements are based on the assumption that the data and information provided by the Company to us as part of our review have been provided in good faith, true, and free from material misstatements. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. DNV was not involved in the preparation of any statement or datum included in the Report except for this Assurance Statement. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Our verification engagement included limited level of verification of sustainability performance disclosures for the identified material topics of MWC as identified under the reporting boundary brought out in the Report in the section "Material Aspects" ie. covering entities over which Manila Water has operational control or has seconded employees in operations. Our verification applies a 35% uncertainty threshold towards errors and omissions for the performance data brought out in the Report.

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[1] *he VeriSustain protocol is available on dnv.com.*

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

\# *Dated 1st March 2021*

BASIS OF OUR OPINION

We planned and performed our work to obtain the evidence considered necessary to provide a basis for our assurance opinion as part of the assurance engagement. We adopted a risk-based approach, i.e. we concentrated our verification efforts on the issues of high material relevance to Utilities and its key stakeholders. A multi-disciplinary team of sustainability and assurance specialists reviewed non-financial disclosures related to the Head Office at Quezon City, and selected sites of MWC (Taguig Business Area, Bulakan Water Company, Inc. and Laguna Water LTI Sewerage Treatment Plant in the Philippines, based on DNV's sampling plan. Due to the outbreak of the COVID-19 pandemic and associated travel restrictions, we carried out remote assessments as one-to-one discussions and onsite location assessments were not feasible. We undertook the following activities:

- Review of the non–financial sustainability disclosures in this Report;
- Review of approach to materiality determination and stakeholder engagement and recent outputs although DNV did not have any direct engagement with external stakeholders;
- Review of information provided to us by the Company on its reporting and management processes related to sustainability performance for the reporting year based on the reporting framework adopted by MWC;
- Interviews with selected members of leadership team, and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. We were free to choose interviewees and interviewed those with overall responsibility for the programmes to deliver the targets for medium- and long-term vision, mission and milestones;
- Performed desk review of selected sustainability parameters for sampled entities, and findings were discussed and resolved with the corporate sustainability team;
- Planned site assessments with three (3) sites - Taguig Business Area, Bulakan Water Company, Inc. and Laguna Water LTI Sewerage Treatment Plant – to review the processes and systems for preparing site level sustainability data and the implementation of MWC's sustainability strategy. We were free to choose the sites we sampled for our remote assessments;
- Review of supporting evidence for key claims and data disclosed in the Report. Our verification processes were prioritized based on our risk-based approach, i.e. relevance of identified material topics and sustainability context of the business;
- Review of the processes for gathering and consolidating the performance data and, for a sample, checking the data consolidation at site and corporate levels.

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

OPINION AND OBSERVATIONS

On the basis of the limited assurance engagement undertaken, nothing has come to our attention to suggest that MWC's 2020 Integrated Report does not properly describe the non-financial performance of identified material topics based on the Guiding Principles and Content Elements of the International <IR> Framework ("<IR> Framework").

Without affecting our assurance opinion, we also provide the following observations against the principles of VeriSustain:

Stakeholder Inclusiveness

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

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

The Report brings out the Company's relationships with its key stakeholders who affect operations and influence performance ie. regulators, customers, employees, the finance community, suppliers and the media. The Report brings out the channels and initiatives that the Company has established to engage with identified stakeholders and MWC's responses to these key concerns through various disclosures on strategies and value creation in the Report, and other platforms and mechanisms.

INDEPENDENT ASSURANCE STATEMENT

MATERIALITY

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

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

The Report brings out MWC's process for identification and prioritization of the Company's material matters. This is based on global environmental, social and governance (ESG) standards and considers ESG issues that could result in significant impacts on communities, business partners, workforce and the environment, and the relative influence on stakeholders' assessment and decision making, considering the requirements of the <IR> Framework's Guiding Principles. The material matters identified were further validated through stakeholder engagements conducted remotely during the year.

Responsiveness

The extent to which an organization responds to stakeholder issues.

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

Responses to identified material topics and significant issues which have arisen during the reporting period are addressed through disclosures on strategies, management approach and dedicated 'Special Reports'. Further, the Report also brings out its non-financial performance related to its material topics through selected GRI Topic-Specific Standards and Sustainability Accounting Standards Board (SASB) disclosures. The Report considers the risks, opportunities and outcomes associated with significant stakeholders and the external environment, and brings out the implications and mitigation mechanisms deployed by the Company to maintain its ability to create value on the long term. The Report may further strengthen on this Principle in future reporting periods by bringing out the long- and medium-term targets towards value creation related to its identified material topics.

Reliability

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

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

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

Completeness

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

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

The Report discloses the Company's non-financial disclosures based on the <IR> Framework and performance during the chosen reporting period related to its material issues using appropriate GRI Topic Specific Standards and SASB disclosures, for the identified boundary of operations and covering the Company's approaches to value creation achieved through its identified capitals, its business model, strategies and management approach disclosures and responses to key challenges faced.

Neutrality

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

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

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

Statement of Competence and Independence

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

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

DNV has provided assurance to Ayala Corporation, Ayala Land Inc., Globe Telecom, Inc, AC Energy Philippines, Inc and the Bank of Philippine Islands. In our opinion, there is no conflict of interest in the assurance engagement provided to the business units of Ayala Group. DNV did not provide any services to MWC in 2020 that could compromise the independence or impartiality of our work.

For and on behalf of DNV GL Business Assurance AS Philippines Branch

Soh, Mui Yan Digitally signed by Soh, Mui Yan Date: 2021.03.11 13:53:35 +08'00'	Mak, Heng Chwin Digitally signed by Mak, Heng Chwin Date: 2021.03.11 17:03:35 +08'00'	Vadakepatth, Nandkumar Digitally signed by Vadakepatth, Nandkumar Date: 2021.03.11 12:12:22 +05'30'
Mui Yan Soh Lead Assessor DNV GL Business Assurance Singapore Pte. Ltd.	Heng Chwin Mak Regional Manager APAC IME, DNV GL Business Assurance Singapore Pte. Ltd.	Vadakepatth Nandkumar Assurance Reviewer DNV – Business Assurance India Private Limited.

11th March 2021, Manila, Philippines

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

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[2] *The DNV Code of Conduct is available from the DNV website (www.dnv.com)*

MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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

Any references in this MD&A to "our", "us", "we", "MWCI" or the "Group" shall refer to Manila Water Company, Inc., including its subsidiaries. Any reference to "Manila Water Company", "Manila Water", "MWC" or the "Company" shall refer to the Parent Company only.

Additional information about the Group, including recent disclosures of material events and annual/quarterly reports, are available at our corporate website at www.manilawater.com.

OVERVIEW OF THE BUSINESS

Manila Water Company holds the right to provide water and used water services to the eastern side of Metro Manila (Manila Concession or East Zone) under a Concession Agreement (CA) entered into between the Company and the Metropolitan Waterworks and Sewerage System (MWSS) in August 1997. The original term of the concession was for a period of 25 years to expire in 2022. The Company's concession was extended by another 15 years by MWSS and the Philippine Government in 2009, thereby extending the term from May 2022 to May 2037.

The Company provides water treatment, water distribution, sewerage and sanitation services to more than seven million people in the East Zone, comprising a broad range of residential, semi-business, commercial and industrial customers. The East Zone encompasses 23 cities and municipalities spanning a 1,400-square kilometer area that includes Makati, Mandaluyong, Pasig, Pateros, San Juan, Taguig, Marikina, most parts of Quezon City, portions of Manila, as well as the following towns of Rizal: Angono, Antipolo, Baras, Binangonan, Cainta, Cardona, Jala-Jala, Morong, Pililia, Rodriguez, San Mateo, Tanay, Taytay, and Teresa.

Under the terms of the CA, the Company has the right to the use of land and operational fixed assets, and the right, as agent and concessionaire of MWSS, to extract and treat raw water, distribute and sell water, and collect, transport, treat and dispose used water, including reusable industrial effluent discharged by the sewerage system in the East Zone. The Company is entitled to recover over the concession period its operating, capital maintenance and investment expenditures, business taxes, and concession fee payments, and to earn a rate of return on these expenditures for the remaining term of the concession.

Aside from the East Zone Concession, the Group has a holding company for all its domestic operating subsidiaries in Manila Water Philippine Ventures, Inc. (MWPV). Currently under MWPV are (1) bulk water supply businesses Metro Ilagan Water Company, Inc. (Ilagan Water), Manila Water Consortium, Inc. (MW Consortium), a subsidiary of MW Consortium – Cebu Manila Water Development, Inc. (Cebu Water), Davao del Norte Water Infrastructure Company, Inc. (Davao Water), a subsidiary of Davao Water – Tagum Water Company, Inc. (Tagum Water); (2) Water distribution and used water services businesses namely, Boracay Island Water Company (Boracay Water), Clark Water Corporation (Clark Water), Laguna AAAWater Corporation (Laguna Water), Filipinas Water Consortium Holdings Corp. (Filipinas Water), subsidiaries of Filipinas Water – Obando Water Company, Inc. (Obando Water), MWPV South Luzon Water Corp. (South Luzon Water) and Bulakan Water Company, Inc. (Bulakan Water), Calbayog Water Company, Inc. (Calbayog Water), North Luzon Water Company, Inc. (North Luzon Water), Leyte Water Company, Inc. (Leyte Water), Aqua Centro MWPV Corp. (Aqua Centro) for its Lambunao Project and Metro Ilagan Water Company, Inc. (Ilagan Water) for its Septage Management Agreement. 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 used water service businesses are comprised of Aqua Centro MWPV Corp. (Aqua Centro), Bulacan MWPV Development Corporation (BMDC), Manila Water Technical Ventures, Inc. (MWTV), EcoWater MWPV Corp. (EcoWater); and Estate Water, a division under MWPV that operates and manages the water systems of townships developed by Ayala Land, Inc.

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.

Lastly, Manila Water Total Solutions Corp. (MWTS), a wholly-owned subsidiary, handles after-the-meter products and services including pipe-laying, integrated wastewater services, the incubation of new sector businesses and until October 31, 2020 the sale of Healthy Family Purified Water in five-gallon, 500-ml and 350-ml bottles in selected areas in Metro Manila.

CONSOLIDATED FINANCIAL PERFORMANCE

Group net income for the period ended December 31, 2020 declined by 18 percent from the same period last year to Php4,500 million[1] from Php5,496 million. Excluding the one-offs, core income stood at Php5,779 million, 22 percent lower than the same period last year. This was driven by lower contribution from domestic subsidiaries due to impact of COVID-19 pandemic, as well as one-off recognition of additional estimates for probable losses across the Group.

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

	For the periods ended December 31 (in million Pesos)			
	2020	2019	**Increase/ (Decrease)**	**%**
Total operating revenues	**21,125**	21,647	(522)	-2%
Total cost and expenses (excluding depreciation and amortization)	**8,338**	9,606	(1,268)	-13%
Other income (loss) - net	**(844)**	621	(1,465)	-236%
Equity share in net income of associates	**214**	654	(440)	-67%
Other Income (Expense)	**(1,058)**	(32)	(1,026)	-3,175%
EBITDA	**11,943**	12,663	(720)	-6%
Depreciation and amortization	**3,523**	2,925	598	20%
Income before interest income/expenses	**8,420**	9,738	(1,318)	-14%
Interest income (expense) - net	**(1,757)**	(1,666)	(91)	5%
Income before income tax	**6,663**	8,072	(1,409)	-17%
Provision for income tax	**1,749**	2,375	(626)	-26%
Net income	**4,914**	5,697	(782)	-14%
Operation of the segment under PFRS 5 - after tax[1]	**(369)**	(57)	(312)	547%
Non-controlling interest	**45**	144	(99)	-69%
Net income attributable to MWC	**4,500**	5,496	(996)	-18%

Consolidated operating revenues declined to Php21,125 million in 2020 from Php21,647 million the previous year driven

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[1] *For both December 31, 2020 and 2019 periods, the Group has presented as a single amount in its consolidated statements of income representing the post-tax net loss of its discontinued operations in Zamboanga Water and the Healthy Family business division of MWTS. PFRS 5 defines a discontinued operation as a component of an entity that has been disposed of or is classified as held for sale. The termination of Zamboanga Water's NRWRSA and the closure of the Healthy Family business division falls under this definition.*

MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

by lower contribution from the domestic subsidiaries, specifically Estate Water and Boracay Water . The relatively flat revenue contribution from the East Zone Concession was partially offset by lower revenues from other domestic subsidiaries and lower other operating income which decreased by 46 percent largely as a result of lower supervision fees from Estate Water. The Group derived 80 percent of its operating revenues from the sale of water, while 16 percent came from environmental and sewer charges. Other revenues, which accounted for the balance, are comprised of supervision fees, after-the-meter services, connection fees and septic sludge disposal, among others.

	For the periods ended December 31 (in million Pesos)			
	2020	2019	**Increase/ (Decrease)**	**%**
Salaries, wages and employee benefits	**2,267**	2,315	(47)	-2%
Direct costs	**3,735**	4,220	(485)	-11%
Overhead	**1,561**	2,291	(730)	-32%
Premises	**361**	375	(14)	-4%
Other expenses	**413**	406	8	2%
Total cost and expenses (excluding depreciation and amortization)	**8,338**	9,606	(1,268)	-13%

Consolidated costs and expenses (excluding depreciation and amortization) decreased by 13 percent to Php8,338 million in 2020 from Php9,606 million as all expense accounts posted decline versus the same period last year. Notable is the 25 percent decline in overhead costs which was largely due to the one-off expenses in 2019 such as the Php534 million in relation to the penalty imposed by MWSS and additional expenses which arose in the ordinary course of business. Meanwhile, direct costs declined 11 percent to Php3,735 million, driven by lower septic sludge disposal and repairs and maintenance due to postponement of activities during the Enhanced Community Quarantine (ECQ). This decline was supported by the lower power, light and water expenses despite the higher supply coming from the Cardona Water Treatment Plant and deep wells which operate at a higher production cost, as well as the higher direct cost levels in some domestic subsidiaries.

Equity Share in Net Income of Associates decreased 67 percent during the period to Php214 million, mainly driven by lower contribution from Saigon Water and East Water, with the latter's lower contribution due to the finalization of the Purchase Price Allocation (PPA). Said decrease was slightly offset by the higher contributions from Thu Duc Water and Kenh Dong Water which increased by 9 percent and 26 percent respectively. Meanwhile, Other Expenses totaled Php1,058 million for the period, driven by net foreign exchange losses, as well as the provisions for probable losses for Cu Chi Water and Zamboanga Water.

Consequently, consolidated earnings before interest, income taxes, depreciation and amortization (EBITDA) declined by 6 percent to end at Php11,943 million in 2020, with an EBITDA margin of 57 percent. Depreciation and amortization rose by 20 percent to Php3,523 million mainly attributable to the completed capital expenditures in 2019 and the relatively higher billed volume and wastewater flows in 2020.

Net interest expense was higher by 5 percent to Php1,757 million from the same period last year, driven by the increase in loans, including the sustainable bonds, of the East Zone Concession and other subsidiaries.

BUSINESS UNITS' FINANCIAL AND OPERATING PERFORMANCE

Parent Company – East Zone

Net income of the Parent Company stood at Php4,666 million for the full year 2020, a 7 percent year-on-year decline from Php5,022 million driven primarily by the impact of the recognized impairment loss in the Company's investment in MWTS amounting to Php755 million[2]. This recognition partially offset the otherwise resilient performance of the business amid the COVID-19 pandemic which affected all businesses globally. Excluding one-offs, core income of the Parent Company was at Php5,736 million, 15 percent lower than the same period in 2019 due to higher depreciation expense from completed projects, interest expense and note forex losses from the issuance of sustainability bonds.

	For the periods ended December 31			
	2020	2019	**Increase/ (Decrease)**	**%**
Operating Highlights				
Billed volume (in million cubic meters)	506	494	12.4	3%
Number of billed connections	1,017,639	1,002,380	15,259	2%
Collection Efficiency	92.36%	99.63%	(7.3 ppts.)	
Non-revenue water (end-of-period)	15.5%	10.5%	(5.2 ppts.)	
Financial Highlights (in million Pesos)				
Revenues	17,104	17,039	65	0%
Cost and expenses	5,435	6,595	(1,160)	-18%
Other Income (Expense)	(1,524)	48	(1,572)	-3,293%
EBITDA	10,145	10,492	(348)	-3%
Amortization & Depreciation	2,848	2,405	443	18%
Interest Expense - net	(1,099)	(1,019)	(80)	8%
Provision for Income Tax	1,531	2,045	(515)	-25%
Net income	4,666	5,022	(356)	-7%

The favorable raw water levels and the Company's resilient service performance even under the imposed strict community quarantine restrictions helped bolster a 3 percent improvement in billed volume. However, the COVID-19 pandemic had a significant impact on customer mix. Specifically, billed volume mix shifted 5 percentage points in favor of the residential segment, as businesses ceased operations and more people were confined to their homes during the imposed community quarantines. As a result, revenue mix was affected by way of an 8 percentage point movement towards the residential segment, which in turn caused average tariff to decrease 2 percent from the same period last year. This led to revenues of Php17,104 million for the period, relatively flat versus last year. Excluding the effect of the voluntary bill waiver program in 2019 amounting to Php353 million, revenues would have been lower by 2 percent versus last year.

Meanwhile, cost and expenses decreased 18 percent to Php5,435 million, despite higher Expected Credit Losses amounting to Php259 million due to extension of due dates for water bills. The overall decrease in cost and expenses was driven by aggressive cost management in response to the challenges posed by the COVID-19 pandemic, and relatively by the penalty of MWSS in 2019. Additional expenses recognized were in 2019 in line with various exposures pertaining to operations and legal proceedings that arise in the ordinary course of business.

The Company recorded a Php534 million penalty imposed by MWSS in relation to the water supply shortage in 2019. Even as Manila Water abides by the MWSS decision to impose said penalty in 2019, Manila Water assumes no liability on the penalty's basis as the Company was not the root cause of the water supply shortage.

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[2] *Impairment loss recognized at the Parent-level is eliminated at the consolidated level*

MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

During the 2nd half of 2019, the Supreme Court ordered each of the MWSS concessionaires, jointly and severally with MWSS, to pay more than Php921 million in fines for non-compliance with the Clean Water Act. The Company affirmed that it will exercise all its legal options in relation to this case, including the filing of a Motion for Reconsideration which it timely submitted to the Supreme Court on October 2, 2019.

With these, EBITDA declined by 4 percent to Php10,145 million from Php10,492 million in the same period last year. EBITDA margin stood at 59 percent.

Collection levels were similarly affected by the COVID-19 pandemic, as community quarantine restrictions posed challenges for customers to pay their bills. In compliance with the mandate of MWSS and in line with the Bayanihan Law, the Company suspended disconnection activities and provided installment payment schemes to customers as necessary. While these factors caused collection efficiency to drop to over 92 percent from about 100 percent the same period last year, significant recovery in collection levels were realized as quarantine restrictions were eased.

In spite of the challenges in 2020 posed in large part by the COVID-19 pandemic, the Company remained resilient and continued to deliver on its service obligations to customers.

Manila Water Philippines Ventures (MWPV)

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

	For the periods ended December 31			
	2020	2019	**Increase/ (Decrease)**	**%**
Operating Highlights				
Billed volume (in million cubic meters)	105	97	8	9%
Financial Highlights (in million Pesos)				
Revenues	4,224	4,686	(462)	-10%
Cost and expenses	2,950	2,894	56	2%
EBITDA	1,319	1,822	(503)	-28%
Operation of the segment under PFRS 5 - after tax[3]	(334)	89	(423)	-476%
Net income (loss) attributable to MWC	(480)	450	(930)	-207%

MWPV ended the year 2020 with a net loss of Php480[3] million, 207 percent lower than last year due to the combined effects of the following: (1) lower net income contribution from Estate Water attributable to the decrease in supervision fees, with said decrease mainly due to the change in accounting treatment and the slowdown in projects; (2) the decrease in net income of Boracay Water mainly due to an 84 percent decline in tourist arrivals brought about by the COVID-19 pandemic; (3) higher operating expenses and financing costs of MWPV's standalone operations; (4) higher depreciation and amortization expenses due to additional capital expenditures; and (5) additional estimates for the Group's various exposures during the period, including significant provisions in line with Zamboanga Water.

On a consolidated MWPV level, revenues declined by 10 percent to Php4,224 million. Specifically, the noted 4 percent growth in water and wastewater revenues for the period was offset by the 70 percent decline in Estate Water's supervision fees. The year-on-year growth in water and wastewater revenues was attributable to the 9 percent increase in billed volume, mostly coming from the full year operations of new operating subsidiaries, as well as higher effective tariff of Laguna Water with its upward tariff adjustment implemented at the start of 2020. Cost and expenses were higher by 2 percent year-on-year to Php2,950 million. This was attributable to the net effect of the following: (1) decrease in power costs

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[3] For both December 31, 2020 and 2019 periods, MWPV has presented as a single amount in its consolidated statements of income representing the post-tax net loss of its discontinued operations in Zamboanga. PFRS 5 defines a discontinued operation as a component of an entity that has been disposed of or is classified as held for sale. The termination of Zamboanga Water's NRWRSA business division falls under this definition.

and outsourced services, (2) decrease in desludging and water tankering costs of Estate Water; (3) higher personnel cost due to headcount increases in line with business expansion and localization of seconded talents; (4) impairment of contract assets from bulk water agreements and (5) additional provision for probable exposures.

In line with MWPV Group's governance and management practices, additional expenses for estimated probable losses pertaining to operations are reviewed periodically and are adjusted to reflect the current state of the business. In 2020, an additional provision of Php218 million was recognized in relation to the termination of Zamboanga Water's contract with Zamboanga City Water District.

The movements in the MWPV Group's revenues and costs resulted in a 28 percent reduction in EBITDA to Php1,319 million from Php1,822 million in 2019. EBITDA margin was at 31 percent, lower by 8 percentage points from last year's 39 percent.

Net interest expense stood at Php478 million, higher by 14 percent versus the same period last year, driven by additional loan drawdowns of the subsidiaries. Depreciation and amortization expense grew by 29 percent to Php708 million, due to significant capital expenditures made by the Group in prior years which have already been depreciated.

Collection levels of the domestic subsidiaries were also affected during the period of the ECQ, but tracked on an upward trajectory as soon as quarantine restrictions were eased in the third quarter. As such, the total collection efficiency of the MWPV group for 2020 stood at 95 percent.

Below is a summary of the results of MWPV's core subsidiaries:

	For the periods ended December 31			
	2020	2019	**Increase/ (Decrease)**	**%**
Clark Water				
Billed volume (in million cubic meters)	13.4	14.5	(1.0)	-7%
Net income (in million Pesos)	(80)	43	(123)	-286%
Laguna Water				
Billed volume (in million cubic meters)	44.9	44.1	0.8	2%
Net income (in million Pesos)	481	409	72	18%
Boracay Water				
Billed volume (in million cubic meters)	3.2	4.8	(1.6)	-33%
Net income (in million Pesos)	(117)	79	(196)	-248%
Estate Water (Division of MWPV)				
Supervision Fees	*249*	*825*	(576)	-70%
Billed volume (in million cubic meters)	10.5	10.5	(0.0)	0%
Net income (in million Pesos)	(76)	355	(432)	-121%

MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Manila Water Asia Pacific (MWAP)

The following discussion covers the consolidated results of Manila Water Asia Pacific (MWAP), which is comprised of the performance contributions of the associates in Vietnam, Thailand and Indonesia.

	For the periods ended December 31			
	2020	2019	**Increase/ (Decrease)**	**%**
Operating Highlights				
Billed volume (in million cubic meters)*	628	654	(26)	-4%
Financial Highlights (in million Pesos)				
Equity Share in Net Income of Associates	214	654	(440)	-67%
Cost and expenses	85	158	(73)	-46%
EBITDA	(212)	415	(627)	-151%
Net income attributable to MWC	(371)	172	(543)	-316%

On a consolidated MWAP level, net income attributable to MWC declined by 316 percent to a net loss of Php371 million mainly due to the recognition of additional expenses in relation to MWAP's investments in Cu Chi Water, Saigon Water and East Water. Excluding one-offs, core income of MWAP was at Php163 million, 12 percent higher than last year.

In line with MWAP Group's governance and management practices, additional expenses for estimated losses pertaining to operations are reviewed periodically. Following this review, estimates are adjusted to reflect the current state of the business. An additional expense of Php337 million was recognized during the year ended December 31, 2020 in relation to the Group's exposures.

Equity share in net income of associates also decreased by 67 percent to P214 million mainly due to the finalization of the purchase price allocation of the Investment in East Water in 2020 following the acquisition in 2018. Goodwill for the acquisition was reduced by THB1,496 million, which was reallocated to Fair Value of the underlying assets of East Water. As of December 31, 2020, total adjustment related to the fair value amortization of East Water's investment amounted to THB259 million, equivalent to Php411 million.

On the other hand, cost and expenses declined by 46 percent to Php85 million, attributable to the lower travel expenses due to travel restrictions and deferment of new business development activities brought about by the COVID-19 pandemic.

Below is a summary of the results of MWAP's associates:

	For the periods ended December 31			
Equity Share in Net Income of Associates - PFRS	**2020**	2019	**Increase/ (Decrease)**	**%**
East Water at 18.72% contribution, before adjustment	**232**	323	(91)	-28%
Impact of Fair Value Amportization	**411**	29		
East Water at 18.72% contribution, adjusted	**(179)**	295	(474)	-161%
Thu Duc Water at 49.00% contribution	**267**	245	21	9%
Kenh Dong Water at 47.35% contribution	**164**	131	33	26%
Saigon Water at 37.99% contribution	**(37)**	(19)	(18)	-98%
PT STU at 20% contribution	**(0.7)**	1.5	(2)	-148%
TOTAL	**214**	654	**(440)**	**-67%**

Manila Water Total Solutions[4]

The following discussion includes the consolidated results of Manila Water Total Solutions (MWTS), as well as the individual performance of its pipe-laying services, integrated used water services, as well as the sale of packaged water under the Healthy Family Purified Water brand.

	For the periods ended December 31			
	2020	2019	**Increase/ (Decrease)**	**%**
NI Contribution per Segment (in million Pesos)				
Pipelaying	**(11)**	25	(37)	-145%
Environmental Services	**(16)**	(22)	6	26%
Head Office Costs	**(18)**	(9)	(9)	95%
MWTS Net Income (Loss) from Continuing Operations	**(45)**	(6)	(40)	-684%
Healthy Family	**(63)**	(160)	96	60%
MWTS Net Income (Net Loss)	**(109)**	(165)	57	34%

For Healthy Family, bottle sales declined by 56 percent to 2.5 million bottles from 5.7 million bottles in the same period last year. While the losses from operations were partially offset by the gain on the revaluation of assets as well as its closure effective October 31, 2020, Healthy Family ended 2020 with a net loss of Php63 million. Meanwhile, for the Environmental Services segment, the slowdown in projects caused a significant drag on profitability by way of a net loss of Php16 million for the period. This is likewise the case for the Pipelaying segment, wherein delays in the implementation of its remaining projects have drove down performance to a net loss of about Php11 million. Coupled with higher head office costs amounting to Php18 million, MWTS ended 2020 with a net loss level of about Php109 million.

CONSOLIDATED BALANCE SHEET

Total assets as of December 2020 stood at nearly Php157 billion, an increase of about Php22 billion against December 2019 driven by the increase in cash and short-term investments and service concession assets. The Group balance sheet remains strong, with the Company remaining compliant with loan covenants and key ratios maintained well within set tolerances.

	As of December 31 (in million Pesos)			
	As of Dec 31, 2020	As of Dec 31, 2019	**Increase/ (Decrease)**	**%**
Assets	**156,527**	134,602	21,925	16%
Cash + Short Term Investments	**20,857**	9,068	11,789	130%
Service Concession Assets	**102,272**	93,519	8,753	9%
Other Assets	**33,398**	32,015	1,383	4%
Liabilities	**96,363**	78,610	17,753	23%
Equity	**60,163**	55,991	4,172	7%

Ratios		
Net Bank Debt to Equity	0.90x	0.86x
DSCR	1.89x	1.48x
ROE	8%	10%

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[4] Beginning 2021, MWTS will no longer be part of the main sections to be discussed in the Company's Management Discussion & Analysis. Future significant developments shall be provided in the Recent Material Events section as necessary.

MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Total long-term debt (including bonds) for the period increased to Php73,532 million from Php56,356 million in December 2019, while net bank debt was at Php52,675 million from Php47,288 million . Net bank debt to equity was at 0.90x while Debt Service Coverage Ratio (DSCR) stood at 1.89x. Average Cost of Debt for the Group was at 4.25 percent, 25 basis points lower than the same period last year, while Return-on-Equity was at 8 percent.

In view of prevailing circumstances, Manila Water did not declare cash dividends in 2020. With the ongoing discussions with government on the Concession Agreement, as well as the need to continuously focus on service continuity and operations resiliency amid the prevailing challenges posed by the COVID-19 pandemic, resources are being prioritized towards ensuring reliable service to customers.

CONSOLIDATED CAPITAL EXPENDITURES

The Group ended 2020 with total capital expenditures of Php12,090 million, with Php9,840 million or 81 percent of said amount accounted for by the East Zone Concession. Majority of the East Zone Concession's capital expenditures were spent on wastewater expansion, network reliability and water supply projects in line with attaining service obligations outlined in its government-approved Rate Rebasing service improvement plan. The balance was accounted for by concession fees paid to MWSS.

Meanwhile, total capital expenditures of the domestic subsidiaries amounted to Php2,250 million. Of the total amount, Php445 million was undertaken by Laguna Water for its water network expansion, while Boracay Water disbursed Php239 million. Estate Water spent Php972 million for its greenfield and brownfield projects, while the balance was taken on by the remaining subsidiaries for its various projects.

RECENT MATERIAL EVENTS

Subscription by Prime Metroline Holdings, Inc./Trident Water

During the first quarter of 2020, the Company signed a Subscription Agreement with Trident Water for the acquisition of 820 million common shares, which represents 25 percent stake in Manila Water, at Php13 per share or estimated total proceeds of Php10.7 billion in equity.

The signing of the Subscription Agreement, as well as the approvals secured from shareholders at the 2020 Annual Stockholders' Meeting for the increase in capital stock and carved out shares, are components of a series of events towards the completion of the transaction. Other conditions precedent and approvals are being worked on and remain in progress.

On July 02, 2020, the Company received formal notice from the SEC approving several key amendments to the Company's Amended Articles of Incorporation. Particularly, these amendments are (1) to increase the Carved-Out Shares from 300 Million unissued common shares to 900 Million unissued common shares allocated for issuance in one or more transactions or offerings for cash, properties, or assets to carry out the Company's corporate purposes as approved by the Board of Directors; and (2) to allow the issuance of the Carved-Out Shares "for cash, properties, or assets to carry out" the corporate purposes of the Company as approved by the Board of Directors. Carved-Out Shares are common shares which are waived of shareholders' pre-emptive rights and are earmarked for specific corporate purposes.

On August 25, 2020, the Company received a copy of the resolution from PCC, indicating that said Commission will take no further action with respect to the transaction. Specifically, it was deemed that the proposed acquisition of shares in Manila Water will not likely result in substantial lessening of competition.

On February 15, 2021, the Company and Prime Strategic Holdings, Inc. (previously known as Prime Metroline Holdings, Inc.) signed an Amendment to the Subscription Agreement which both parties signed last February 1, 2020. The amendment covers the inclusion of Trident Water Company Holdings, Inc. as party to the Subscription Agreement following its establishment, as well as the updated payment terms which is 50 percent upon Closing and 50 percent upon call of Manila Water's Board of Directors.

Zamboanga Water Contract Termination

On April 3, 2020, the management of Zamboanga Water, a wholly owned subsidiary of MWPV, received a letter, dated April 1, 2020, from the Zamboanga City Water District (ZCWD), informing the former of the termination of the Non-Revenue Water Reduction Service Agreement (NRWRSA) between Zamboanga Water and ZCWD. In the 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 the termination of the NRWRSA.

On April 30, 2020, the Board of Directors of Zamboanga Water approved the acceptance of ZCWD's request to terminate the NRWSA. Said approval is without prejudice the claims and remedies due Zamboanga Water under the terms and conditions of the contract, which the Company continues to uphold. Despite earnest efforts, Zamboanga Water and ZCWD were unable to arrive at an amicable settlement.

On September 16, 2020, Zamboanga Water filed a Notice of Arbitration with the Philippine dispute Resolution Center, Inc., the arbitral body designated in the NRWRSA, for claims related to unpaid fixed fees and performance fees, interest and other claims. The arbitration is currently ongoing.

Issuance of ASEAN Sustainability Bonds

On July 22, 2020, Manila Water announced its plan to issue an offering of USD-denominated senior unsecured notes, which qualify as ASEAN sustainability bonds. Proceeds from the issuance of the bond are intended to refinance debt and finance programmed capital expenditures for 2020-2021, pursuant to the Sustainability Financing Framework (SFF) which the Company recently 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 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 and SEC MC No. 8, s 2019.

On July 23, 2020, the Company successfully issued the USD500 million ASEAN sustainability bonds, debuting in the international debt capital markets. The 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 10-year non-call five-year bond was priced at 99.002 with a coupon rate of 4.375 percent p.a., offering a yield of 4.50 percent p.a.

The successful bond issuance enables the 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.

MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Closure of Healthy Family Business Division

On August 26, 2020, the Company announced that Manila Water Total Solutions Corp., a wholly owned subsidiary of Manila Water, will be closing its Healthy Family Business Division effective October 31, 2020 due to said division's recurring losses and inability to financially sustain business operations. The dynamic competitiveness in the bottled water industry and recent economic challenges, despite notable efforts of management to improve operating efficiency and profitability, proved too difficult for the business to cope and keep operations viable.

MWTS will continue to exist and operate based on its primary purpose of engaging in water, wastewater and environmental services.

Execution of Revised Concession Agreement

On March 31, 2021, MWSS and the Company executed a Revised CA following the directive of the President to review the provisions of the CA. The Revised CA confirms the continuation of the concession until July 31, 2037. The Revised CA removes recovery of Corporate Income Taxes and the adjustment for foreign currency differential (FCDA). The revised CA also lowers the yearly inflation factor to 2/3 of the Consumer Price Index adjustment and imposes a cap on tariff rate increases equivalent to 1.3x the previous standard rate for water and 1.5x the previous standard rate for wastewater. Instead of a market-driven appropriate discount rate, the Company shall now be limited to a 12% fixed nominal discount rate. The rate rebasing mechanism under the original CA is retained. However, no tariff increases will be implemented until December 31, 2022 in order to assist the disadvantaged sector and to contribute to the economy's recovery post COVID-19. The Undertaking Letter of the Republic has been retained with the exclusion of the clause prohibiting interference by the government in the rate setting mechanism and with the proviso that this shall now apply only to contracts and obligations existing at the time of execution of the revised CA.

Contingency Measures Amid the Covid-19 Pandemic

In view of the COVID-19 pandemic impact on the communities which Manila Water serves, numerous contingency measures have been undertaken to ensure business continuity and to safeguard the health and safety of employees and customers.

With the onset of the Enhanced Community Quarantine (ECQ), the Group put in place business contingency measures to ensure that critical facilities and business centers remain operational to provide reliable service to our customers. Particularly, in view of health and safety concerns, the Group suspended meter reading activities in its various service areas for the duration of the ECQ. When community quarantine restrictions were eased, the Group immediately focused on customer concerns regarding billing and payment. For customer billing concerns, the Group worked closely with its respective regulators and other government agencies to validate and provide clarifications to billing queries. Furthermore, customers were provided concessions on bill payments by way of extended payment periods and installment plans where applicable. For payment concerns, the Group pushed for the adoption of various electronic/online platforms to promote added convenience and safety for customers in their settlement of bills.

For employees, to ensure their welfare and safety amid the COVID-19 pandemic and ECQ, only essential technical and business operations employees are deployed at the facilities while the rest remain on call on a split operations/work-from-home deployment protocol. Re-entering employees were initially required to undergo rapid testing, and upon entry to Company premises are provided the necessary protection (protective gear; disinfection of facilities) and support to ensure their safety.

REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS

For the year ended December 31, 2020

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, independence and performance of external auditors and the integrity of the audit process;
c. Effectiveness of the system of internal controls;
d. Compliance with applicable legal and regulatory requirements and other reporting standards; and
e. Performance and leadership of the internal control function.

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

- An independent director chairs the Committee. The Committee has three out of four members who are independent directors;
- The Committee had six (6) meetings and executive meetings with the external and internal auditors;
- The Committee recommended to the Board of Directors the re-appointment of SGV & Co. as independent external auditors for 2020 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, 2020, with the Company's Management, internal auditors, and SGV & Co. The Committee also reviewed and discussed the annual Parent Company Financial Statements. These activities were conducted in the following context:
  - Management has the primary responsibility for the financial statements and the reporting process.
  - SGV & Co. is responsible for expressing an opinion on the conformity of the Company's audited consolidated financial statements with the Philippine Financial Reporting Standards.'
- The Committee discussed and approved the overall scope and the respective audit plans of the Company's internal auditors and of SGV & Co., the results of their audits and their assessment of the Company's internal controls, and the overall quality of the financial reporting process. The Committee reviewed the adequacy of resources, the competencies of staff and the effectiveness of the auditors to execute the audit plans ensuring that resources are reasonably allocated to the areas of highest risks. Based on the assurance provided by the internal audit as well as SGV & Co. as a result of their audit activities, the Committee assessed that the Company's system of internal controls, risk management, compliance, and governance processes are adequate.
- The Committee evaluated the performance of the Chief Audit Executive and the effectiveness of the internal audit function, including compliance with the International Standards for the Professional Practice of Internal Auditing;
- The Committee discussed the reports of the internal auditors and ensured that Management is taking appropriate actions in a timely manner, including addressing internal control and compliance issues

REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS

For the year ended December 31, 2020

- The Committee reviewed and approved all audit and non-audit related services provided by SGV & Co. to the Company and the related fees for such services. We have also assessed the compatibility of non-audit services with the auditors' independence to ensure that such services will not impair their independence;
- The Committee conducted an annual self-assessment of its performance in accordance with Securities and Exchange Commission guidelines, and confirmed that the Committee had satisfactorily performed its responsibilities based on the requirements of its Charter; and,
- The Committee reviewed and confirmed that the existing Audit and Internal Audit Charters are sufficient to accomplish the Committee's and Internal Audit's objectives. The Committee Charter is in compliance with the Securities and Exchange Commission Memo Circular No. 04 (2012).

Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Committee recommended to the Board of Directors the inclusion of the Company's audited consolidated financial statements in the Company's Annual Report to the Stockholders for the year ended December 31, 2020 and the filing thereof with the Securities and Exchange Commission.

February 17, 2021

Reyes

OSCAR S. REYES
Chairman

GERARDO C. ABLAZA, JR.
Member

JOSE L. CUISIA, JR.
Member

JAIME C. LAYA
Member

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Manila Water Company, Inc. (the "Company") and its subsidiaries (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019, and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or its subsidiaries, or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

FERNANDO ZOBEL DE AYALA
Chairman of the Board

JOSE RENE GREGORY D. ALMENDRAS
President and Chief Executive Officer

MA. CECILIA T. CRUZABRA
Chief Finance Officer, Treasurer,
concurrent Chief Risk Officer,
Compliance Officer, and Corporate Finance
and Strategy Group Director

INDEPENDENT AUDITOR'S REPORT

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 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 81% of total consolidated revenue and the revenue recognition process therein requires processing of data from a large number of customers with different billing cycles and are classified as either residential, semi-business, commercial, or industrial. The amounts billed to customers consist of a number of components, including basic charge, environmental charge and foreign currency differential adjustment and where applicable, sewer charge. These tariffs depend on the customer type and are determined based on a formula as prescribed by the Metropolitan Waterworks and Sewerage System Regulatory Office (MWSS RO). This matter is significant to our audit because the revenue recognized depends on the completeness and accuracy of capture of water consumption based on the meter readings over the concession area taken on various dates; the propriety of rates applied across customer types; and the reliability of the systems involved in processing the billing transactions.

Relevant disclosures related to this matter are provided in Notes 1, 2, 3, 6 and 25 to the consolidated financial statements.

Audit response

We obtained an understanding, evaluated the design and tested the controls over the read and bill process, which includes the capture of water consumption and calculation of billed fees, downloading of data from the billing system and uploading of data to the Parent Company's financial reporting system. We involved our internal specialist in the testing of the related controls over these processes. We performed a.) analytical procedures; and b.) test calculation of the billed amounts using the volume of water consumption and MWSS RO-approved rates and compared them with the amounts reflected in the billing statement. We also evaluated the disclosures made in the consolidated financial statements.

Provision and contingencies

The Group is involved in legal proceedings and assessments for local and national taxes and for alleged non-compliance with laws and regulations. This matter is significant to our audit because the estimation of the potential liability resulting from these legal proceedings and assessments require significant judgment by management. The inherent uncertainty over the outcome of these tax and legal matters is brought about by the differences in the interpretation and implementation of the relevant laws and tax regulations and/or rulings.

The Group's disclosure about provisions and contingencies are included in Notes 1, 3 and 30 to the consolidated financial statements.

Audit response

Our audit procedures include the involvement of our internal specialists in reviewing the status of these legal proceedings and assessments, and the legal and tax positions of the Group based on the merits of the arguments against the assessments, previous court decisions, implementing rules and opinions issued by relevant government and regulatory agencies. In addition, we performed a recalculation of the amount of the provisions and compared this with the outstanding provisions as of year-end. We also evaluated the disclosures made in the consolidated financial statements.

Amortization of service concession assets using the units-of-production (UOP) method

The service concession assets (SCA) of the Group is related to its concession agreements. The Group uses UOP method in amortizing its SCA based on the actual billed volume over the estimated billable water volume for the remaining period of the concession agreement. The UOP amortization method is a key audit matter as the method involves significant management judgment, estimates, and assumptions, particularly in determining the total estimated billable water volume over the remaining periods of the concession agreements. It considers different factors such as population growth rate, supply and consumption, which have been impacted by the coronavirus pandemic, and service coverage, including ongoing and future expansions.

Refer to Note 3 to the consolidated financial statements for the relevant disclosures related to this matter.

Audit response

We obtained an understanding of management's processes and controls in the estimation of billable water volume. We evaluated the competence, capabilities, and objectivity of management's 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 volumes, taking into consideration the impact associated with coronavirus pandemic. Furthermore, we compared the estimated billable water volume for the year against the actual data generated from the billing system. We recalculated the amortization expense for the year based on the actual billed water volume.

Impairment testing of service concession assets and property and equipment

As discussed in Note 3, the Parent Company's market capitalization as of December 31, 2020 is significantly below its net book value, which decline was triggered by, among others, the ongoing discussion with the Metropolitan Waterworks and Sewerage System on the provisions of the Concession Agreement identified for renegotiation and amendment. This is an impairment indicator that requires an assessment of the recoverability of the Parent Company's non-financial assets, particularly its service concession assets and property and equipment with carrying amounts of ₱89.13 billion and ₱1.08 billion, respectively, as of December 31, 2020. The determination of the recoverable amounts of these assets requires the use of significant judgment, estimates, and assumptions. The valuation of these assets using fair value less cost to sell requires the assistance of an external appraiser whose calculations also depend on certain assumptions, which have been impacted by the coronavirus pandemic, such as recent sales, offering prices or listing of comparable properties registered within the vicinity of the subject assets and cost to build similar assets, adjustments to sales prices based on internal and external factors, and deductions for physical deterioration and all other relevant forms of obsolescence.

The disclosures in relation to the above matters are included in Notes 1 and 3 to the consolidated financial statements.

Audit response

We involved our internal specialist in evaluating the methodology and assumptions used in determining the fair values of the service concession assets and property and equipment. For the market approach, the assumptions used include information supporting the comparability of the subject assets with identical or similar properties for which information is available, value of comparable properties and adjustments made to the value of the comparable properties. We made inquiries with the management's specialist who appraised the assets about the methodology and assumptions used in the valuation of the subject assets, taking into consideration the impact associated with coronavirus pandemic, and we evaluated the specialist's competence, capabilities, and objectivity by considering its qualifications, experience and reporting responsibilities.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, 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, 2019 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.

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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.

INDEPENDENT AUDITOR'S REPORT

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
SEC Accreditation No. 1768-A (Group A),
September 3, 2019, valid until September 2, 2022
Tax Identification No. 201-960-347
BIR Accreditation No. 08-001998-102-2018,
October 18, 2018, valid until October 17, 2021
PTR No. 8534301, January 4, 2021, Makati City

February 24, 2021

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 23 and 28)	**₱20,727,258,023**	₱8,958,243,402
Short-term investments (Notes 5 and 28)	**129,300,000**	109,268,451
Receivables (Notes 6, 23 and 28)	**3,157,205,648**	2,451,469,890
Contract assets - current portion (Notes 6, 27 and 28)	**838,175,469**	862,419,670
Inventories (Note 7)	**324,928,002**	342,439,831
Other current assets (Note 8)	**2,560,827,257**	1,681,772,922
Total Current Assets	**27,737,694,399**	14,405,614,166
Noncurrent Assets		
Property, plant and equipment and software (Notes 9 and 23)	**5,566,706,250**	4,668,653,065
Service concession assets - net (Notes 10, 23 and 24)	**102,272,180,787**	93,519,142,986
Right-of-use assets (Note 11)	**362,609,467**	295,674,609
Contract assets - net of current portion (Notes 6, 27, 28 and 29)	**1,666,304,528**	1,615,504,184
Investments in associates (Note 12)	**14,283,833,487**	15,519,807,966
Goodwill (Note 4)	**136,566,475**	136,566,475
Deferred tax assets - net (Note 20)	**1,549,700,707**	1,188,807,057
Other noncurrent assets (Notes 13, 28 and 29)	**2,950,969,389**	3,251,869,877
Total Noncurrent Assets	**128,788,871,090**	120,196,026,219
Total Assets	**₱156,526,565,489**	₱134,601,640,385
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 14, 23 and 28)	**₱10,442,334,810**	₱9,793,241,110
Current portion of:		
Long-term debt (Notes 15, 23, 27 and 28)	**4,739,618,949**	10,485,712,955
Service concession obligations (Notes 10, 24, 27, 28 and 29)	**661,845,953**	1,014,243,947
Lease liabilities (Notes 11 and 28)	**126,092,170**	53,551,801
Contract liabilities (Note 14)	**397,065,131**	267,024,407
Income tax payable (Note 20)	**159,995,109**	308,404,354
Total Current Liabilities	**16,526,952,122**	21,922,178,574
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Notes 15, 23, 27 and 28)	**68,792,173,857**	45,870,095,177
Service concession obligations (Notes 10, 24, 27, 28 and 29)	**8,443,800,142**	8,139,577,739
Lease liabilities (Notes 11 and 28)	**267,845,139**	254,930,352
Contract liabilities (Note 14)	**111,686,008**	78,619,821
Pension liabilities - net (Note 16)	**219,601,807**	194,194,277
Deferred tax liabilities - net (Note 20)	**179,225,971**	137,147,476
Provisions (Note 30)	**991,640,656**	1,181,880,554
Other noncurrent liabilities (Notes 17, 27, 28 and 29)	**830,184,681**	831,808,630
Total Noncurrent Liabilities	**79,836,158,261**	56,688,254,026
Total Liabilities	**96,363,110,383**	78,610,432,600
Equity		
Attributable to common equity holders of Manila Water Company, Inc.		
Capital stock (Note 21):		
Common stock	**₱2,064,839,617**	₱2,064,839,617
Preferred stock	**400,000,000**	400,000,000
	2,464,839,617	2,464,839,617
Additional paid-in capital	**4,608,744,479**	4,589,951,153
Subscriptions receivable	**(371,306,653)**	(371,306,653)
Total paid-up capital	**6,702,277,443**	6,683,484,117
Retained earnings (Note 21):		
Appropriated	**40,610,000,000**	35,495,000,000
Unappropriated	**11,639,149,846**	12,253,696,821
Remeasurement loss on defined benefit plans (Note 16)	**(115,351,016)**	(136,681,573)
Other equity reserves (Note 21)	**54,106,905**	54,106,905
Equity in other comprehensive loss of associates (Note 12)	**(1,906,738)**	(1,345,944)
Cumulative translation adjustment (Notes 2 and 12)	**(37,244,853)**	366,475,761
	58,851,031,587	54,714,736,087
Noncontrolling interests (Notes 2 and 21)	**1,312,423,519**	1,276,471,698
Total Equity	**60,163,455,106**	55,991,207,785
Total Liabilities and Equity	**₱156,526,565,489**	₱134,601,640,385

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019 (As Restated - See Note 19)	2018 (As Restated - See Note 19)
CONTINUING OPERATIONS			
REVENUE FROM CONTRACTS WITH CUSTOMERS			
Water and used water revenues (Notes 23 and 26)	**₱20,279,201,774**	₱20,087,313,392	₱18,471,570,264
Other operating income (Notes 18, 23 and 26)	**845,933,127**	1,559,991,381	1,102,707,109
	21,125,134,901	21,647,304,773	19,574,277,373
COST OF SERVICES			
Depreciation and amortization (Notes 9, 10 and 11)	**3,003,122,434**	2,567,446,826	2,208,750,431
Power, light and water (Note 23)	**1,427,167,997**	1,499,869,284	1,316,694,004
Salaries, wages and employee benefits (Notes 16, 21 and 23)	**1,184,915,942**	1,185,395,992	1,081,415,496
Water treatment chemicals	**521,533,844**	416,971,978	235,072,928
Repairs and maintenance	**418,345,419**	669,843,389	375,657,094
Contractual services	**390,115,686**	482,929,081	291,298,802
Regulatory costs (Note 1)	**237,765,185**	244,674,063	215,435,898
Water tankering and bulk water costs	**207,594,082**	168,257,988	64,996,030
Management, technical and professional fees (Note 23)	**135,119,166**	188,107,211	254,675,568
Wastewater costs	**125,297,898**	229,382,516	199,369,725
Amortization of water service connections	**103,294,386**	109,596,146	178,663,181
Collection fees	**100,912,525**	128,597,356	138,568,031
Rent (Notes 11 and 25)	**2,982,130**	41,171,891	33,558,894
Other expenses	**107,619,900**	277,455,850	170,715,760
	7,965,786,594	8,209,699,571	6,764,871,842
GROSS PROFIT	**13,159,348,307**	13,437,605,202	12,809,405,531
OPERATING EXPENSES (Notes 18 and 23)	**3,895,407,194**	4,320,839,253	3,550,459,221
INCOME BEFORE OTHER INCOME (EXPENSES)	**9,263,941,113**	9,116,765,949	9,258,946,310
OTHER INCOME (EXPENSES)			
Revenue from rehabilitation works (Notes 1, 2, 6 and 10)	**10,976,166,852**	10,852,911,195	9,661,976,629
Cost of rehabilitation works (Notes 1, 2, 6 and 10)	**(10,976,166,852)**	(10,852,911,195)	(9,661,976,629)
Interest expense (Notes 15, 11 and 18)	**(2,260,072,792)**	(2,068,285,441)	(1,778,778,697)
Foreign currency differentials (Note 1)	**(725,815,429)**	(607,263,374)	1,787,217,975
Interest income (Note 18)	**503,191,408**	401,961,379	411,251,866
Foreign exchange gains (losses) - net	**215,701,805**	602,623,526	(1,753,929,481)
Equity share in net income of associates (Note 12)	**213,838,618**	653,502,170	699,142,026
Amortization of deferred credits (Note 17)	**15,353,323**	14,030,922	12,535,602
Gain (loss) on disposal of property and equipment - net	**(1,130,401)**	(18,352,667)	18,670,415
Other income (loss) - net (Notes 4, 9, 12 and 18)	**(561,438,569)**	(23,600,339)	186,602,081
	(2,600,372,037)	(1,045,383,824)	(417,288,213)
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	**6,663,569,076**	8,071,382,125	8,841,658,097
PROVISION FOR INCOME TAX (Note 20)	**1,748,724,353**	2,375,178,035	1,982,899,299
NET INCOME FROM CONTINUING OPERATIONS	**4,914,844,723**	5,696,204,090	6,858,758,798
NET LOSS AFTER TAX FROM DISCONTINUED OPERATIONS (Note 19)	**(369,057,479)**	(56,778,713)	(223,726,007)
NET INCOME	**4,545,787,244**	5,639,425,377	6,635,032,791
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment (Note 12)	**(403,720,614)**	(1,054,114,400)	524,679,679
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Actuarial loss on pension liabilities - net (Note 16)	**(26,489,372)**	(79,198,365)	(55,044,900)
Income tax effect (Note 20)	**48,595,916**	933,010	(4,159,906)
	22,106,544	(78,265,355)	(59,204,806)
Equity share in other comprehensive loss of an associate	**(560,794)**	(1,345,944)	–
TOTAL COMPREHENSIVE INCOME	**₱4,163,612,380**	₱4,505,699,678	₱7,100,507,664

(Forward)

	Years Ended December 31		
	2020	2019 (As Restated - See Note 19)	2018 (As Restated - See Note 19)
Net income attributable to:			
Common equity holders of Manila Water Company, Inc. (Note 19)	**₱4,500,453,025**	₱5,495,509,199	₱6,523,700,728
Noncontrolling interests (Notes 1 and 19)	**45,334,219**	143,916,178	111,332,063
	₱4,545,787,244	₱5,639,425,377	₱6,635,032,791
Total comprehensive income attributable to:			
Common equity holders of Manila Water Company, Inc.	**₱4,069,682,244**	₱4,360,850,490	₱6,987,645,548
Noncontrolling interests (Note 1)	**93,930,136**	144,849,188	112,862,116
	₱4,163,612,380	₱4,505,699,678	₱7,100,507,664
Earnings per Share before Discontinued Operations (Note 22)			
Net income attributable to common equity holders of Manila Water Company, Inc.:			
Basic	**₱1.94**	₱2.25	₱2.74
Diluted	**₱1.94**	₱2.25	₱2.74
Earnings per Share (Note 22)			
Net income attributable to common equity holders of Manila Water Company, Inc.:			
Basic	**₱1.81**	₱2.21	₱2.64
Diluted	**₱1.81**	₱2.21	₱2.64

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Years Ended December 31		
	2020	2019	2018
ATTRIBUTABLE TO COMMON EQUITY HOLDERS OF MANILA WATER COMPANY, INC.			
CAPITAL STOCK (Note 21)			
Common stock - ₱1 par value			
Authorized - 3,100,000,000 shares			
Issued and outstanding - 2,041,814,326 shares in 2020, 2,041,447,232 shares in 2019, and 2,030,732,360 shares in 2018	₱2,041,814,326	₱2,041,447,232	₱2,030,732,360
Subscribed common stock - 23,025,291 shares in 2020, 23,392,385 shares in 2019, and 34,107,257 shares in 2018			
Balance at beginning of year	23,392,385	34,107,257	27,599,454
Additions	–	–	10,893,733
Issuance of shares	(367,094)	(10,714,872)	(4,385,930)
Balance at end of year	23,025,291	23,392,385	34,107,257
	2,064,839,617	2,064,839,617	2,064,839,617
Preferred stock - ₱0.10 par value, 10% cumulative, voting participating, nonredeemable and nonconvertible			
Authorized, issued, and outstanding - 4,000,000,000 shares	400,000,000	400,000,000	400,000,000
	2,464,839,617	2,464,839,617	2,464,839,617
ADDITIONAL PAID-IN CAPITAL (Note 21)			
Balance at beginning of year	4,589,951,153	4,518,048,369	4,230,508,417
Additions	18,793,326	71,902,784	287,539,952
Balance at end of year	4,608,744,479	4,589,951,153	4,518,048,369
SUBSCRIPTIONS RECEIVABLE (Note 21)			
Balance at beginning of year	(371,306,653)	(458,453,326)	(235,693,873)
Additions	–	–	(297,787,156)
Collections	–	87,146,673	75,027,703
Balance at end of year	(371,306,653)	(371,306,653)	(458,453,326)
COMMON STOCK OPTIONS OUTSTANDING (Note 21)			
Balance at beginning of year	–	51,742,998	28,700,622
Cost of share-based payment	–	20,159,786	23,968,213
Exercised/expiration	–	(71,902,784)	(925,837)
Balance at end of year	–	–	51,742,998
RETAINED EARNINGS (Note 21)			
Appropriated:			
Balance at beginning of year	35,495,000,000	32,444,000,000	28,698,000,000
Appropriations	5,115,000,000	3,051,000,000	3,746,000,000
Balance at end of year	40,610,000,000	35,495,000,000	32,444,000,000
Unappropriated:			
Balance at beginning of year	12,253,696,821	12,052,604,642	11,426,282,242
Net income	4,500,453,025	5,495,509,199	6,523,700,728
Appropriations	(5,115,000,000)	(3,051,000,000)	(3,746,000,000)
Dividends declared	–	(2,243,417,020)	(2,151,378,328)
Balance at end of year	11,639,149,846	12,253,696,821	12,052,604,642
	52,249,149,846	47,748,696,821	44,496,604,642
REMEASUREMENT LOSS ON DEFINED BENEFIT PLANS (Note 16)			
Balance at beginning of year	(136,681,573)	(57,483,208)	3,251,651
Actuarial loss on pension liabilities - net	(27,902,779)	(84,315,895)	(64,239,028)
Income tax effect	49,233,336	5,117,530	3,504,169
Balance at end of year	(115,351,016)	(136,681,573)	(57,483,208)

(Forward)

	Years Ended December 31		
	2020	2019	2018
OTHER EQUITY RESERVES (Notes 1 and 21)	₱54,106,905	₱54,106,905	₱54,106,905
EQUITY SHARE IN OTHER COMPREHENSIVE LOSS OF AN ASSOCIATE (Note 12)			
Balance at beginning of year	(1,345,944)	–	–
Other comprehensive loss	(560,794)	(1,345,944)	–
Balance at end of year	(1,906,738)	(1,345,944)	–
CUMULATIVE TRANSLATION ADJUSTMENT (Notes 2 and 12)			
Balance at beginning of year	366,475,761	1,420,590,161	895,910,482
Other comprehensive income (loss)	(403,720,614)	(1,054,114,400)	524,679,679
Balance at end of year	(37,244,853)	366,475,761	1,420,590,161
NONCONTROLLING INTERESTS (Notes 1, 2 and 21)			
Balance at beginning of year	1,276,471,698	1,131,097,034	1,005,964,401
Additions	4,971,501	11,612,500	12,270,517
Remeasurement gain on defined benefit plans - net of income tax effect	359,463	933,010	1,530,053
Dividends paid to noncontrolling interests	(14,713,362)	(11,087,024)	–
Share in net income	45,334,219	143,916,178	111,332,063
Balance at end of year	1,312,423,519	1,276,471,698	1,131,097,034
	₱60,163,455,106	₱55,991,207,785	₱53,621,093,192

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

MANILA WATER COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	**₱6,663,569,076**	₱8,071,382,125	₱8,841,658,097
Loss before income tax from discontinued operations (Note 19)	**(382,876,384)**	(57,288,636)	(230,268,012)
Income before income tax	**6,280,692,692**	8,014,093,489	8,611,390,085
Adjustments for:			
Depreciation and amortization (Notes 9, 10 and 11)	**3,554,080,494**	2,993,762,626	2,655,669,800
Interest expense (Notes 15, 11 and 18)	**2,261,749,072**	2,074,708,957	1,783,808,602
Provision for probable losses and impairment losses (Notes 6, 9, and 12)	**646,143,493**	686,312,455	136,835,943
Interest income (Note 18)	**(504,828,463)**	(404,656,166)	(411,883,015)
Equity share in net income of associates (Note 12)	**(213,838,618)**	(653,502,170)	(699,142,026)
Pension expense, contribution and benefit payment - net (Note 16)	**95,071,332**	4,273,378	29,257,110
Loss (gain) on disposal of property and equipment - net	**(19,837,994)**	81,318,612	(18,643,022)
Share-based payments (Note 21)	**18,793,325**	20,159,786	23,968,213
Amortization of deferred credits (Note 17)	**(15,353,323)**	(14,030,922)	(12,535,602)
MWSS penalty (Note 1)	**–**	534,050,130	–
Gain on bargain purchase (Note 4)	**–**	(18,332,330)	(43,753,620)
Operating income before changes in operating assets and liabilities	**12,102,672,010**	13,318,157,845	12,054,972,468
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**(789,573,107)**	(982,813,074)	(99,349,092)
Contract assets	**265,415,085**	(395,277,992)	(180,495,114)
Inventories	**17,511,829**	(136,516,599)	4,826,337
Service concession assets	**(9,457,216,458)**	(10,358,571,906)	(7,127,729,094)
Other current assets	**(988,096,451)**	(512,574,065)	(197,212,618)
Increase in:			
Accounts and other payables	**188,179,795**	1,503,447,883	768,639,796
Contract liabilities	**163,106,910**	327,752,548	17,891,680
Cash generated from operations	**1,501,999,613**	2,763,604,640	5,241,544,363
Income tax paid	**(2,111,982,733)**	(2,214,342,326)	(1,943,955,666)
Net cash provided by (used in) operating activities	**(609,983,120)**	549,262,314	3,297,588,697
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investments in associates (Notes 1 and 12)	**–**	–	(8,871,042,180)
Property, plant and equipment and software (Note 9)	**(1,322,511,423)**	(1,423,671,831)	(1,353,557,438)
Dividends received from associates (Note 12)	**441,920,121**	335,946,893	413,819,111
Interest received	**215,072,130**	269,885,916	275,902,629
Consideration paid for business combination (Note 4)	**–**	(45,133,895)	(45,133,895)
Proceeds from sale of property and equipment	**28,282,457**	18,320,081	21,160,944
Short-term investments (Note 5)	**(20,031,549)**	(109,268,451)	–
Decrease (increase) in other noncurrent assets (Note 13)	**(535,279,946)**	261,438,849	699,841,343
Net cash used in investing activities	**(1,192,548,210)**	(692,482,438)	(8,859,009,486)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of (Note 15):			
Short-term debt	**3,887,967,123**	–	8,864,235,143
Long-term debt	**35,045,830,597**	19,323,745,347	6,843,198,491
Payments of:			
Short-term debt (Note 15)	**(3,900,000,000)**	(8,694,693,078)	–
Long-term debt (Note 15)	**(17,041,375,750)**	(5,816,139,793)	(5,208,266,498)
Service concession obligations (Note 10)	**(1,211,982,518)**	(838,285,843)	(955,119,919)
Principal portion of lease liabilities (Note 11)	**(99,434,114)**	(81,027,797)	–
Dividends to equity holders of the Parent Company (Note 21)	**–**	(2,243,417,020)	(2,151,378,328)
Dividends to noncontrolling interests	**(7,356,681)**	(11,087,024)	–
Interest	**(2,578,403,389)**	(2,082,011,707)	(1,641,493,122)
Collection of subscriptions receivable (Note 21)	**–**	87,146,673	75,027,703
Increase (decrease) in provisions and other noncurrent liabilities	**(528,670,818)**	55,029,995	92,793,986
Additions to noncontrolling interests (Note 1)	**4,971,501**	11,612,500	12,270,517
Net cash provided by (used in) financing activities	**13,571,545,951**	(289,127,747)	5,931,267,973
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**11,769,014,621**	(432,347,871)	369,847,184
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**8,958,243,402**	9,390,591,273	9,020,744,089
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱20,727,258,023**	₱8,958,243,402	₱9,390,591,273

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, 2020, the Parent Company is 51.4% owned by Ayala Corporation (Ayala). Ayala is a publicly listed company which is 47.3% 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.

Parent Company Amendment of Articles of Incorporation
On March 1, 2018, the Board of Directors (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.

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.” 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.

On July 2, 2020, the Securities and Exchange Commission (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.

The Parent Company’s principal place of business is at the MWSS Administration Building, 489 Katipunan Road, Balara, Quezon City.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	
		2020	2019
Manila Water Total Solutions Corp. (MWTS)	Philippines	**100.00**	100.00
Calasiao Water Company, Inc. (Calasiao Water)	-do-	**90.00**	90.00
Manila Water Asia Pacific Pte. Ltd. (MWAP)	Singapore	**100.00**	100.00
Kenh Dong Water Holdings Pte. Ltd. (KDWH)	-do-	**100.00**	100.00
Manila Water South Asia Holdings Pte. Ltd. (MWSAH)	-do-	**100.00**	100.00
Thu Duc Water Holdings Pte. Ltd. (TDWH)	-do-	**100.00**	100.00
Manila Water Thailand Holdings Pte. Ltd. (MWTH)	-do-	**100.00**	100.00
Manila Water (Thailand) Co., Ltd. (MWTC)	Thailand	**100.00**	100.00
Manila South East Asia Water Holdings Pte. Ltd. (MSEA)	Singapore	**100.00**	100.00
PT Manila Water Indonesia (PTMWI)[1]	Indonesia	**100.00**	100.00
Manila Water Philippine Ventures, Inc. (MWPVI)	Philippines	**100.00**	100.00
Boracay Island Water Company, Inc. (Boracay Water)	-do-	**80.00**	80.00
Calbayog Water Company, Inc. (Calbayog Water)	-do-	**60.00**	100.00
Clark Water Corporation (Clark Water)	-do-	**100.00**	100.00
Filipinas Water Holdings Corp. (Filipinas Water)[2]	-do-	**100.00**	100.00
Obando Water Company, Inc. (Obando Water)	-do-	**90.00**	90.00
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
Laguna AAAWater Corporation (Laguna Water)	-do-	**70.00**	70.00
North Luzon Water Company, Inc. (North Luzon Water)	-do-	**100.00**	100.00
Davao del Norte Water Infrastructure Company, Inc. (Davao Water)	-do-	**51.00**	51.00
Tagum Water Company, Inc. (Tagum Water)[3]	-do-	**45.90**	45.90
Manila Water Consortium, Inc. (MW Consortium)	-do-	**57.22**	57.22
Cebu Manila Water Development, Inc. (Cebu Water)[4]	-do-	**40.39**	40.39
Aqua Centro MWPV Corp. (Aqua Centro)	-do-	**100.00**	100.00
Bulacan MWPV Development Corp. (BMDC)	-do-	**100.00**	100.00
EcoWater MWPV Corp. (EcoWater)	-do-	**100.00**	100.00
Leyte Water Company, Inc. (Leyte Water)	-do-	**100.00**	100.00
Manila Water Technical Ventures, Inc. (MWTV)	-do-	**100.00**	100.00
Zamboanga Water Company, Inc. (Zamboanga Water)	-do-	**70.00**	70.00

[1] PTMWI is 95.00% owned by MSEA and 5.00% owned by an individual whose ownership has been pledged to MSEA.
[2] Filipinas Water is 49.00% owned by the Parent Company and 51.00% owned by MWPVI.
[3] Tagum Water is 90.00% owned by Davao Water. MWPVI's effective interest in Tagum Water is 45.90% by virtue of its 51.00% ownership interest in Davao Water.
[4] Cebu Water is 70.58% owned by MW Consortium. MWPVI's effective ownership interest in Cebu Water is 40.39% by virtue of its 57.22% ownership interest in MW Consortium.

Dissolution of Asia Water Network Solutions Joint Stock Company (Asia Water)
On March 27, 2019, through the Annual General Meeting of Shareholders of Asia Water, the shareholders approved for the dissolution of Asia Water. All administrative procedures related to the dissolution of Asia Water have been completed as of December 31, 2019.

Parent Company's Concession Agreement with Metropolitan Waterworks and Sewerage System (MWSS)
On February 21, 1997, the Parent Company entered into a Concession Agreement (the "Concession Agreement") with MWSS, a government corporation organized and existing pursuant to Republic Act (RA) No. 6234, as amended, with respect to the MWSS East Zone (the "East Zone"). The Concession Agreement sets forth the rights and obligations of the Parent Company throughout a twenty-five (25)-year concession period. The MWSS Regulatory Office (MWSS RO) monitors and reviews the performance of each of the Concessionaires – the Parent Company and Maynilad Water Services, Inc. (Maynilad), the West Zone Concessionaire.

Under the Concession Agreement, MWSS grants the Parent Company (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under RA No. 6234) the sole right to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery and sewerage services in the East Zone for a period of twenty-five (25) years commencing on August 1, 1997 (the Commencement Date) up to May 6, 2022 (the Expiration Date) or the early termination date as the case may be. While the Parent Company has the right to manage, operate, repair, and refurbish specified MWSS facilities in the East Zone, legal title to these assets remains with MWSS. The legal title to all fixed assets contributed to the existing MWSS system by the Parent Company during the Concession remains with the Parent Company until the Expiration Date (or until the early termination date) at which time all rights, titles and interest in such assets will automatically vest to MWSS.

On Commencement Date, the Parent Company officially took over the operations of the East Zone and rehabilitation works for the service area commenced immediately thereafter. As provided in the Parent Company's project plans, operational commercial capacity has been obtained upon substantial completion of the rehabilitation work.

Under the Concession Agreement, the Parent Company is entitled to the following rate adjustments:

a. annual standard rate adjustment to compensate for increases in the Consumer Price Index (CPI);
b. extraordinary price adjustment (EPA) to account for the financial consequences of the occurrence of certain unforeseen events stipulated in the Concession Agreement;
c. foreign currency differential adjustment (FCDA) to recover foreign exchange losses including all accruals and carrying costs thereof, arising from MWSS loans and any Concessionaire loans used for capital expenditures and concession fee payments, in accordance with the provisions set forth in Amendment No. 1 of the Concession Agreement dated October 12, 2001 (see Notes 2, 10 and 13); and
d. Rebasing Convergence Adjustment for the purposes of calculating the Rates Adjustment Limit for each of the five Charging Years of the Rebasing Period determined based on the following:
    i. where the Rebasing Adjustment is found to be positive, the Rebasing Convergence Adjustment for the first Charging Year of the Rate Rebasing Period shall be equal to the Rebasing Adjustment, and the Rebasing Convergence Adjustment for each of the following four (4) Charging Years shall be zero; and
    ii. where the Rebasing Adjustment is found to be negative, the Rebasing Adjustment for each of the five (5) Charging Years of the Rebasing Period shall be equal to the Rebasing Adjustment divided by five (5).

These rate adjustments are subject to a rate adjustment limit which is equivalent to the sum of CPI published in the Philippines, EPA and Rebasing Convergence Adjustment as defined in the Concession Agreement. The Concession Agreement also provides a general rate setting policy for rates chargeable by the Parent Company for water and sewerage services as follows:

a. For the period through the second Rate Rebasing date (January 1, 2008), the maximum rates chargeable by the Parent Company (subject to interim adjustments) are set out in the Concession Agreement; and,
b. From and after the second Rate Rebasing date, the rates for water and sewerage services shall be set at a level that will permit the Parent Company to recover, over the twenty-five (25)-year term of the concession, its investment including operating, capital maintenance and investment incurred, Philippine business taxes and payments corresponding to debt service on MWSS loans and the Parent Company's loans incurred to finance such expenditures, and to earn a rate of return equal to the appropriate discount rate (ADR) on these expenditures for the remaining term of the concession.

The maximum rates chargeable for such water and sewerage services shall be subject to general adjustment at five (5)-year intervals commencing on the second Rate Rebasing date, provided that the MWSS RO may exercise its discretion to make a general adjustment of such rates.

On April 16, 2009, the MWSS Board of Trustees (MWSS BOT) passed Resolution No. 2009-072 approving the fifteen (15)-year extension of the Concession Agreement (the “Extension”) from May 7, 2022 to May 6, 2037. This resolution was confirmed by the Department of Finance (DOF), by authority from the Office of the President of the Republic of the Philippines, on October 23, 2009. The significant commitments under the Extension follow:

a. To mitigate tariff increases such that there will be reduction of the balance of the approved 2008 rebased tariff by 66%, zero increase of the rebased tariff in 2009 and a ₱1.00 increase for years 2010 to 2016, subject to CPI and FCDA adjustments.
b. To increase the share in the current operating budget support to MWSS by 100% as part of the concession fees starting 2009.
c. To increase the total investments from the approved ₱187.00 billion for the periods 2008 to 2022 to ₱450.00 billion for 2008 to 2037.

With the approval of the Extension, the recovery period for the Parent Company’s investment has been extended by another fifteen (15) years from 2022 to 2037.

On December 5, 2019, the MWSS BOT issued Resolution No. 2019-201-CO revoking Resolution No. 2009-072 dated April 16, 2009 pertaining to the Extension of the Concession Agreement of the Parent Company from May 7, 2022 to May 6, 2037.

On December 20, 2019, MWSS released a press statement clarifying Resolution No. 2019-201-CO and confirming that the action of the MWSS BOT did not result in the rescission or outright cancellation of the Concession Agreement.

On January 29, 2020, the Parent Company received a response letter from the MWSS RO confirming that the twenty-five (25)-year Concession Agreement from 1997 to 2022 and the Memorandum of Agreement and Confirmation between the Parent Company and the MWSS providing for the fifteen (15)-year Extension from 2022 to 2037 have not yet been cancelled.

Rate Rebasing Tariff Adjustments
In March 2012, the Parent Company submitted to MWSS a business plan embodying its rate rebasing proposals for charging year 2013. The rate rebasing activity is done every five (5) years. MWSS conducted a review of the proposal including the Parent Company’s last five (5) years’ financial performance. The financial review process was extended up to the third quarter of 2013. On September 10, 2013, the MWSS RO issued Resolution No. 13-09-CA providing for a negative rate rebasing adjustment of 29.47% on the Parent Company’s 2012 average basic water rate of ₱24.57 per cubic meter which shall be implemented in five (5) equal tranches of negative 5.894% per charging year. The Parent Company objected to MWSS’ Rate Rebasing determination and formally filed its Dispute Notice on September 24, 2013, before a duly-constituted Appeals Panel, commencing the arbitration process, as provided under Section 12 (in relation to Section 9.4 of the Concession Agreement).

On December 10, 2013, the MWSS BOT, through MWSS RO Resolution No. 13-012 CA, approved the implementation of a status quo for the Parent Company’s Standard Rates, including FCDA, until such time that the Appeals Panel has rendered a final award on the 2013 Rate Rebasing determination.

On April 21, 2015, the Parent Company received the final award of the Appeals Panel in the arbitration which included the following tariff component determination:

a. ₱28.10 billion Opening Cash Position (OCP) which restored ₱11.00 billion from the September 2013 OCP determination of MWSS of ₱17.1 billion;
b. ₱199.60 billion capital expenditures and concession fees which restores ₱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 will continue to be made 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 are 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.

The Parent Company decided to defer the implementation of its previously approved rate rebasing adjustments and inflation adjustments for the charging year 2020 and 2021, in coordination with MWSS RO.

Arbitration under the United Nations Commission on International Trade Law (UNCITRAL) Rules (1976)
On April 23, 2015, the Parent Company served to the Republic of the Philippines (the "Republic"), through the DOF, its Notice of Claim demanding that the Republic indemnify the Parent Company in accordance with the indemnity clauses in the Republic's Letter of Undertaking dated July 31, 1997 and Letter of Undertaking dated October 19, 2009.

The Parent Company asserted that the Republic interfered with the specific mechanism contained in Article 9.4 (General Rate Setting Policy/Rate Rebasing Determination) of the Concession Agreement thereby causing the impairment of the Parent Company's rate of return.

On November 29, 2019, the Parent Company received from its legal counsel the Award (the "Award") rendered by the Arbitral Tribunal (the "Tribunal") in the arbitration proceedings between the Parent Company and the Republic constituted under the Permanent Court of Arbitration, with proceedings held in Singapore.

The Tribunal ruled that the Parent Company has a right to indemnification for actual losses suffered by it on account of the Republic's breach of its obligation. The Tribunal ordered the Republic to indemnify the Parent Company the amount of ₱7.39 billion representing the actual losses it suffered from June 1, 2015 to November 22, 2019 and to pay 100% of the amounts paid by the Parent Company to the Permanent Court of Arbitration and 85% of the Parent Company's other claimed costs.

On December 11, 2019, during the meeting of the Committee on Good Government and Public Accountability and the Committee on Public Accounts of the House of Representatives, the Parent Company's President and Chief Executive Officer made the following pronouncements in deference to President Rodrigo Roa Duterte:

a. The Parent Company will not collect the ₱7.39 billion Award rendered by the Tribunal in the arbitration proceedings between the Parent Company and the Republic.
b. The Parent Company will defer implementation of the Approved Rate Adjustment effective January 1, 2020 and has signified its intention to establish a suitable arrangement with the MWSS.
c. The Parent Company has agreed to and started discussions with the MWSS on the provisions of the Concession Agreement identified for renegotiation and amendment.

As of the date of authorization for issuance of this report, the Parent Company has yet to formally receive a copy of the proposed revisions to the Concession Agreement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Parent Company Water Supply Shortage
In March 2019, the large decline in La Mesa dam water levels caused water service availability in the East Zone to drop significantly, reaching its lowest level at about 68.5 meters in April 2019. In order to ease the widespread inconvenience of the water supply shortage to the customers who were affected by the unprecedented water shortage, the Parent Company announced a one-time voluntary Bill Waiver Program on March 26, 2019. This program had two parts, namely: (1) all customers will receive a bill waiver of the minimum charge in their consumption which represents ten (10) cubic meters covering water, environmental and sewer charges; and (2) all customers from hard-hit barangays with absolutely no water service for at least seven (7) days from March 6 to March 31, 2019 will not be charged at all for the month of March 2019. The bill waiver is in the nature of an abatement or reduction from the gross amount or price to be paid by the customers. This was implemented in April 2019 and was treated as sales discount in the customer's billings.

In April 2019, MWSS BOT (MWSS Resolution No. 2019-055-CO and MWSS Resolution No. 2019-056-CO) imposed a financial penalty of ₱534.05 million on the Parent Company for its failure to meet its service obligation to provide 24/7 water supply to its customers (see Note 18). While the development of new water sources is, under the Concession Agreement, ultimately the responsibility of MWSS, the Parent Company has abided by the decision of MWSS to pay the financial penalty of ₱534.05 million even as it assumes no liability on the basis of the penalty as the Parent Company was not the root cause of the water supply shortage. Pursuant to the directive of the MWSS RO, the ₱534.05 million financial penalty was distributed to the East Zone customers through rebates wherein all connections as of March 31, 2019 received a minimum rebate equivalent to their first 10 cubic meters or ₱153.93 each while identified severely affected accounts received an additional rebate of ₱2,197.94 each.

Supreme Court Decision in Relation to the Philippine Clean Water Act of 2004
This case arose from a complaint filed by the OIC Regional Director Roberto D. Sheen of the Environmental Management Bureau-National Capital Region (EMB-NCR) before the Pollution Adjudication Board (PAB) against the Parent Company, Maynilad, and MWSS for alleged violation of Philippine Clean Water Act of 2004 (RA No. 9275, the "Clean Water Act"), particularly the five (5)-year deadline imposed in Section 8 thereof for connecting the existing sewage line found in all subdivisions, condominiums, commercial centers, hotels, sports and recreational facilities, hospitals, market places, public buildings, industrial complex and other similar establishments including households, to an available sewerage system. Two (2) similar complaints against Maynilad and MWSS were consolidated with this case.

On September 18, 2019, the Parent Company received a copy of the Decision of the Supreme Court on the case '*Manila Water Company, Inc. vs. The Secretary of the Department of Environment and Natural Resources, et.al.*' with G.R. No. 206823 and promulgated on August 6, 2019. In the Decision, the Supreme Court found the Parent Company liable for fines in violation of Section 8 of the Clean Water Act in the following manner:

a. The Parent Company shall be jointly and severally liable with MWSS for the total amount of ₱921.46 million covering the period starting from May 7, 2009 to the date of promulgation of the Decision, August 6, 2019, to be paid within fifteen (15) days from finality of the Decision.
b. From finality of the Decision until full payment of the ₱921.46 million fine, the Parent Company shall be fined in the initial amount of ₱322,102.00 per day, subject to a further 10.00% increase every two (2) years as provided under Section 28 of the Clean Water Act, until full compliance with Section 8 of the same law.
c. The total amount of fines imposed by the Decision shall earn legal interest of six percent (6.00%) per annum from finality and until full satisfaction thereof.

On October 2, 2019, the Parent Company filed a Motion for Reconsideration with the Supreme Court.

On July 1, 2020, the Parent Company received a copy of the Consolidated Comment (on the separate Motions for Reconsideration filed by petitioners MWSS, Maynilad Water Services, Inc., 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.

As of the date of authorization for issuance of this report, the Motion for Reconsideration remains pending.

Foreign Currency Differential Adjustment (FCDA)
The MWSS BOT approves the FCDA quarterly. The FCDA has 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 2018 to 2020.

Approval Date	Effective Date	FCDA	Foreign Exchange Rate Basis
March 13, 2018	April 1, 2018	₱0.59 per cubic meter	USD1: ₱50.51 / JPY1: ₱0.46
June 14, 2018	July 1, 2018	₱1.58 per cubic meter	USD1: ₱52.10 / JPY1: ₱0.48
September 14, 2018	October 1, 2018	₱1.56 per cubic meter	USD1: ₱53.43 / JPY1: ₱0.48
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

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 a 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.

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.

Boracay Water's Concession Agreement with Tourism Infrastructure and Enterprise Zone Authority (TIEZA)

On December 17, 2009, Boracay Water entered into a concession agreement with TIEZA, formerly Philippine Tourism Authority (PTA). The concession agreement sets forth the rights and obligations of Boracay Water as concessionaire throughout a twenty-five (25)-year concession period. TIEZA Regulatory Office (TIEZA RO) will monitor and review the performance of the concessionaire throughout the concession period.

Under the concession agreement, TIEZA grants Boracay Water (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under Presidential Decree No. 564) the sole right to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery and sewerage services to the entire Boracay Island for a period of twenty-five (25) years from January 1, 2010 (commencement date) until December 31, 2034 (expiration date), or the early termination date as the case may be. The legal title to all fixed assets contributed to the existing TIEZA system by Boracay Water during the concession remains with Boracay Water until the expiration date (or the early termination date) at which time all rights, titles and interest in such assets will automatically vest in TIEZA.

On January 1, 2010, Boracay Water officially took over the operations of the service area. Rehabilitation works for the service area commenced immediately thereafter. As provided in Boracay Water's project plans, operational commercial capacity will be attained upon completion of the rehabilitation works.

Under its concession agreement, Boracay Water is entitled to the following rate adjustments:

a. annual standard rate adjustment to compensate for increases in the CPI;
b. EPA to account for the financial consequences of the occurrence of certain unforeseen events stipulated in the concession agreement; and
c. FCDA to recover foreign exchange losses including accruals and carrying costs thereof arising from TIEZA loans and any loans used for capital expenditures and concession fee payments (see Notes 2, 10 and 13).

These rate adjustments are subject to a rate adjustment limit which is equivalent to the sum of CPI published in the Philippines, EPA and Rebasing Convergence Adjustment as defined in Boracay Water's concession agreement.

The rate rebasing date is set every five (5) years starting January 1, 2011. Hence, the first rate rebasing period commenced on January 1, 2010 and ended on December 31, 2010 and, in the case of subsequent rate rebasing periods, the period commencing on the last rate rebasing date and ending on December 31 of the fifth year thereafter.

On June 7, 2017, TIEZA approved the new water rates of Boracay Water, which is equivalent to an increase of 52.83% from its existing rate to be implemented on a staggered basis for a period of three

(3) years with an increase of 30.14%, 11.99%, and 10.70% in 2017, 2018 and 2019, respectively. The first tranche of tariff increase was implemented on July 1, 2017, equivalent to 30.14% of the existing rate.

On December 15, 2017, TIEZA approved Boracay Water's implementation of the second tranche of tariff increase along with a 3.80% CPI effective January 1, 2018.

On December 18, 2018, TIEZA approved Boracay Water's implementation of the third tranche of tariff increase together with 7.72% CPI. Furthermore, an additional 3.00% was applied to the basic water and sewer tariff to account for FCDA. The new rates took effect on January 1, 2019.

Boracay Water's concession agreement also provides a general rate setting policy for rates chargeable by Boracay Water for water and sewerage services as follows:

a. For the period through the second rate rebasing date (January 1, 2017), the maximum rates chargeable by Boracay Water (subject to interim adjustments) are set out in the concession agreement; and
b. From and after the second rate rebasing date, the rates for water and sewerage services shall be set at a level that will permit Boracay Water to recover, over the twenty-five (25)-year term of its concession, its investment including operating expenses, capital maintenance and investment incurred, Philippine business taxes and payments corresponding to debt service on the TIEZA loans incurred to finance such expenditures, and to earn a rate of return on these expenditures for the remaining term of the concession in line with the rates of return being allowed from time to time to operators of long-term infrastructure concession arrangements in other countries having a credit standing similar to that of the Philippines.

The maximum rates chargeable for such water and sewerage services shall be subject to general adjustment at five (5)-year intervals commencing on the second rate rebasing date, provided that the TIEZA may exercise its discretion to make a general adjustment of such rates.

Also, as part of the concession agreement, Boracay Water assumed certain property and equipment of Boracay Water Sewerage System (BWSS), as well as its outstanding loan from Japan International Cooperation Agency (JICA), considered as part of its TIEZA loans under the concession agreement, and regulatory costs.

As a result of the above terms of the concession agreement, Boracay Water recognized a total of ₱ 986.86 million service concession assets on its commencement date. It includes the JICA loan assumed by Boracay Water, regulatory costs, construction costs for the improvement and expansion of the water and wastewater facilities and the advanced concession fees (see Note 10).

Clark Water's Concession Agreement with Clark Development Corporation (CDC)
On March 16, 2000, Vivendi Water Philippines, Inc., which subsequently changed its name to Veolia Water Philippines, Inc. (VWPI), entered into a concession agreement with CDC, a government corporation organized and existing under Executive Order No. 80, series of 1993. The concession agreement sets out the terms and conditions under which VWPI will finance, design, construct, operate and maintain the water and sewerage system inside the Clark Freeport Zone (CFZ) commencing on October 1, 2000 and ending on the date falling twenty-five (25) years thereafter or as may be extended by the terms of the concession agreement. As the implementing arm of the Bases Conversion Development Authority and the regulatory and development body for the CFZ, CDC has the power and authority to regulate and monitor the performance and compliance of VWPI, or its assignee, with its obligations under the concession agreement.

On September 1, 2000, in accordance with the terms of the concession agreement, VWPI assigned its rights and obligations under the concession agreement to Clark Water by virtue of an assignment and assumption agreement between VWPI and Clark Water. As consideration for the grant of the concession and franchise to develop, operate and maintain the water and sewerage system within the CFZ, Clark Water pays CDC an annual franchise fee of ₱1.50 million. Any new construction, change, alteration, addition or improvement on the facilities is permitted to the extent allowed under the agreement with CDC or with the prior written consent of CDC. Legal title, free of all liens and encumbrances, to improvements made or introduced by Clark Water on the facilities as well as title to new facilities procured by Clark Water in the performance of its obligations under the concession agreement shall automatically pass to CDC on the date when the concession period expires or the date of receipt of a validly served termination notice, where in the latter case, subject to payment of the amount due as termination payments as defined in the concession agreement.

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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, 2020, 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.

<u>MW Consortium Agreement with the Provincial Government of Cebu (PGC)</u>
On March 21, 2012, MW Consortium signed a Joint Investment Agreement (JIA) with the PGC for the formation of a joint venture company with 51.00% and 49.00% equity participation for MW Consortium and the PGC, respectively. Under the JIA, the parties agreed to develop and operate a bulk water supply system that will supply 35.00 million liters of water per day to target areas in the province of Cebu with the joint venture company serving as a bulk water supplier. The term of the agreement is thirty (30) years starting March 2012 and renewable for another twenty-five (25) years. On May 23, 2012, MW Consortium and the PGC incorporated Cebu Water, with an ownership of 51.00% and 49.00%, respectively, pursuant to the JIA.

On December 13, 2013, Cebu Water received a Notice of Award for the bulk supply of water to the Metropolitan Cebu Water District (MCWD). On December 18, 2013, Cebu Water and MCWD signed a twenty (20)-year Bulk Water Supply Contract for the supply of (eighteen) 18.00 million liters per day of water for the first year and (thirty-five) 35.00 million liters per day of water for years two (2) up to twenty (20). Cebu Water delivered its initial eighteen (18.00) million liters per day bulk water supply to MCWD on January 5, 2015. Cebu Water increased its bulk water delivery to thirty-five (35.00) million liters per day in 2016.

On August 29, 2019, MW Consortium received a Notice of Breach/Default of the JIA from the PGC. On December 10, 2019, PGC issued a Notice of Termination of the JIA. Pursuant to the JIA, MW Consortium issued a Notice of Existence of a Dispute on PGC on December 12, 2019.

On February 3, 2020, MW Consortium and the PGC signed the Terms of Reference for the interim protocol between both parties pending Settlement with Finality of the Dispute between MW Consortium and PGC. As of December 31, 2020, the parties are still engaged in negotiations towards the settlement of the dispute.

Zamboanga Water's Non-Revenue Water Reduction Service Agreement (NRWRSA) with Zamboanga City Water District (ZCWD)
On December 19, 2014, the Parent Company received a notice from the ZCWD awarding the project for NRW reduction in Zamboanga City, Zamboanga del Sur. On January 30, 2015, the Parent Company and ZCWD signed and executed a JVA in relation to the NRW reduction project in Zamboanga City. On April 10, 2015, the Parent Company and ZCWD incorporated Zamboanga Water to implement the NRW Reduction project.

On June 2, 2015, Zamboanga Water entered into a NRW Reduction Service Agreement (NRWRSA) with ZCWD. Under the NRWRSA, ZCWD grants Zamboanga Water the right to implement Network Restructuring and NRW Reduction Programs for ZCWD's water distribution system.

In March 2019, the City Government of Zamboanga City declared a state of calamity due to the recurrence of El Niño. This prompted the ZCWD to implement a service-wide water rationing scheme. Consequently, Zamboanga Water was constrained to suspend its NRW Reduction activities due to the unstable supply caused by said water rationing.

In October 2019, Zamboanga Water and ZCWD jointly formed a Technical Working Group to negotiate and resolve all the pending issues or disputes arising during the implementation of the NRW Reduction Project, such as the impact of the yearly occurrence of El Nino, non-payment of performance and "locked-in" fees, opposing interpretation of provisions in the NRWRSA, among others.

Per Section 1.10 of the NRWRSA, a rebaseline is to be performed if there is a decrease in supply resulting from El Niño. Per agreement with ZCWD Project Management Unit (PMU) in November 2017, the computed NRW cu.m./day prior the rebaseline shall be used as basis for the "locked-in" performance computation. However, a supplemental agreement to formally recognize the computation and payment of "locked-in" performance has not been finalized as of December 31, 2019.

On April 3, 2020, Zamboanga Water received a letter, dated April 1, 2020, from the ZCWD, requesting for the termination of the NRWRSA. In its letter, ZCWD indicated that the erratic supply of water due to the recurrent dry spell and El Niño phenomenon affecting the District Metered Areas (DMAs) established by Zamboanga Water has rendered the NRWRSA impractical and unworkable, and thus, in the interest of fiscal responsibility and sound management of government funds, ZCWD requested for the termination of the NRWRSA.

On April 30, 2020, Zamboanga Water approved the termination of the NRWRSA. Such termination, however, is without prejudice to Zamboanga Water's claims against ZCWD and remedies under the NRWRSA. The termination of the NRWRSA resulted to the classification of Zamboanga Water as discontinued operations (see Note 3). The summary of results of operations and cash flows of Zamboanga Water as of December 31, 2020, 2019 and 2018 are presented in Note 19.

On September 16, 2020, Zamboanga Water filed a Notice of Arbitration with the Philippine Dispute Resolution Center, Inc. (PDRCI), which is the arbitral body designated in the NRWRSA.

As of December 31, 2020, the arbitration is currently ongoing.

Bulk Water Sales and Purchase Agreement between Tagum Water and 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.

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The quantity of treated water to be supplied to TWD will be 26.00 million liters of water per day for the first year, 32.00 million liters of water per day for years 4 to 6, and 38.00 million liters of water per day for years 7 to 15.

On March 28, 2017, TWD issued a Notice to Proceed for the 24-month construction of the Water Treatment plant. On June 26, 2019, TWD approved a 120-day construction period extension requested by Tagum Water due to delays caused by unforeseen conditions in the project site which was discovered only after construction had already commenced.

On July 17, 2019, Tagum Water issued to TWD the Certificate of Substantial Completion of the Water Treatment plant to begin the pre-commissioning period. On August 27, 2019, Tagum Water started the commissioning period with 5.00 to 8.00 million liters per day of treated water delivery to TWD.

On September 9, 2019, Tagum Water BOD ratified the implementation of the design, supply of materials, installation of equipment and construction of two (2) units 300mm 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, the Tagum Water BOD approved the additional capital expenditure in the initial amount of ₱157.00 million to address the inadequacy of yield in the intake structure. Tagum Water constructed two (2) additional wells, (i) artificial recharge thru media replacement and (ii) chlorine scrubber system, to ensure health and safety during the operation.

On December 11, 2019, Tagum Water commenced the extension of the commissioning period for 120 days with the consent of TWD BOD.

On February 7, 2020, the Tagum Water BOD finalized the approval of the additional capital expenditure in the amount of ₱154.00 million.

On April 4, 2020, the extended commissioning period has concluded. However, the operation started only on May 18, 2020 due to COVID-19 quarantine measures in the region.

MWPVI's Memorandum of Agreement (MOA) with Ayala Land Inc. (ALI)
On January 15, 2016, MWPVI entered into a MOA with ALI and its subsidiaries (collectively, the "ALI Group"), whereby MWPVI shall exclusively provide water and used water services and facilities to all property development projects of the ALI Group.

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, 2020 and 2019, Aqua Centro and MWPVI has eight (8) and one (1) signed MOAs with the SM Group, respectively.

Calasiao Water's Concession Agreement with Calasiao Water District (CWD)
On December 9, 2016, the Parent Company received a Notice of Award from CWD, a water district created and existing by virtue of Presidential Decree No. 198, for the implementation of the joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion and management of the water supply system of CWD in Calasiao, Pangasinan. On June 19, 2017, the Parent Company signed a JVA with CWD which will govern the relationship of the two in undertaking the joint venture project. Under the JVA, the Parent Company and CWD shall cause the incorporation of a joint venture company where the Parent Company and CWD shall own 90.00% and 10.00%, respectively, of the outstanding capital stock.

On August 2, 2017, the SEC approved the incorporation of Calasiao Water Company, Inc.

On October 23, 2017, Calasiao Water and CWD signed and executed a concession agreement. Under the concession agreement, the CWD grants Calasiao Water, (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under Presidential Decree No. 564) the sole right to develop, manage, operate, maintain, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery in the entire Municipality of Calasiao for a period of twenty-five (25) years commencing on December 29, 2017 (the commencement date) until December 29, 2042 (the expiration date) or the early termination date as the case may be. While Calasiao Water has the right to manage, operate, repair, and refurbish specified CWD facilities in the service area, legal title to these assets remains with the CWD. The legal title to all fixed assets contributed to the existing CWD system by Calasiao Water during the concession remains with Calasiao Water until the Expiration Date (or the early termination date) at which time all rights, titles and interest in such assets will automatically vest in CWD.

Under the concession agreement, in the event that one or more grounds for EPA has occurred or is expected to occur, an appropriate price adjustment to be applied to the tariff or an appropriate adjustment to the service obligations of the concessionaire will be determined by the CWD.

The grounds for EPA means any of the following circumstances:

a. change in law or change in the interpretation of the terms of the concession agreement;
b. extraordinary cost incurred due to prolonged force majeure;
c. a material change has been made to the basis of calculation or definition of the CPI or replacement index agreed; or
d. the concessionaire has incurred significant additional costs as a result of an event of force majeure which are not covered by insurance.

MWPVI 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.

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On July 26, 2017, Filipinas Water signed and executed a JVA with OWD. The JVA governs the relationship of Filipinas Water and OWD as joint venture partners in the Obando Water Concession Project (the "Obando Concession Project"). On October 10, 2017, Obando Water was incorporated. Obando Water is 90.00% and 10.00% owned by Filipinas Water and OWD, respectively.

On October 12, 2017, Obando Water and OWD signed and executed a concession agreement. Under the concession agreement, OWD grants Obando Water, (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under Presidential Decree No. 564), the sole right to manage, operate, maintain, repair, refurbish, and expand the fixed and movable assets required to provide water and sanitation services in the entire Municipality of Obando for a period of twenty-five (25) years commencing on January 1, 2018 (the commencement date) until December 31, 2042 (the expiration date) or the early termination date, as the case may be. While Obando Water has the right to manage, operate, repair and refurbish specified OWD facilities in the service area, legal title to these assets remain with OWD. The legal title to all fixed assets contributed to the existing OWD system by Obando Water during the concession remains with Obando Water until the expiration date (or the early termination date) at which time all rights, titles and interest in such assets will automatically vest in OWD.

The 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. Under the concession agreement, in the event that one or more grounds for EPA has occurred or is expected to occur, an appropriate price adjustment to be applied to the tariff or an appropriate adjustment to the service obligations of the concessionaire will be determined by OWD.

The grounds for EPA means any of the following circumstances:

a. change in law or change in the interpretation of the terms of the concession agreement;
b. extraordinary cost incurred due to prolonged force majeure;
c. a material change has been made to the basis of calculation or definition of the CPI or replacement index agreed;
d. change in assumptions at the time of the execution of the concession agreement; or
e. the concessionaire has incurred significant additional costs as a result of an event of force majeure which are not covered by insurance.

On March 28, 2019, LWUA has approved a new loan repayment scheme of thirteen (13) years with OWD. Upon initial payment, which shall not be later than May 15, 2019, LWUA shall no longer impose penalties from OWD.

BMDC 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 AP 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 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.

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, including the right to bill and collect tariff for the provision of water supply and sanitation services.

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, 2020, the case remains pending with the Supreme Court.

MWPVI 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 board of directors 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.

EcoWater 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 shall be effective on its commencement date on February 1, 2018.

MWPVI shall apply its expertise in the industrial zones operations and shall provide capital expenditures for the duration of the agreement. The Cavite Special Economic Zone is a 275-hectare industrial estate with 297 locators consuming approximately 350,000 cubic meters per month or 12.00 million liters per day.

On August 4, 2020, MWPVI's BOD approved the assignment of the Lease Agreement for the Operations and Management of the Water and Used Water Facilities of the PEZA in the CEZ from MWPVI to EcoWater.

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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.

As of December 31, 2020, Ilagan Water's BWSPA and SMA did not have any impact on the Group's financial position and operations since Ilagan Water has yet to commence any activities in relation to these agreements.

Share Purchase Agreement (SPA) with Electricity Generating Public Company Limited (EGCO)
On February 19, 2018, the Parent Company signed a SPA with EGCO to acquire EGCO's 18.72% equity in Eastern Water Resources Development and Management Public Company Limited (East Water). East Water is a publicly listed company whose shares are traded in the Stock Exchange of Thailand. It is engaged in the provision of raw water and tap water since 1992 in the eastern seaboard of Thailand.

On March 5, 2018, MWTC entered into a one-year term facility agreement with Mizuho Bank, Ltd., Bangkok Branch (Mizuho Bangkok), whereby Mizuho Bangkok extended credit to MWTC for Thailand Baht (THB) 5.30 billion to finance MWTC's acquisition of shares in East Water (see Note 15).

On March 14, 2018, MWTC acquired 311,443,190 ordinary shares in East Water representing 18.72% equity of East Water (see Note 12).

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 in its acquisition of its investment in East Water. The loan bears interest of BIBOR plus margin and is guaranteed by the Parent Company.

SPA with PT. Triguna Rapindo Mandiri
On March 6, 2018, PTMWI signed a SPA with PT. Triguna Rapindo Mandiri to acquire 4,478 shares of PT. Sarana Tirta Ungaran (PT STU) which represented twenty percent (20.00%) ownership of the outstanding capital stock of PT STU (see Note 12).

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.

Notice of Award from Balagtas Water District (BWD)
On April 23, 2018, the Parent Company and MWPVI (collectively the "Consortium") received the Notice of Award from BWD for the implementation of a joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion and management of the water supply system and sanitation facilities of BWD in the municipality of Balagtas, Bulacan.

Bulakan Water's Concession Agreement with the Bulacan Water District (BuWD)
On April 26, 2018, the Parent Company and MWPVI (collectively the "Consortium") received the Notice of Award from the BuWD for the joint venture project for the development, financing, design, engineering, construction, rehabilitation, upgrade, testing, commissioning, operation, management, and maintenance of water facilities and the provision of water and sanitation services in the Municipality of Bulakan in Bulacan.

On August 16, 2018, Filipinas Water signed and executed a JVA with the BuWD for the implementation of the project. Under the JVA, Filipinas Water and BuWD shall incorporate a joint venture company, with 90.00% and 10.00% ownership, respectively, which shall be granted a concession by BuWD. On October 16, 2018, the joint venture company, Bulakan Water, was incorporated and was registered with the SEC.

On June 14, 2019, Bulakan Water and the BuWD signed and executed a concession agreement for the design, construction, rehabilitation, operation, maintenance, financing, expansion, and management of water facilities and the provision of water and sanitation services in the Municipality of Bulakan for a period of twenty-five (25) years from the commencement date.

North Luzon Water's MOAs with the Municipalities of Sta. Barbara, San Fabian, and Manaoag in Pangasinan
On April 27, 2018, MWPVI was granted a franchise by the Municipality of Sta. Barbara, Pangasinan for the provision of water supply and the improvement, operation, maintenance, management, financing, and expansion of water supply facilities, and the provision of septage management in Sta. Barbara, Pangasinan. The franchise has a term of twenty-five (25) years from the commencement date.

On June 11, 2018, MWPVI received a Notice to Proceed from the Municipality of Sta. Barbara for the implementation of the project.

On August 13, 2018, MWPVI was granted a franchise by the Municipality of San Fabian, Pangasinan to establish, construct, operate, manage, repair, and maintain a water supply system and facilities, and the provision of septage management in the municipality of San Fabian, Pangasinan. The franchise has a term of twenty-five (25) years from the commencement date.

On December 3, 2018, MWPVI was granted a franchise by the Municipality of Manaoag, Pangasinan to establish, construct, operate, manage, repair, and maintain a water supply system and facilities, and the provision of septage management in the municipality of Manaoag, Pangasinan. The franchise has a term of twenty-five (25) years from the commencement date.

On January 25, 2019, MWPVI received a Notice to Proceed for the implementation of the project in the Municipality of Manaoag, Pangasinan.

In February 2019, MWPVI signed a MOA each with the Municipalities of Sta. Barbara, San Fabian, and Manaoag.

On September 16, 2019, MWPVI incorporated North Luzon Water to operate the franchises granted in Sta. Barbara, San Fabian, and Manaoag in Pangasinan.

On August 4, 2020, the MWPVI BOD approved the assignment of the franchises, rights and obligations granted to MWPVI by the local government units of Malasiqui, San Fabian, and Manaoag in the province of Pangasinan to North Luzon Water.

As of December 31, 2020, North Luzon Water's MOAs did not have any impact on the Group's financial position and operations since North Luzon water has yet to commence any activities in relation to these agreements.

Laguna Water 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 and MWPVI 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, MWPV South Luzon Water Corp. (South Luzon Water), the joint venture company, was incorporated to execute the Tanauan Project.

On September 30, 2019, South Luzon Water's BOD approved to accept the assignment by the Parent Company and MWPVI of their respective rights and obligations under their JVA with the TnWD.

On January 21, 2020, South Luzon Water's BOD approved and clarified that the assignment has a retroactive application effective June 1, 2019, considering the actual commencement date of the takeover and operation of the Tanuan Project.

Parent Company's JVA with Lambunao Water District (LWD)
On November 27, 2018, the Parent Company received a Notice of Award from LWD for a joint venture for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply system of LWD in the Municipality of Lambunao, Iloilo.

Upon completion of conditions precedent specified in the notice, the Parent Company and LWD shall enter into a JVA, the implementation of the joint venture activity of which shall be undertaken by Aqua Centro.

On July 3, 2019, the Parent Company and LWD entered into a JVA to implement the design, improvement, upgrade, rehabilitation, and expansion of water supply including the financing and construction of such facilities and infrastructure in the service area of LWD, and the management, operation and maintenance of such water supply and the provision of the services necessary or incidental thereto in the service area.

On August 8, 2019, the Parent Company's BOD ratified its Executive Committee's approval of the assignment to Aqua Centro of the implementation of the concession project awarded by LWD to the Parent Company.

On August 30, 2019, the Parent Company formally notified LWD of the designation of Aqua Centro as the Project Company to implement and carry out the concession project.

On September 1, 2019, Aqua Centro officially commenced operations on the joint venture activity. On the same date, Aqua Centro's BOD approved the Deed of Accession between the Parent Company and LWD.

On September 18, 2019, LWD gave its consent to, and confirmation of, the designation of Aqua Centro as the project company for the implementation of the project pursuant to the JVA.

On December 11, 2019, LWD signed the Deed of Accession between the Parent Company and Aqua Centro.

Notice of Award from Calinog Water District
On November 27, 2018, the Parent Company received a Notice of Award from Calinog Water District for a joint venture for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply system of Calinog Water District in the Municipality of Calinog, Iloilo.

Upon completion of conditions precedent specified in the notice, the Parent Company and Calinog Water District shall enter into a JVA. The implementation of the joint venture activity shall be undertaken by Aqua Centro.

On June 10, 2019, the Executive Committee of the Parent Company approved the joint venture with the Calinog Water District. It also approved the assignment to Aqua Centro of the joint venture with Calinog Water District.

On November 28, 2019, MWPVI received a letter that the BOD of the Calinog Water District has revoked and annulled the Letter of Acceptance dated August 15, 2018 and the Notice of Award dated November 27, 2018.

Aqua Centro and Laguna Water APAs with Extraordinary Development Corporate Group (EDCG)
On December 11, 2018, Aqua Centro entered into seven (7) APAs with EDCG's subsidiaries to acquire the subsidiaries' assets related to the provision of water service in ten (10) subdivisions in Imus, General Trias, and Naic in the province of Cavite. These subsidiaries are Earth Aspire Corporation, First Advance Development Corporation, Ambition Land Inc., Prosperity Builders Resources Inc., Tahanang Yaman Homes Corporation, Extraordinary Development Corp., and Earth + Style Corporation.

On December 11, 2018, Laguna Water entered into four (4) APAs with EDCG's subsidiaries to acquire the subsidiaries' assets related to or used in its water service provision operations in Biñan, Laguna. The APAs are with the following EDCG subsidiaries, namely, Earth Aspire Corporation, Earth Prosper Corporation, Earth and Style Corporation, and Extraordinary Development Corp.

As of December 31, 2020 and 2019, Aqua Centro has already started operations in nine (9) out of the ten (10) subdivisions. As of December 31, 2020, Aqua Centro shall operate the one (1) remaining subdivision once all the conditions precedent under the APAs have been fulfilled.

MWPVI and TPGI's JVA with San Jose City Water District (SJCWD)
On December 21, 2018, the consortium of MWPVI and TPGI received a Notice of Award from SJCWD for the implementation of the joint venture project for the design, construction, improvement, upgrade, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply system and the provision of water and sanitation services of SJCWD in San Jose City, Nueva Ecija.

Calbayog Water's JVA with Calbayog City Water District (CCWD)
On December 27, 2018, the Parent Company received the Notice of Award from CCWD for the implementation of the joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water and wastewater systems of CCWD in the Calbayog City, as well as other areas which may eventually form part of the service coverage of the CCWD in the Province of Samar.

Upon completion of the conditions precedent specified in the notice, the Parent Company shall enter into a JVA with CCWD for the implementation of the joint venture project over a twenty-five (25) year contract period.

On April 17, 2019, Calbayog Water was incorporated to engage in the development, construction, improvement, upgrade, rehabilitation, expansion, management, operation and maintenance of water supply and wastewater facilities, and to provide services necessary or incidental thereto.

On June 10, 2019, the Executive Committee of the Parent Company approved the joint venture with the CCWD. It also approved the assignment to Calbayog Water of the joint venture with CCWD.

On July 3, 2019, the Parent Company signed and executed a JVA with CCWD for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water and wastewater system of CCWD in the City of Calbayog.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MWPVI's Grant of Franchise from Sangguniang Panlungsod of Iloilo
On March 26, 2019, the Sangguniang Panlungsod of Iloilo City granted a non-exclusive franchise to the joint venture between MWPVI and TPGI to construct, establish, commission, operate and maintain a water supply system to service the population of the Iloilo City.

The franchise granted to MWPVI shall be for a term of twenty-five (25) years, covering all the barangays under the governance and jurisdiction of Iloilo City.

Aqua Centro and Laguna Water 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, Amendment to the MOA with RLI for Pasinaya North was executed. The amendment states a one-time fee or charge amounting to ₱5.47 million for the right to use for 25 years of RLI's Water Distribution Facilities in Pasinaya North. This one-time fee was presented as part of the "Right-of-use assets" in the consolidated statements of financial position (see Note 11).

MWTS's Integrated Waste Management Facility with the City of Marikina
On July 31, 2019, MWTS received the Certificate of Acceptance and Grant of Original Proponent Status from the Office of the Mayor of the City of Marikina to build and operate an Integrated Waste Management Facility to treat and process the city solid waste of Marikina City. In 2020, MWTS has withdrawn the unsolicited proposal submitted for the project.

Raw Water Supply Offtake Agreement among the Parent Company, MWSS, and WawaJVCo, Inc.
On August 6, 2019, MWSS along with the Parent Company signed a thirty (30)-year Raw Water Supply Offtake Agreement with WawaJVCo, Inc., a joint venture company formed between Prime Metroline Infrastructure Holdings Corporation and San Lorenzo Builders and Developers Corporation. This will involve the supply of 518.00 million liters per day of raw water from the Wawa and Tayabasan rivers and is among the medium-term water supply augmentation measures identified to provide water security and sustainability to the consumers of the East Service Area. The effectivity of the agreement shall be subject to the fulfillment of conditions precedent including the approval of the MWSS RO.

EcoWater's Water Purchase Agreement (WPA) with ROHM Electronics Philippines, Inc. (REPI)
On September 9, 2019, EcoWater entered into a WPA with REPI. Pursuant to the WPA, EcoWater will design, finance, construct, own, operate and maintain a water supply system to cater the water supply of REPI.

On September 16, 2020, the operation has started with a guaranteed volume of 90,000.00 million cubic meters (mcm) per month.

Prime Metroline Holdings, Inc.'s Subscription of Parent Company Shares
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 shareholder 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 4,000,000,000 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 aims 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 has 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.

The subscription agreement will become effective after certain conditions precedent are met, including relevant third-party consents and regulatory approvals.

On February 11, 2020, Ayala clarified that the shareholders agreement related to the subscription of shares of the Parent Company by Trident Water will take effect after the closing of the subscription agreement, which will be after the annual stockholders' meeting of the Parent Company on April 17, 2020 and after regulatory approvals have been obtained. This includes the SEC's approval of the denial of pre-emptive rights with respect to the issuance of shares to Trident Water. The closing of the subscription agreement is conditioned on the continuing effectivity of the Parent Company's material contracts.

The signing of the subscription agreement, as well as the approvals secured from shareholders at the recent annual stockholders' meeting for the increase in capital stock and carved-out shares, are components of a series of events. There are still other conditions precedent and approvals which are worked on by both parties and remain in progress. Notably, the parties have submitted necessary information and documentary requirements to the Securities and Exchange Commission (SEC) and the Philippine Competition Commission (PCC).

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 BOD." Carved-out shares are common shares which are waived of shareholders' pre-emptive rights and are earmarked for specific corporate purposes.

On August 25, 2020, the Parent Company received a copy of the resolution from the 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 will not likely result in substantial lessening of competition.

In 2020, the Parent Company also received consents from specific lenders for the subscription.

As of December 31, 2020, the remaining conditions precedent to the subscription agreement between Parent Company and Prime Metroline Holdings, Inc. are still being fulfilled by the parties. Further developments relating to this transaction are disclosed in Note 31.

Zamboanga Water's Loan Prepayment

On February 17, 2020, the BOD of MWPVI approved the extension of Zamboanga Water's shareholder loan amounting to ₱76.00 million which will be used by Zamboanga Water for the prepayment in 2020 of its outstanding loan with the Development Bank of the Philippines (DBP). The loan prepayment was made by Zamboanga Water on March 30, 2020.

Calbayog Water's Stakeholder Management Agreement with CCWD and Subscription Agreement with TPGI

On July 15, 2020, Calbayog Water and TPGI entered into a Stakeholder Management Agreement, where TPGI agrees to provide support to the Operations Management/Stakeholder Management of Calbayog Water. On the same date, Calbayog Water and TPGI entered into a Subscription Agreement wherein TPGI agreed to subscribe to Calbayog Water's shares at a subscription price of ₱1.00 per share for a total subscription of ₱49.17 million, payable in tranches up to 2022.

MWTS' Healthy Family Business Division Closure

On August 26, 2020, MWTS announced the permanent closure of its Healthy Family business division effective October 31, 2020 due to its recurring losses and inability to financially sustain business operations.

The Healthy Family brand was launched in 2015 and has since been known for providing exceptional quality and affordable purified drinking water to its customers. While the Healthy Family business division has, in recent years, made strong efforts to improve operations and profitability, the ever-increasing competition in the bottled water industry and the recent economic challenges have proved too difficult to cope and keep the business afloat. MWTS, as an entity, shall continue to exist and operate based on its primary purpose to engage in water and wastewater and environmental services.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On October 13, 2020, MWTS signed an asset purchase agreement with Maris Pure Corporation for the sale of some of Healthy Family assets, consisting of water bottling equipment, spare parts, and delivery equipment, for a consideration of ₱35.00 million (see Note 9).

The permanent closure of the MWTS Healthy Family division resulted to its classification as a discontinued operation (see Note 3). The summary of results of operations and cash flows of MWTS-Healthy Family as of December 31, 2020, 2019 and 2018 are presented in Note 19.

Parent Company's Management, Operation, and Maintenance Contract (MOMC) with the National Water Company (NWC), Kingdom of Saudi Arabia

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 will comprise 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.

As of December 31, 2020, the Consortium is currently in the process of registering and incorporating a "Project Company" to implement the MOMC, as part of the conditions precedent to the project commencement date. The Parent Company, through MWAP as its investment vehicle, will have a 20% equity interest in the Project Company. As part of the MOMC requirement, the Parent Company executed a guarantee in favor of NWC supporting the financial and operational obligations of the Project Company.

Approval for the Issuance of the Consolidated Financial Statements

The BOD approved and authorized the issuance of the consolidated financial statements on February 24, 2021.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis. 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.

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, 2020 and 2019, and for each of the three years in the period ended December 31, 2020.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

a. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
b. exposure, or rights, to variable returns from its involvement with the investee; and
c. the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a. the contractual arrangement with the other vote holders of the investee;
b. rights arising from other contractual arrangements; and
c. the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

a. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
b. derecognizes the carrying amount of any noncontrolling interests;
c. derecognizes the cumulative translation differences recorded in equity;
d. recognizes the fair value of the consideration received;
e. recognizes the fair value of any investment retained;
f. recognizes any surplus or deficit in profit or loss; and
g. reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial years, except for the PFRS, amended PFRS and improvements to PFRS which were adopted as of
January 1, 2020.

Unless otherwise stated, the new standards and amendments did not have any material impact to the Group.

a. Amendments to PFRS 3, *Business Combinations – Definition of a Business*

   The amendments to PFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

   These amendments may impact future periods should the Group enter into any business combinations. The Group did not have any business combinations for the period ended December 31, 2020.

b. Amendments to PFRS 7, *Financial Instruments: Disclosures*, PFRS 9, *Financial Instruments*, and PAS 39, *Financial Instruments: Recognition and Measurement – Interest Rate Benchmark Reform*

   The amendments to PFRS 9 and PAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

   The Group does not have any interest rate hedge relationships.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

c. Amendments to PFRS *16, Leases – Covid-19-Related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- the rent concession is a direct consequence of COVID-19;
- the change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment, issued on May 28, 2020, is effective June 1, 2020 but, to ensure the relief is available when needed most, lessees can apply the amendment immediately in any financial statements – interim or annual – not yet authorized for issue.

The Group adopted the amendment on its effective date. As of December 31, 2020, the Group has not received any rent concessions (see Note 11). The Group will continue to monitor future rent concessions that will fall within the scope of this amendment and assess its impact on the Group's financial position and operations, when applicable.

d. Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

e. Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the International Accounting Standards Board in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

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, 2021

a. Amendments to PFRS 4, PFRS 7, PFRS 9, and PFRS 16 – *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
- relief from discontinuing hedging relationships; and
- relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Group shall also disclose information about:

- the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

Effective beginning on or after January 1, 2022

a. Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations*, to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or Philippine IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

b. Amendments to PAS 16, *Property, Plant and Equipment – Proceeds before Intended Use*

The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the Group first applies the amendment.

c. Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments must be applied to contracts for which the Group has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

d. Annual Improvements to PFRSs 2018-2020 Cycle

- Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-Time Adopter*

  The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to PAS 41, *Agriculture – Taxation in Fair Value Measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Effective beginning on or after January 1, 2023

a. Amendments to PAS 1, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

   The amendments clarify paragraphs 69 to 76 of PAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

b. 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.

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
Fair value is the estimated 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2020 and 2019, 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, contract assets, and deposits as financial assets at amortized cost (see Notes 5, 6, and 10).

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 the statement of income.

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). ECL's are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL's are provided for credit losses that result from default events that are possible within the next twelve months (a 12-month 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, 2020 and 2019, the Group's financial liabilities comprise of financial liabilities at amortized cost.

b. *Subsequent measurement*
After initial recognition, long-term debt and service concession obligations are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized under the "Other income (expense)" account in the consolidated statements of comprehensive income when the liabilities are derecognized or impaired, and through the "Interest expense" account when the gains and losses are amortized. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

This accounting policy applies to the Group's accounts and other payables, lease liabilities, long-term debt, service concession obligations, and customer guaranty deposits and other deposits.

c. *Derecognition*
A financial liability is derecognized when the obligation under the liability is discharged or canceled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Group's statement of comprehensive income.

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 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.

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. The cost of raw materials and finished goods are determined based on the periodic weighted average method.

The cost of raw materials includes all costs directly attributable to their acquisition.

Finished goods include the cost of raw materials, direct labor, and a proportion of manufacturing overhead.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Prepaid Expenses

Prepaid expenses are carried at cost less the amortized portion. These typically include prepayments for regulatory costs, business taxes, insurance and employee health care expenses, and other benefits.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use, including capitalized borrowing costs incurred during the construction period. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the related property, plant and equipment.

Depreciation and amortization of property, plant and equipment commences once the property, plant and equipment are available for use and are calculated on a straight-line basis over the estimated useful lives (EUL) of the property, plant and equipment as follows:

Leasehold improvements	5 years or lease term, whichever is shorter
Plant and technical equipment	5 years or the term of the related management contract, whichever is shorter
Office furniture and equipment	3 to 5 years
Transportation equipment	5 years

The EUL and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Construction in progress represents property, plant and equipment under construction and is stated at cost including costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are in the location and condition necessary for it to be capable of operating in the manner intended by management.

When property, plant and equipment is retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated impairment, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Software

Software acquired separately are measured on initial recognition at cost including any directly attributable costs with the development of the software that are expected to generate future expected benefits. All other costs of developing and maintaining software are recognized in profit or loss as incurred.

Following initial recognition, software are carried at cost less any accumulated amortization and accumulated impairment losses. Software are assessed to have finite useful lives of three (3) to five (5) years.

Service Concession Assets and Obligations

The Group accounts for its concession agreements with MWSS, PGL, TIEZA, CDC, OWD, CWD, and BuWD; JVAs with PAGWAD, TnWD, LWD, and CCWD; and SMA with CIWD under the Intangible Asset model as it receives the right (license) to charge users of public service. Under the Group's concession arrangements, the Group is granted the sole and exclusive right and discretion during the concession period to manage, occupy, operate, repair, maintain, decommission and refurbish the identified facilities required to provide water services. The legal title to these assets shall transfer to MWSS, PGL, TIEZA, CDC, OWD, CWD, BuWD, PAGWAD, TnWD, LWD, CCWD, and CIWD (under the SMA) at the end of the concession period.

On the other hand, the concession arrangements with MCWD, TWD, and CIWD (its BWSPA) 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.

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 statement of comprehensive income 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 statement of comprehensive income outside of operating profit and represents profit or loss after tax and noncontrolling interests in the subsidiaries of the associate. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognizing its share of further losses.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and then recognizes the loss as "Other income (loss)" in the consolidated statement of comprehensive income.

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 statement of profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve (12) months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Goodwill is initially measured at cost where cost is the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss and included under "other income (expenses)."

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- not be larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Occasionally, an acquirer will make a bargain purchase, which is a business combination in which the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured exceeds the aggregate of the consideration transferred.

Before recognizing a gain on a bargain purchase, the acquirer shall reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and shall recognize any additional assets or liabilities that are identified in that review. The acquirer shall then review the procedures used to measure the amounts to be recognized at the acquisition date for all of the following:

a. the identifiable assets acquired and liabilities assumed;
b. the noncontrolling interest in the acquiree, if any;
c. for a business combination achieved in stages, the acquirer's previously held equity interest in the acquiree; and
d. the consideration transferred.

If that excess remains after applying the requirements above, the acquirer shall recognize the resulting gain in profit or loss on the acquisition date. The gain shall be attributed to the acquirer.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Water Rights

Water rights are accounted for as an intangible asset with indefinite useful life. These pertain to the permit acquired separately, and are recognized as an intangible asset as these were issued by the National Water Resources Board (NWRB) without an explicit provision on the period of effectivity. Costs incurred for the acquisition of water rights are capitalized and measured on initial recognition at cost.

Presidential Decree No. 1067, also known as the Water Code, states that water permits shall continue to be valid as long as water is beneficially used. The rights may be suspended or revoked based on certain grounds such as non-compliance with approved plans and specifications or schedules of water distribution, and use of water for a purpose other than that for which it was granted.

All water permits are subject to modification or cancellation by the NWRB, after due notice and hearing, in favor of a project of greater beneficial use or for multi-purpose development, and a water permittee who suffers thereby shall be duly compensated by the entity or person in whose favor the cancellation was made.

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group’s property, plant, and equipment, software, SCA, contract assets representing SCA under construction, right-of-use assets, investments in associates, goodwill, and water rights. The Group assesses, at each reporting date, these nonfinancial assets, excluding goodwill and water rights, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Water rights with indefinite useful life are tested for impairment annually either individually or at the CGU level. Such intangibles are not amortized. The life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in the life from indefinite to finite is made on a prospective basis.

An asset's recoverable amount is calculated as the higher of the asset's or CGU's fair value less cost of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other fair value indicators. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Leases (Upon Adoption of PFRS 16, Effective January 1, 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a Lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a. *Right-of-use assets*
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The right-of-use assets are also subject to impairment.

b. *Lease liabilities*
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

c. *Short-term leases and leases of low-value assets*
The Group applies the short-term lease recognition exemption to its short-term leases of office spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Leases (Prior to Upon Adoption of PFRS 16)
The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

A reassessment is made after the inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal of or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

A lease where the lessor retains substantially all the risks and benefits of ownership of the asset is classified as an operating lease.

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 percent (20%) of water revenue is recognized by the Parent Company as environmental charge.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- *Operation and maintenance services*
  Revenue from operation and maintenance services is recognized over time as the operation, maintenance and management services are rendered for water and wastewater facilities of Bonifacio Water Corporation (BWC).

- *Performance fees*
  Performance fees are recognized as revenue over time as the NRW are recovered as agreed in the NRWRSA with ZCWD.

The Group has determined that the output method is the appropriate method in measuring the progress of the connection services, project management services, and pipeworks and integrated used water services since this depicts the Group's performance in managing and providing service connection from water and used water facilities to the developments.

- *Connection fees*
  Connection fees are amounts paid by customers in exchange for the set-up of a connection from the customer's establishment to the Group's water or used water network. Revenue from connection fees is recognized over time using the output method based on time elapsed over the period when the related water and used water services are expected to be provided.

- *Supervision fees*
  Supervision fees arise from MWPVI, Aqua Centro, EcoWater, and Laguna Water's assurance of potable water and effective used water services for new developments, and performance of certain functions which includes, but is not limited to, the provision of design and project management services in the development of water and used water facilities. Revenue from supervision fees is recognized over time using an output method.

  Prior to January 1, 2020, revenue from supervision fees of MWPVI, Aqua Centro, EcoWater, and Laguna Water is accounted for as connection fees. With the new information gathered from operating greenfield projects and changes in circumstances, the allocation of the transaction price between connection fees and future water services was reassessed. As a result, the supervision fees are allocated between connection fees and future water services (as consideration for water affordability or lower water tariff) based on the relative stand-alone selling price method for contracts and projects initiated starting January 1, 2020. The stand-alone selling price of connection fee is estimated based on adjusted market assessment approach while the stand-alone selling price allocated to future water services is estimated considering actual and projected water tariffs. The change in estimate is accounted prospectively and supervision fees pertaining to existing projects as of December 31, 2019 will continue to be accounted for entirely as connection fee.

  Revenue from supervision fees is recognized over time using the output method. Supervision fees accounted for as connection fees is recognized and measured using a survey of performance completed to date and milestones reached. Supervision fees accounted for as future water service is recognized as the customer receives and consumes the benefit of water affordability or lower water tariff based on the agreed estimated water demand projections.

- *Revenue from pipeworks and integrated used water services*
  Revenue from pipeworks and integrated used water services is recognized over time as the water and wastewater network related services are rendered using an output method. Under this method, progress is measured using survey of performance completed to date and milestone reached. This is based on the work accomplishment report prepared by the project contractor as approved by the project management head.

Revenue recognized over time using input method

The Group determined that the input method is the appropriate method in measuring progress of the rehabilitation works, construction revenue, and service fees because there is a direct relationship between the Group's effort (i.e., actual cost incurred incurred) and the transfer of service to the customer.

- *Revenue from rehabilitation works and Cost of rehabilitation works*
  Revenue from rehabilitation works is equivalent to the related cost for the rehabilitation works covered by the service concession arrangements which is recognized as part of contract assets included under SCA or concession financial receivables and pertain to revenue from construction or

upgrade services. Revenue from rehabilitation works is recognized over time, using input method. Under this method, progress is measured by reference to the actual costs incurred to date.

- *Construction revenue*
  Construction revenue arise from the NRWRSA with ZCWD for the establishment of district metering areas. Revenue from construction services is recognized over time, using input method. Under this method, progress is measured based on actual costs incurred on materials, labor, and overhead relative to the total project costs.

- *Service fees*
  Service fees for technical assistance extended to ZCWD are recognized over time, using input method, when the related services have been rendered to the ZCWD. Under this method, progress is measured based on actual costs incurred on manpower and overhead relative to the total project costs.

Revenue recognized at a point in time

- *Distributors' fee*
  Distributors' fee is recognized as revenue at a point in time when control of the trade assets has been transferred to the distributor, generally upon delivery of the related assets.

- *Revenue from packaged water*
  Revenue from packaged water and other water related products is recognized at the point in time when control of the goods is transferred to the distributor, generally upon receipt of the related product, to the customer.

- *Other operating income*
  Other customer related fees such as reconnection and disconnection fees, income from customers late payments, income from septic sludge disposal, and income from bacteriological water analysis are recognized at a point in time when the control over these good or services have been transferred to the customer.

Contract Balances
Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to a customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Interest Income
Interest income is recognized as it accrues, taking into account the effective yield of the assets.

For all financial instruments measured at amortized cost, interest income is recorded using the EIR. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated statement of comprehensive income.

Cost of Services and Operating Expenses

Costs and expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. These are recognized:

- on the basis of a direct association between the costs incurred and the earning of specific items of income;
- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or,
- immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Cost of services and operating expenses are measured at the amount paid or payable.

Foreign Currency-Denominated Transactions

Foreign exchange differentials arising from foreign currency transactions of the Parent Company's loans and concession fees are credited to or charged against operations. For the Parent Company, as approved by the MWSS BOT under Amendment No.1 of the Concession Agreement, the following will be recovered or refunded through billings to customers:

a. restatement of foreign currency-denominated loans;
b. difference of actual and twelve (12)-month projected concession fee payments against the amounts of concession fees translated using the base exchange rate assumed in the business plan approved every rate rebasing exercise. The current base exchange rates are ₱53.16:US$1.00, ₱0.475: ¥1.00, ₱62.156: €1.00 based on the latest rate rebasing exercise effective January 1, 2018;
c. difference of actual and twelve (12)-month projected interest payments translated using the exchange spot rate on settlement date and average forex of the month immediately preceding the cut-off information date, respectively, against the amount of interest translated at drawdown rate; and
d. difference of actual and twelve (12)-month projected payments of other financing charges relating to foreign currency-denominated loans translated at exchange spot rate on settlement date and average forex of the month immediately preceding the cut-off information date, against the amount of other financing charges translated at drawdown rate.

For Boracay Water, its concession agreement with TIEZA allows for the recovery of the following from its customers:

a. restatement of foreign currency-denominated loans;
b. excess of actual interest payments translated at exchange spot rates on settlement dates over the amounts of interest translated at agreed base rate; and
c. excess of actual payments of other financing charges relating to foreign currency-denominated loans translated at exchange spot rates on settlement dates over the amount of other financing charges translated at agreed base rate.

The functional and presentation currency of the Parent Company and its Philippine subsidiaries is the Philippine Peso. Each entity in the Group determines its own functional currency and items included in the separate financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to profit or loss, with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are recognized in OCI until the disposal of the net investment, at which time they are recognized in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

In view of the automatic reimbursement mechanism, the Group recognizes deferred FCDA (included as part of "Other noncurrent assets" in the consolidated statement of financial position) for both the realized and unrealized foreign exchange gains and losses. Other water revenue-FCDA is credited (debited) upon recovery (refund) of realized foreign exchange losses (gains). The write-off or reversal of the deferred FCDA pertaining to concession fees will be made upon determination of the rebased foreign exchange rate, which is assumed in the business plan approved by the MWSS RO during the latest Rate Rebasing exercise, unless indication of impairment of the deferred FCDA would be evident at an earlier date.

The functional currency of MWAP, MWSAH, TDWH, KDWH, MSEA, and MWTH is the United States Dollar (US$ or USD), while Asia Water, 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), and MWTC and East Water's is the Thailand Baht (THB). As of reporting date, the assets and liabilities of these subsidiaries and associates are translated into the presentation currency of the Group at the rate of exchange at the reporting date and their profit and loss accounts are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in OCI and reported as "Cumulative translation adjustment", a separate component of equity. On disposal of a foreign entity, the "Cumulative translation adjustment" relating to that particular foreign operation shall be recognized in profit or loss.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, development, improvement and construction of fixed assets (including costs incurred in connection with rehabilitation works) that necessarily takes a substantial period of time to get ready for its intended use are recorded as property, plant and equipment or SCA, as applicable. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowing associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

The capitalization of those borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all activities necessary in preparing the related assets for their intended use are complete. Borrowing costs include interest charges and other related financing charges incurred in connection with the borrowing of funds. 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 statement of comprehensive income.

Remeasurements comprising actuarial gains and losses and return on plan assets (excluding net interest on defined benefit liability or asset) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination Benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Short-term Employee Benefits
Short-term employee benefits include items such as salaries and wages, social security contributions, and nonmonetary benefits, if expected to be settled wholly within twelve (12) months after the end of the reporting period in which the employees rendered the related services. Short-term employee benefits are recognized as expense as incurred. When an employee has rendered service to the Group during the reporting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid.

Employee Leave Entitlement
Employee leave entitlements are recognized as a liability when they are accrued to the employees. The undiscounted liability for employee leaves is recognized for services rendered by employees up to the end of the reporting period.

Share-Based Payment
Employee share purchase plan
The Parent Company has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the Parent Company's shares at a discounted price. The Parent Company recognizes stock compensation expense over the holding period. The Parent Company treats its ESOWN plan as option exercisable within a given period. These are accounted for similar to the PFRS 2, *Share-based Payment*, options. Dividends paid on the awards that have vested are deducted from equity and those paid on awards that are unvested are charged to profit or loss. For the unsubscribed shares where the employees still have the option to subscribe in the future, these are accounted for as "Common stock options outstanding" in the consolidated statement of financial position.

Equity
Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds at the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Subscriptions receivable pertains to the uncollected portion of the subscribed shares.

Retained earnings represent accumulated earnings of the Group. Appropriated retained earnings are set aside for future business expansions. The Parent Company's BOD declares dividends from the unappropriated portion of its retained earnings.

Other equity reserves pertain to gain from sale of investments in a subsidiary by the Parent Company that did not result to a loss of control.

Taxes
Value Added Tax (VAT)
Input VAT pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services. Deferred input VAT pertains to input VAT on accumulated purchases of property, plant and equipment and service concession assets for each month amounting to ₱1.00 million or more. This is amortized over five (5) years or the life of the property, plant and equipment or service concession assets, whichever is shorter, in accordance with the Bureau of Internal Revenue (BIR) regulation.

Output VAT pertains to the 12% tax due on the local sale of goods and services by the Group.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Trade payables" in the "Accounts and other payables" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under the "Other current assets" account.

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.

Deferred tax
Deferred tax is provided, using the liability method, for all temporary differences, with certain exceptions, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary difference associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as of the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Discontinued Operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as “net income or loss after tax from discontinued operations” in the consolidated statement of comprehensive income. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise. The related results of operations of the disposal group that qualified as a discontinued operation are separated from continuing operations and prior year’s consolidated statements of income have been restated.

Earnings per Share (EPS)
Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding during the year and adjusted to give retroactive effect to any stock dividends declared, if any, during the period. The net income attributable to common stock is net of the dividends on preferred shares including the participating preferred shares' participation in earnings. The participating preferred shares participate in the earnings at a rate of 1/10 of the dividends paid to a common share.

Diluted EPS is computed by dividing earnings attributable to common shares by the weighted average number of common shares outstanding during the period, after giving retroactive effect of any stock dividends, if any, during the period and adjusted for the effect of dilutive options. Outstanding stock options will have a dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option. Where the effects of the assumed exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Assets Held in Trust
Assets which are owned by MWSS, PGL, TIEZA, CDC, OWD, CWD, PAGWAD, TnWD, BuWD, LWD, and CCWD 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.

Events after the Reporting Date
Any event after the reporting date up to the date of the auditors' report that provide additional information about the Group's financial position at the reporting date (adjusting events) is reflected in the consolidated financial statements. Any event after the reporting date that is not an adjusting event is disclosed in the consolidated financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements, in conformity with PFRS, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Management believes the following represent a summary of these significant estimates and judgments:

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Service concession arrangements
In applying Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, the Group has made a judgment that its concession agreements with MWSS, PGL, TIEZA, CDC, OWD, CWD, and BuWD; JVAs with PAGWAD, TnWD, LWD, and CCWD; and SMA with CIWD qualify under the Intangible Asset model as it receives the right (license) to charge users of public service (see Notes 2 and 10).

On the other hand, the Group has made a judgment that the bulk water sale and purchase agreements with MCWD, TWD, and CIWD 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 MCWD, TWD, and CCWD (see Notes 2 and 10).

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, 2020 and 2019, 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, 2020 and 2019, the Group considers the Manila Concession and Head Office, Domestic Subsidiaries, and Foreign Subsidiaries as its operating segments that are aggregated based on the geographical location and source of revenues (see Note 26).

Determination of lease term of contracts with renewal and termination options – the Group as a lessee
The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset) (see Note 11).

Provisions and contingencies
The Group is currently involved in various legal proceedings and exposures in the ordinary conduct of business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with internal and external counsels handling the defense in these matters and is based upon an analysis of potential results (see Note 30).

Discontinued operations
As of December 31, 2020, the operations of Zamboanga Water qualify as discontinued operations because the termination of the NRWRSA indicates that Zamboanga Water, 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, ceases to operate including its noncurrent assets which are to be closed rather than sold or distributed to owners."

Meanwhile, MWTS' Healthy Family division also qualifies as discontinued operations following the segment's permanent closure effective October 31, 2020 due to recurring losses and inability to financially sustain business operations.

As a result of the preceding circumstances, results of operations presented in the consolidated statements of comprehensive income and the corresponding consolidated notes to the financial statements in 2020, 2019 and 2018 were restated to exclude from continuing operations the discontinued operations of Zamboanga Water and MWTS Healthy Family (see Note 19).

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 ₱10,976.17 million, ₱10,852.91 million, and ₱9,661.98 million in 2020, 2019 and 2018, respectively (see Notes 6 and 10).

Provision for ECLs of receivables from customers
The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation) are expected to deteriorate over the next year which can lead to an increase in prices of basic goods and services, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECLs, which have been adjusted to consider a range of possible outcomes, is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

In compliance with the mandate of MWSS and in line with the Bayanihan to Heal as One Act, the Parent Company suspended disconnection activities; extended payment terms for specific billing periods covered by the enhanced community quarantine (ECQ) or modified ECQ (MECQ) during the year; and provided installment payment schemes to customers, as necessary, without incurring interests, penalties and other charges. These factors were incorporated in the Group's determination of historical observed default rates.

As of December 31, 2020 and 2019, allowance for expected credit losses of receivables from customers amounted to ₱1,749.07 million and ₱1,300.64 million, respectively (see Note 6).

Estimating the period over which control over services is transferred to the customer
For each group of similar customer contracts that result in revenues recognized over a period of the time, the Group makes an estimate of such period over which the Group transfers the control of the services provided to the customer. For revenue from rehabilitation works, construction revenue, service fees, supervision fees, and revenue from pipeworks and integrated used water services, the Group has determined that the period of revenue recognition is the term of the customer contract. For connection fees revenue, the Group has estimated that the customer receives control over the remaining concession period or remaining customer contract term.

Estimating useful lives of water rights
MW Consortium and MWPVI estimate that the useful lives of the water rights to be indefinite, considering that the water permits remain valid for as long as water is beneficially used. It is possible that future results of operations could be materially affected by changes in MW Consortium and MWPVI's estimates. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances (see Note 13).

Impairment of nonfinancial assets
The Group assesses the impairment of nonfinancial assets (property, plant and equipment, SCA, contract assets representing SCA under construction, right-of-use assets, investments in associates, water rights, and deposits under other current and noncurrent assets) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of usage of the acquired assets or the strategy for the Group's overall business;
- significant negative industry or economic trends;
- significant decline in net worth or market capitalization; and
- significant decline in distributed profits or increase in losses.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the fair value less cost to sell and value in use.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

In 2018, MWTS closed three (3) water bottling plants. As a result, the Group recognized impairment loss on its property, plant and equipment amounting to ₱71.43 million, representing the write-down of leasehold improvements and water treatment equipment to its recoverable amounts as of December 31, 2018 (see Note 9). This is presented as part of "Other income (loss)" in the MWTS' Healthy Family profit or loss (see Note 19).

For the years ended December 31, 2020, 2019 and 2018, the Group recognized an impairment loss on its investment in Saigon Water amounting to ₱3.97 million, ₱74.33 million, and ₱65.41 million, respectively, due to the decline in market capitalization. On March 31, 2020, MWSAH recognized an impairment on its investment in Cu Chi Water amounting to ₱336.67 million due to the current and prospective financial performance and condition of Cu Chi Water (see Note 12). These are presented as part of "Other income (loss)" in the consolidated statements of comprehensive income (see Note 18).

As of December 31, 2020, the Group has determined that there are no indicators of impairment on its investments in Thu Duc Water, Kenh Dong Water, East Water, and PT STU (see Note 12). As of December 31, 2019, the Group has determined that there are no indicators of impairment on its investments in Thu Duc Water, Kenh Dong Water, Cu Chi Water, East Water, and PT STU (see Note 12).

As of December 31, 2020 and 2019, the Parent Company's market capitalization significantly declined compared to its net book value, which decline was triggered by, among others, the ongoing discussion with MWSS on the provisions of the Concession Agreement identified for renegotiation and amendment (see Note 1). Management has determined that, as of December 31, 2020 and 2019, the recoverable amount of the Parent Company's nonfinancial assets is higher than its net book value. Therefore, the Group did not recognize any impairment loss on the Parent Company's nonfinancial assets particularly its property and equipment and SCA amounting to ₱1,078.20 million and ₱89,128.06 million in 2020 and ₱925.11 million and ₱81,052.26 million in 2019, respectively. The recoverable amount was determined by an external appraiser by considering the fair value of property and equipment and SCA's current highest and best use, taking into consideration recent sales, offering prices or listing of comparable properties registered within the vicinity of the subject assets and cost to build similar assets, adjustments to sales prices based on internal and external factors including impact of the coronavirus pandemic, and deductions for physical deterioration and all other relevant forms of obsolescence.

As of December 31, 2020 and 2019, 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 Parent Company's impairment test for goodwill related to the acquisition of Clark Water is based on value in use calculations using a discounted cash flow model. The 2021 cash flows for the next twenty (20) years assume a steady growth rate and are derived from Clark Water's latest business plan. The Parent Company 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 10.66% and 11.67% in 2020 and 2019, respectively.

The carrying value of goodwill on the acquisition of Clark Water in the consolidated statements of financial position amounted to ₱130.32 million as of December 31, 2020 and 2019. The Group has not recognized any impairment on the goodwill from the Clark Water acquisition as of December 31, 2020.

Estimating billable water volume
The SCAs related to the concession agreements of the Group are amortized using the UOP method based on actual billed volume and total estimated billable volume for the remaining period of the concession agreements. The Group considers factors such as population growth rate, supply and consumption, and service coverage, including ongoing and future expansions in estimating the total billable water volume over the remaining periods of the concession agreements. In 2020, the Group also considered the impact on future billable volume considering the ongoing coronavirus pandemic which has affected the billed volume mix and consumption. For the years ended December 31, 2020, 2019 and 2018, 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, 2020 and 2019, the Parent Company and Boracay Water's deferred FCDA classified under "Other noncurrent assets" amounted to ₱403.18 million and ₱1,669.04 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.

Deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgement is required to determine the amounts that could be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning.

Also, the Group does not recognize deferred taxes on certain deductible temporary differences where doubt exists as to the tax benefits they will bring in the future (see Note 20).

In 2020, the Parent Company used itemized deductions in the calculation of its current income tax. The tax rate of 30% was used in computing for the deferred income taxes of the Parent Company as this is the rate that the underlying deferred tax assets or liabilities are expected to be recovered, settled or utilized in the future. As a result of the shift from OSD to itemized deduction, the Parent Company recorded additional deferred income tax assets amounting to ₱1,181.15 million (see Note 20).

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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 ₱219.60 million and ₱194.19 million as of December 31, 2020 and 2019, respectively (see Note 16).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates for the specific country. Retirement and termination rates are based on expected rates at which employees are assumed to retire or leave the employment of the Group.

Further details about the assumptions used are provided in Note 16.

Estimating the incremental borrowing rate for leases
The Group cannot readily determine the interest rate implicit in the lease, therefore, it used its incremental borrowing rate to measure its lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates its incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Group's lease liabilities amounted to ₱393.94 million and ₱308.48 million as of December 31, 2020 and 2019, respectively (see Note 11).

Estimating fair values for the purchase price allocation of East Water
The Group acquired shares of stocks of a company in Thailand in 2018. The fair value of the net assets of the investee company was determined using a combination of multi-period excess earnings valuation method, which assumed expected future earnings stream attributable to the identified income-generating asset discounted using the rate of return commensurate to the asset, and fair value less cost to sell valuation method. The Group estimated the cash flows based on average life of the identified assets.

4. 2019 Business Combination and Goodwill

EDCG
On December 11, 2018, Aqua Centro entered into seven (7) APAs with EDCG's subsidiaries to acquire the subsidiaries' assets related to the provision of water service in ten (10) subdivisions in Imus, General Trias, and Naic in the province of Cavite. These subsidiaries are Earth Aspire Corporation, First Advance Development Corporation, Ambition Land Inc., Prosperity Builders Resources Inc., Tahanang Yaman Homes Corporation, Extraordinary Development Corp., and Earth + Style Corporation.

On January 9, 2019, Aqua Centro paid 50.00% of the total contract price amounting to total consideration of ₱24.67 million while the balance was paid on November 28, 2019 after compliance with all conditions precedent to its APAs.

As of December 31, 2020 and 2019, Aqua Centro has already started operations in nine (9) out of the ten (10) subdivisions. As of December 31, 2020, Aqua Centro shall operate the one (1) remaining subdivision once all the conditions precedent under the APAs have been fulfilled.

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.

On December 20, 2018, Laguna Water paid 50.00% of the total acquisition cost amounting to ₱20.46 million. The remaining 50.00% was paid on September 6, 2019, after compliance with all conditions precedent to Laguna Water's APAs.

The fair values of the identifiable assets on these transactions as of the date of acquisition were as follows:

	Assets Acquired (Property, Plant and Equipment)	Acquisition Cost	Goodwill (Bargain Purchase)
Aqua Centro:			
First Advance Development Corporation	₱40,790,000	₱20,769,400	(₱20,020,600)
Earth Aspire Corporation	3,753,000	1,356,000	(2,397,000)
Ambition Land Inc.	5,528,000	4,559,550	(968,450)
Prosperity Builders Resources Inc.	11,604,000	12,475,200	871,200
Tahanang Yaman Homes Corporation	7,249,000	10,189,210	2,940,210
Earth + Style Corporation	15,143,000	7,160,810	(7,982,190)
Extraordinary Development Corp.	15,008,000	4,657,860	(10,350,140)
Laguna Water			
Earth Prosper Corporation	13,952,000	6,880,570	(7,071,430)
Earth + Style Corporation	23,303,000	17,337,590	(5,965,410)
Extraordinary Development Corp.	5,753,000	81,360	(5,671,640)
Earth Aspire Corporation	18,278,000	16,618,910	(1,659,090)

No identifiable liabilities were assumed by Aqua Centro and Laguna Water in these acquisitions. The acquisition of EDCG's subsidiaries assets resulted in a total gain on bargain purchase amounting to ₱18.33 million and ₱43.75 million, in 2019 and 2018, respectively, which is presented as part of "Other income (loss) - net" as the fair value of the property, plant and equipment acquired of ₱30.15 million in 2019 and ₱111.35 million in 2018 was in excess of the aggregate consideration of ₱11.82 million in 2019 and ₱67.60 million in 2018.

As of December 31, 2020 and 2019, the Group's goodwill balance amounted to ₱136.57 million. This is attributable to acquisitions of the following businesses:

Clark Water	₱130,319,465
Tahanang Yaman Homes Corporation	2,940,210
San Vicente Homes	1,229,600
Las Palmas Subdivisions Phases 1 to 7	1,206,000
Prosperity Builders Resources Inc.	871,200
Balance at beginning and end of year	₱136,566,475

5. Cash and Cash Equivalents and Short-term Investments

This account consists of:

	2020	2019
Cash on hand and in banks (Note 23)	₱2,416,241,955	₱1,835,144,655
Cash equivalents (Note 23)	18,311,016,068	7,123,098,747
	₱20,727,258,023	₱8,958,243,402

Cash in banks earn interest at the respective bank deposit rates ranging from 0.01% to 0.40%, 0.05% to 1.20%, and 0.01% to 3.33%, in 2020, 2019, and 2018, respectively. Cash equivalents are highly liquid investments with varying periods of up to three (3) months and earn interest at the respective short-term rates.

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Short-term investments pertain to the Group's time deposits with maturities of more than three (3) months up to one (1) year, and earned interest of 0.13% to 0.88% in 2020 and 0.87% in 2019. As of December 31, 2020 and 2019, the Group's short-term investments amounted to ₱129.30 million and ₱109.27 million, respectively.

Interest income earned from cash in banks, cash equivalents and short-term investments amounted to ₱204.39 million, ₱228.97 million, and ₱254.72 million in 2020, 2019, and 2018, respectively (see Note 18).

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6. Receivables and Contract Assets

a. *Receivables*

This account consists of receivables from:

	2020	2019
Customers of:		
Water and used water services:		
Residential	₱3,137,011,825	₱2,048,587,720
Commercial	567,618,620	330,507,212
Semi-business	308,837,086	116,053,168
Industrial	113,145,806	47,003,659
Pipework services	178,935,622	111,396,493
Supervision fees	165,825,733	706,266,430
Distributor's fees	163,166,430	138,501,860
ZCWD	39,509,823	24,652,776
Employees	26,721,569	31,219,817
Interest from banks	10,306,422	13,705,156
Dividends from associates (Note 12)	–	80,438,614
Cebu II Electric Cooperative, Inc. (CEBECO)	–	29,162,417
Others (Note 15)	195,194,601	74,616,434
	4,906,273,537	3,752,111,756
Less allowance for ECL	1,749,067,889	1,300,641,866
	₱3,157,205,648	₱2,451,469,890

The classes of the Group's receivables arising from water and used water services rendered to customers, collectible within thirty (30) days from billing date, follow:

- Residential - pertains to receivables from residential households.
- Commercial - pertains to receivables from commercial customers.
- Semi-business - pertains to receivables from small businesses.
- Industrial - pertains to receivables from customers for industrial and manufacturing purposes.

Trade receivables arising from supervision fees on the development of water and used water facilities are collectible within thirty (30) days from billing date.

Trade receivables from pipework services pertain to pipelaying, pipe replacements, and other services related to water and used water treatment facilities. These receivables are collectible within twelve (12) months.

Trade receivables from distributors' fees arise from the Exclusive Distributorship Agreement (EDA) entered into by MWTS with distributors of its Healthy Family drinking water and are collectible within the period that is agreed with the distributors.

Receivable from ZCWD pertains to billed charges for service fees, construction revenue, and performance fees arising from Zamboanga Water's NRWRSA. Zamboanga Water classifies as current the portion of the gross receivable from ZCWD that is collectible within the next twelve (12) months.

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.

Dividends from associates pertain to receivables from dividend declarations of Thu Duc Water and Kenh Dong Water.

Receivable from CEBECO pertains to reimbursement acknowledged by the utility provider in 2018 arising from excess billings on power consumption from January 2015 to February 2018. This was recognized as part of “Other income (loss) - net” (see Note 18).

Interest from banks are accrued interest arising from the Group’s cash in banks and cash equivalents.

Other receivables include receivables from Maynilad for cross-border billings, from Land Bank of the Philippines in relation to the MWMP Loan (see Note 15), and for shared facilities.

Movements in the Group’s allowance for ECLs follow:

	2020					
	Receivable from Customers				**Other**	
	Residential	**Commercial**	**Semi-business**	**Industrial**	**Receivables**	**Total**
Balance at beginning of year	**₱832,009,144**	**₱148,850,350**	**₱65,101,659**	**₱12,783,802**	**₱241,896,911**	**₱1,300,641,866**
Provision (Note 18)	**252,634,652**	**47,377,599**	**27,097,599**	**2,006,177**	**145,928,205**	**475,044,232**
Reversals (Note 18)	**–**	**–**	**–**	**(8,009,515)**	**–**	**(8,009,515)**
Write-off (Note 18)	**–**	**(18,608,694)**	**–**	**–**	**–**	**(18,608,694)**
Balance at end of year	**₱1,084,643,796**	**₱177,619,255**	**₱92,199,258**	**₱6,780,464**	**₱387,825,116**	**₱1,749,067,889**

	2019					
	Receivable from Customers				Other	
	Residential	Commercial	Semi-business	Industrial	Receivables	Total
Balance at beginning of year	₱830,168,254	₱150,283,294	₱45,547,464	₱7,500,339	₱206,261,989	₱1,239,761,340
Provision (Note 18)	13,325,127	14,344,816	20,498,375	5,841,943	57,522,055	111,532,316
Reversal (Note 18)	(11,484,237)	(15,777,760)	(944,180)	(558,480)	(21,887,133)	(50,651,790)
Balance at end of year	₱832,009,144	₱148,850,350	₱65,101,659	₱12,783,802	₱241,896,911	₱1,300,641,866

b. *Contract assets*

This account consists of:

	2020	2019
Contract assets from:		
Supervision fees	₱478,945,559	₱323,469,512
Bulk Water Supply Agreement with MCWD	167,468,259	238,982,837
Pipeworks and integrated used water services	102,058,127	188,642,365
Bulk Water Sales and Purchase Agreement with TWD	89,703,525	46,563,208
NRWRSA with ZCWD	55,050,143	64,761,748
Current portion	893,225,613	862,419,670
Bulk Water Supply Agreement with MCWD	978,944,312	831,507,916
Bulk Water Sales and Purchase Agreement with TWD	738,950,968	570,125,829
NRWRSA with ZCWD	230,878,696	229,822,854
Noncurrent portion	1,948,773,976	1,631,456,599
	2,841,999,589	2,493,876,269
Less allowance for ECL	337,519,592	15,952,415
	₱2,504,479,997	₱2,477,923,854

Contract assets from supervision fees are initially recognized for revenue earned arising from the provision of design and project management services in the development of water and used water facilities. These contract assets are reclassified to “Receivables” upon acceptance and reaching certain construction milestones for the related water and used water facilities.

Contract assets from pipeworks and integrated used water services are initially recognized for revenue earned arising from water and wastewater network related services. These contract assets are reclassified to “Receivables” upon acceptance of and billings to customers of MWTS and MWTV.

Contract assets from the NRWRSA with ZCWD are initially recognized for revenue earned arising from construction revenue and performance fees for NRW reduction services. These contract assets are reclassified to “Receivables” upon acceptance of and billing to the customer.

As of December 31, 2019, Zamboanga Water has not billed locked in performance fees amounting to ₱150.89 million in accordance with Section 1.10 of the NRWRSA. As of December 31, 2020, Zamboanga Water has recognized allowance for ECL on its contract assets with ZCWD amounting to ₱285.93 million (nil in 2019).

Contract assets arising from the Bulk Water Supply Agreement with MCWD and the Bulk Water Sales and Purchase Agreement with TWD consist of the cost of rehabilitation works which will be reclassified to "Receivables" when Cebu Water and Tagum Water completes all performance obligations under its concession arrangements with MCWD and TWD.

In 2020, 2019 and 2018, Cebu Water invoked the force majeure clause of its Bulk Water Supply Agreement due to high water turbidity which resulted to intermittent delivery of the required thirty-five (35.00) million liters of water per day to MCWD. As a result, Cebu Water recognized impairment loss amounting to ₱23.29 million in 2020, ₱1.35 million in 2019, and ₱3.34 million in 2018 (see Note 18).

In 2020, Tagum Water was not able to meet the contractual obligations under the Bulk Water Sales and Purchase Agreement due to the low yield of the Riverbank Filtration Intake structures and delay in the construction of the Artificial Recharge which resulted to intermittent delivery of the required twenty-six (26) million liters of water per day to TWD. As a result, Tagum Water recognized impairment loss amounting to ₱12.35 million in 2020 (nil in 2019 and 2018) (see Note 18).

The rollforward of Cebu Water and Tagum Water's contract assets follows:

	2020	2019
Cost		
Balance at beginning of year	**₱1,687,179,790**	₱1,547,090,568
Rehabilitation works	**183,438,221**	182,290,463
Finance income (Note 18)	**291,971,227**	144,213,539
Service income	**120,809,411**	92,105,811
Collections	**(308,331,585)**	(278,520,591)
Balance at end of year	**1,975,067,064**	1,687,179,790
Allowance for ECL		
Balance at beginning of year	**15,952,415**	14,599,413
Provisions (Note 18)	**35,638,338**	1,353,002
Balance at end of year	**51,590,753**	15,952,415
Net book value	**₱1,923,476,311**	₱1,671,227,375

7. Inventories

This account consists of:

	2020	2019
Water treatment chemicals	**₱127,468,854**	₱120,451,995
Maintenance materials	**119,271,047**	88,385,707
Water meters and connection supplies	**62,340,523**	96,926,547
Raw materials and finished goods	**15,847,578**	36,675,582
	₱324,928,002	₱342,439,831

Finished goods consist of 350-milliliter and 500-milliliter bottled water, five (5)-gallon packaged water and dispenser, while raw materials consist of the cap seals for the 5-gallon packaged water bottles.

The Group's inventories are carried at cost except for its maintenance materials, raw materials, and finished goods which are carried at NRV. Allowance for obsolescence amounted to ₱0.20 million and ₱1.50 million as of December 31, 2020 and 2019, respectively. Loss from inventory obsolescence is presented under operating expenses in the consolidated statements of comprehensive income (see Note 18).

8. Other Current Assets

This account consists of:

	2020	2019
Restricted cash	₱1,112,125,000	₱–
Net input VAT	766,818,084	1,072,833,129
Prepaid expenses	476,798,763	422,239,159
Advances to contractors and deposits	205,085,410	186,700,634
	₱2,560,827,257	₱1,681,772,922

Restricted cash pertains to an escrow fund under the Parent Company's account established for land acquisition. The amount will be transferred to the seller once all the conditions to the contract to sell are complied with. The escrow fund is expected to be released to the seller within one (1) year.

Net input VAT pertains to the Group's excess input VAT over the output VAT as of the end of the reporting period.

Prepaid expenses consist of prepayments for transaction costs for undrawn credit facilities, loan guarantee fees, regulatory costs, business taxes, insurance, rent, interest, and employee health care expenses and other employee benefits.

Advances to contractors and deposits pertain to the Group's advance payments for various contractual projects or services and rental deposits and other advance payments that can be recovered within one (1) year.

9. Property, Plant and Equipment and Software

The rollforward analysis of this account follows:

	2020							
	Land	Plant and Technical Equipment	Office Furniture and Equipment	Software	Transportation Equipment	Leasehold Improvements	Construction in Progress	Total
Cost								
Balance at beginning of year	₱226,340,760	₱3,331,110,652	₱831,586,004	₱1,549,488,678	₱1,272,114,143	₱488,348,505	₱1,561,963,540	₱9,260,952,282
Additions	50,790	391,851,437	30,013,159	40,194,436	226,730,343	41,674,033	857,632,793	1,588,146,991
Transfers	–	747,416,587	6,451,536	–	–	17,597,938	(771,466,061)	–
Disposals	–	(17,122,343)	(2,452,114)	–	(16,695,654)	(249,199)	–	(36,519,310)
Retirement	–	(185,920,715)	(11,216,872)	–	(32,599,086)	(86,142,047)	–	(315,878,720)
Balance at end of year	226,391,550	4,267,335,618	854,381,713	1,589,683,114	1,449,549,746	461,229,230	1,648,130,272	10,496,701,243
Accumulated depreciation, amortization, and impairment								
Balance at beginning of year	–	1,381,703,899	705,049,063	1,415,639,311	687,162,237	402,744,707	–	4,592,299,217
Depreciation and amortization (Note 18)	–	244,585,662	34,728,119	122,243,597	177,128,855	39,483,983	–	618,170,216
Impairment loss reversal	–	(45,026,531)	–	–	–	(25,158,619)	–	(70,185,150)
Disposals	–	(12,830,181)	(2,027,861)	–	(12,967,606)	(249,199)	–	(28,074,847)
Retirement	–	(99,686,031)	(10,686,640)	–	(20,198,076)	(51,643,696)	–	(182,214,443)
Balance at end of year	–	1,468,746,818	727,062,681	1,537,882,908	831,125,410	365,177,176	–	4,929,994,993
Net book value	₱226,391,550	₱2,798,588,800	₱127,319,032	₱51,800,206	₱618,424,336	₱96,052,054	₱1,648,130,272	₱5,566,706,250

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	2019							
	Land	Plant and Technical Equipment	Office Furniture and Equipment	Software	Transportation Equipment	Leasehold Improvements	Construction in Progress	Total
Cost								
Balance at beginning of year	₱226,340,760	₱2,179,123,649	₱757,228,630	₱1,468,301,740	₱1,105,895,159	₱719,966,569	₱1,176,887,075	₱7,633,743,582
Additions	–	540,563,743	66,561,043	81,186,938	228,909,262	12,647,663	956,184,689	1,886,053,338
Transfers (Note 10)	–	753,069,840	26,029,546	–	32,499,962	(243,068,983)	(571,108,224)	(2,577,859)
Disposals	–	(141,646,580)	(18,233,215)	–	(95,190,240)	(1,196,744)	–	(256,266,779)
Balance at end of year	226,340,760	3,331,110,652	831,586,004	1,549,488,678	1,272,114,143	488,348,505	1,561,963,540	9,260,952,282
Accumulated depreciation, amortization, and impairment								
Balance at beginning of year	–	1,263,311,241	656,969,081	1,291,056,733	556,120,604	358,071,058	–	4,125,528,717
Depreciation and amortization (Note 18)	–	208,819,003	60,824,967	124,582,578	209,444,164	44,923,140	–	648,593,852
Disposals	–	(90,426,345)	(12,744,985)	–	(78,402,531)	(249,491)	–	(181,823,352)
Balance at end of year	–	1,381,703,899	705,049,063	1,415,639,311	687,162,237	402,744,707	–	4,592,299,217
Net book value	₱226,340,760	₱1,949,406,753	₱126,536,941	₱133,849,367	₱584,951,906	₱85,603,798	₱1,561,963,540	₱4,668,653,065

The net book value of noncash transfers to SCA in 2019 amounted to ₱2.58 million (nil in 2020).

As of December 31, 2020 and 2019, noncash acquisitions of property, plant and equipment, amounted to ₱872.00 million and ₱463.92 million, respectively.

Following the closure of MWTS' Healthy Family business division on October 31, 2020 (see Note 1), MWTS reassessed the recoverable amount of leasehold improvements and water treatment equipment which were impaired in 2018 due to closure of several of its water bottling plants in the same year. As a result of such reassessment, MWTS reversed ₱70.19 million of its previously recognized accumulated impairment loss.

10. Service Concession Assets and Obligations

a. Service concession assets

The movements in this account follow:

	2020	2019
Cost		
Balance at beginning of year	**₱122,257,456,882**	₱108,995,318,152
Additions:		
Rehabilitation works	**10,792,728,631**	10,670,620,732
Concession fees	**755,514,240**	2,526,528,872
Transfers (Note 9)	**–**	2,577,859
Local component cost	**59,502,983**	62,411,267
Balance at end of year	**133,865,202,736**	122,257,456,882
Accumulated amortization		
Balance at beginning of year	**28,738,313,896**	26,465,752,314
Amortization	**2,854,708,053**	2,272,561,582
Balance at end of year	**31,593,021,949**	28,738,313,896
Net book value	**₱102,272,180,787**	₱93,519,142,986

SCA consists of the present value of total estimated concession fee payments, including regulatory costs and local component costs, of the Parent Company, Laguna Water, Boracay Water, Clark Water, Obando Water, Calasiao Water, Bulakan Water, South Luzon Water, Calbayog Water and Aqua Centro (Lambunao Project) pursuant to the Group's concession agreements, JVAs and SMA; and the revenue from rehabilitation works which is equivalent to the related cost for the rehabilitation works covered by the concession arrangements, JVAs and SMA. As of December 31, 2020 and 2019, SCA includes assets under construction amounting to ₱27,683.14 million and ₱22,920.69 million, respectively.

SCA also includes prepaid concession fees which represents the thirty percent (30.00%) ownership of PGL in Laguna Water. These are amortized based on the terms set forth in Laguna Water's concession agreement (see Note 1). As of December 31, 2020 and 2019, the unamortized portion of prepaid concession fees presented as part of SCA amounted to ₱12.02 million and ₱50.98 million, respectively.

Contract assets arising from concession agreements consist of the cost of rehabilitation works covered by the respective concession agreements and JVAs of the Parent Company, Laguna Water, Boracay Water, Clark Water, Cebu Water, Obando Water, Bulakan Water, South Luzon Water, Tagum Water, and Calasiao Water.

Total interest and other borrowing costs capitalized as part of the rehabilitation works amounted to ₱1,637.33 million,
₱980.92 million, and ₱1,018.30 million, in 2020, 2019, and 2018, respectively. The capitalization rates used ranged from 6.62% to 11.68% in 2020, 4.50% to 7.66% in 2019, and 6.57% to 7.57% in 2018.

As of December 31, 2020 and 2019, noncash acquisitions of SCA amounted to ₱145.24 million and ₱338.70 million, respectively.

b. *Service concession obligations*

The breakdown of service concession obligations follows:

	2020	2019
Current	₱661,845,953	₱1,014,243,947
Noncurrent	8,443,800,142	8,139,577,739
	₱9,105,646,095	₱9,153,821,686

MWSS Concession Fees

The aggregate concession fees of the Parent Company are equal to the sum of the following:

i. 10.00% of the aggregate Peso equivalent due under any MWSS loan which has been disbursed prior to the Commencement Date, including MWSS loans for existing projects and the Umiray Angat Transbasin Project (UATP), on the prescribed payment date;
ii. 10.00% of the aggregate Peso equivalent due under any MWSS loan designated for the UATP which has not been disbursed prior to the Commencement Date, on the prescribed payment date;
iii. 10.00% of the local component costs and cost overruns related to the UATP;
iv. 100.00% of the aggregate Peso equivalent due under MWSS loans designated for existing projects, which have not been disbursed prior to the Commencement Date and have been either awarded to third party bidders or elected by the Parent Company for continuation;
v. 100.00% of the local component costs and cost overruns related to existing projects;
vi. Parent Company's share in the repayment of MWSS loan for the financing of new projects; and
vii. one-half of MWSS annual corporate operating budget.

In March 2010, MWSS entered into a loan agreement with The Export-Import Bank of China to finance the Angat Water Utilization and Aqueduct Improvement Project Phase II. Total loan facility amounted to $116.60 million with a maturity of twenty (20) years including a five (5)-year grace period. The interest rate is 3.00% per annum.

MWSS subsequently entered into a MOA with the Parent Company and Maynilad for the Parent Company and Maynilad to equally shoulder the repayment of the loan with such repayment to form part of the concession fees.

On May 12, 2015, MWSS entered into a MOA with the Parent Company and Maynilad for the Angat Water Transmission Improvement Project (Angat Transmission Project). The Angat Transmission Project aims to improve the reliability and security of the raw water coming from the Angat Dam through the rehabilitation of the transmission system from Ipo to La Mesa and the application of water safety, risk and asset management plans. Subsequently, on May 27, 2016, MWSS entered into a loan agreement with Asian Development Bank to finance the Angat Transmission Project. The loan amounts to US$123.30 million with a maturity of twenty-five (25) years including a seven (7)-year grace period. As stipulated in the MOA, the Parent Company and Maynilad shall shoulder equally the repayment of the loan and all reasonable expenditures related to the Project with such payments to form part of the concession fees.

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In 2016, the Parent Company paid MWSS ₱500.00 million as compensation for additional water allocation in the Angat reservoir.

In 2016, MWSS entered into a MOA with the Parent Company and Maynilad which was subsequently amended in 2018 for the New Centennial Water Source - Kaliwa Dam Project (NCWS-KDP). The NCWS-KDP aims to develop a new water source in order to meet the increasing water demand by constructing a dam for MWSS service area's domestic water supply.

To partially finance the NCWS-KDP, MWSS entered into a Preferential Buyer's Credit Loan Agreement with The Export-Import Bank of China in 2018 amounting to US$211.21 million with a maturity of twenty (20) years including a seven (7)-year grace period. As stipulated in the MOA, the Parent Company and Maynilad shall shoulder equally the repayment of the loan and all reasonable expenditures related to the Project with such payments to form part of the concession fees.

The schedule of undiscounted future concession fee payments follows:

Year	Foreign Currency-Denominated Loans (Translated to US$)	Peso Loans/ Project Local Support	Total Peso Equivalent*
2021	$7,545,467	₱395,714,907	₱758,070,869
2022	7,228,510	395,714,907	742,849,643
2023	8,209,469	395,714,907	789,958,237
2024	8,009,162	395,714,907	780,338,894
2025	3,857,667	395,714,906	580,971,648
2026 onwards	77,997,023	4,352,863,974	8,098,515,010
	$112,847,298	₱6,331,438,508	₱11,750,704,301

**Peso equivalent is translated using the closing rate as of December 29, 2020 amounting to ₱48.0230 to US$1.*

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.

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 Boracay Water Sewerage Systems (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.

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).

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.

OWD Concession Fees
The aggregate concession fee pursuant to Obando Water's concession agreement with OWD is equal to the sum of the following:

i. base concession fee which shall be used for operations of the OWD; and
ii. additional concession fee composed of amounts representing amortization payments for the outstanding obligations of OWD (which includes OWD's loan with LWUA) and 2.00% of the gross annual receipts of Obando Water, representing franchise tax to be paid by the OWD.

On March 28, 2019, LWUA has approved a new loan repayment scheme of thirteen (13) years with OWD. Upon initial payment, which shall not be later than May 15, 2019, LWUA shall no longer impose penalties from OWD.

As of December 31, 2020 and 2019, concession fees recognized as part of SCA arising from the concession agreement with OWD amounted to ₱412.32 million. As of December 31, 2020 and 2019, concession fees recognized as part of SCO arising from the concession agreement with OWD amounted to ₱392.08 million and ₱383.75 million, respectively.

BuWD Concession Fees
The aggregate concession fee pursuant to Bulakan Water's concession agreement with BuWD is equal to the sum of the following:

i. base concession fee which shall be used for operations of the BuWD; and
ii. additional concession fees composed of:
    - 2.00% of the gross monthly water sales of Bulakan Water,
    - one-time expenditures and payables applicable only for Year 1 of the concession agreement, and
    - an amount equivalent to the monthly consumption of BuWD under a bulk water supply agreement with Luzon Clean Water Development Corporation, including any minimum guaranteed volume consumption.

Any loss or reduction in profit for any given year as a result of the operation of the facilities in the service area of BuWD shall not in any way affect or reduce the payment of the base concession fee.

PAGWAD Revenue Share
Under Laguna Water's JVA with PAGWAD, Laguna Water is required to pay, on a calendar year basis, an annual revenue share, amounting to the higher of:
i. ₱10.50 million for a twelve (12)-month period or the proportionate amount for those years with less than twelve (12) months (the "base revenue share"); or
ii. seven percent (7.00%) of the annual gross operating revenues for the immediately preceding year based on the audited financial statements (the "variable revenue share").

The revenue share shall be payable by Laguna Water in advance at the start of the relevant year. The base revenue share shall be payable within fifteen (15) calendar days from the start of the relevant year. In the event the variable revenue share is higher than the base revenue share, the difference between the variable revenue share and the base revenue share shall be payable to PAGWAD within fifteen (15) calendar days after the approval of Laguna Water's audited financial statements.

Subject to the provision of the JVA on EPA, Laguna Water shall increase the revenue share due to PAGWAD in case of a corresponding increase in the government-mandated salary and benefits that may be implemented during the period of the JVA.

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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:

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

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 are not secured or obtained from LWUA. The revenue share for the duration of the appointment period:

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.

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:

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.

The Group's interest expense on its service concession obligations amounted to ₱712.37 million, ₱765.16 million, and ₱662.27 million in 2020, 2019, and 2018, respectively (see Note 18).

11. Leases

The Group as a Lessee (Upon Adoption of PFRS 16, Effective January 1, 2019)
The Group leases office space, storage and plant facilities, land, and right-of-way wherein it is the lessee. The terms of the lease range from one year or until the end of the concession period.

The rollforward analysis of the Group's right-of-use assets follows:

	2020			
	Office Space	Storage and Plant Facilities	Land and Right-of-Way	Total
Cost				
Balance at beginning of year	**₱170,445,317**	**₱193,887,808**	**₱2,007,366**	**₱366,340,491**
Additions	**86,900,797**	**240,654**	**76,598,652**	**163,740,103**
Reversals	**(4,361,504)**	**–**	**–**	**(4,361,504)**
Balance at end of year	**252,984,610**	**194,128,462**	**78,606,018**	**525,719,090**
Accumulated amortization				
Balance at beginning of year	**42,141,382**	**28,415,503**	**108,997**	**70,665,882**
Amortization	**58,339,349**	**20,665,941**	**15,742,262**	**94,747,552**
Reversals	**(2,303,811)**	**–**	**–**	**(2,303,811)**
Balance at end of year	**98,176,920**	**49,081,444**	**15,851,259**	**163,109,623**
Net book value	**₱154,807,690**	**₱145,047,018**	**₱62,754,759**	**₱362,609,467**

	2019			
	Office Space	Storage and Plant Facilities	Land and Right-of-Way	Total
Cost				
Balance at beginning of year	₱24,789,521	₱193,887,808	₱2,007,366	₱220,684,695
Additions	145,655,796	–	–	145,655,796
Balance at end of year	170,445,317	193,887,808	2,007,366	366,340,491
Accumulated depreciation				
Balance at beginning of year	–	–	–	–
Depreciation	42,141,382	28,415,503	108,997	70,665,882
Balance at end of year	42,141,382	28,415,503	108,997	70,665,882
Net book value	₱128,303,935	₱165,472,305	₱1,898,369	₱295,674,609

Amortization of plant facilities used for construction amounting to ₱13.55 million was capitalized in 2020 (nil in 2019).

The rollforward analysis of the Group's lease liabilities follows:

	2020	2019
Balance at beginning of year	₱308,482,153	₱218,762,542
Additions	163,740,103	145,655,796
Payments	(99,434,114)	(84,891,260)
Accretion	28,294,594	28,955,075
Reversals	(7,145,427)	–
Balance at end of year	₱393,937,309	₱308,482,153
Current portion	₱126,092,170	₱53,551,801
Noncurrent portion	₱267,845,139	₱254,930,352

The maturity analysis of lease liabilities are disclosed in Note 28.

The following are the amounts recognized in profit or loss:

	2020	2019 (As Restated - See Note 19)
Depreciation expense of right-of-use assets (Note 18)	₱69,049,397	₱50,815,813
Interest expense on lease liabilities (Note 18)	27,973,355	27,128,333
Expenses relating to short-term leases and lease of low-value assets (Note 18)	60,151,042	109,494,358
	₱157,173,794	₱187,438,504

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Operating Lease – Group as a Lessee

As of December 31, 2018, the Group's future minimum lease payments are as follows:

Within one year	₱54,394,653
After one year but not more than five years	101,974,116
More than five years	253,990,310
	₱410,359,079

Total rent expense recognized in 2018 amounted to ₱34.02 million while security deposits amounted to ₱10.32 million as of December 31, 2018.

12. Investments in Associates

This account consists of the following:

	2020	2019
Acquisition cost	**₱13,028,636,035**	₱13,369,281,128
Accumulated equity in net earnings	**1,636,953,225**	1,784,596,114
Cumulative translation adjustments	**(379,849,035)**	367,276,668
Accumulated equity in other comprehensive loss	**(1,906,738)**	(1,345,944)
	₱14,283,833,487	₱15,519,807,966

Details of the Group's investments in associates are shown below.

Thu Duc Water

Thu Duc Water is incorporated in the Socialist Republic of Vietnam with principal place of business in Ho Chi Minh City, Vietnam.

On October 12, 2011, TDWH and Ho Chi Minh City Infrastructure Investment Joint Stock Company (CII) entered into a share sale and purchase agreement whereby CII will sell to TDWH its 49.00% interest (equivalent to 2.45 million common shares) in Thu Duc Water. On December 8, 2011, TDWH completed the acquisition of CII's interest in the common shares of Thu Duc Water after which TDWH obtained significant influence in Thu Duc Water.

The acquisition cost of the investment amounted to ₱1,788.00 million (VND857.50 billion). The investments in associate account includes a notional goodwill amounting to 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, 2020 and 2019 follows:

	2020	2019
Current assets	**₱175,813,419**	₱166,210,877
Noncurrent assets	**3,302,514,929**	3,310,199,352
Current liabilities	**490,816,006**	436,779,465
Noncurrent liabilities	**298,187,558**	522,673,772
Revenue	**846,270,360**	810,036,972
Net income	**544,309,796**	500,819,027

The conversion rates used were ₱0.0021 and ₱0.0022 to VND1 as of December 31, 2020 and 2019, respectively.

The share of the Group in the net income of Thu Duc Water for the years ended December 31, 2020, 2019 and 2018 amounted to ₱266.71 million, ₱245.40 million, and ₱254.89 million, respectively.

As of December 31, 2020 and 2019, dividends receivable amounted to nil and ₱59.74 million, respectively (see Note 6).

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 VND650.85 billion.

The financial information of Kenh Dong Water as of and for the years ended December 31, 2020 and 2019 follows:

	2020	2019
Current assets	**₱344,680,728**	₱328,430,840
Noncurrent assets	**2,214,263,474**	2,302,794,782
Current liabilities	**160,550,710**	263,175,126
Noncurrent liabilities	**72,718,081**	202,382,866
Revenue	**629,113,846**	561,227,027
Net income	**346,996,403**	276,467,945

The conversion rates used were ₱0.0021 and ₱0.0022 to VND1 as of December 31, 2020 and 2019, respectively.

The share of the Group in the net income of Kenh Dong Water for the years ended December 31, 2020, 2019, and 2018 amounted to ₱164.30 million, ₱130.91 million, and ₱152.66 million, respectively.

As of December 31, 2020 and 2019, dividends receivable amounted to nil and ₱20.69 million, respectively (see Note 6).

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 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 VND19.06 billion.

In 2020, 2019 and 2018, MWSAH recognized impairment on its investment in Saigon Water amounting to ₱3.97 million, ₱74.33 million, and ₱65.41 million, respectively, arising from the decline in the market capitalization of Saigon Water shares. This is presented as part of "Other income (loss) - net" in the consolidated statement of comprehensive income for the years ended December 31, 2020, 2019, and 2018 (see Note 18).

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The financial information of Saigon Water as of and for the years ended December 31, 2020 and 2019 follows:

	2020	2019
Current assets	**₱270,603,099**	₱571,565,973
Noncurrent assets	**3,573,318,435**	4,381,028,555
Current liabilities	**831,379,814**	855,265,859
Noncurrent liabilities	**1,243,600,941**	2,001,822,328
Revenue	**590,654,059**	1,107,928
Net loss	**(98,466,007)**	(49,870,061)

The conversion rates used were ₱0.0021 and ₱0.0022 to VND1 as of December 31, 2020 and 2019, respectively.

The share of the Group in the consolidated net loss of Saigon Water for the years ended December 31, 2020 and 2019 amounted to ₱37.41 million and ₱18.95 million, respectively, and the Group's share in the consolidated net income of Saigon Water for the year ended December 31, 2018 amounted to ₱27.47 million. The closing share price of Saigon Water as of December 31, 2020 and December 28, 2019 were VND18,500 per share and VND16,750 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.

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. As of December 31, 2020 and 2019, no trigger event has occurred and the value of the put option was determined to be nil.

In 2020, MWSAH recognized impairment on its investment in Cu Chi Water amounting to ₱336.67 million due to the current and prospective financial performance and condition of Cu Chi Water. This is presented as part of "Other income (loss) - net" in the consolidated statement of comprehensive income for the year ended December 31, 2020 (see Note 18).

The financial information of Cu Chi Water as of and for the years ended December 31, 2020 and 2019 follows:

	2020	2019
Current assets	**₱129,642**	₱182,288
Noncurrent assets	**1,308,416,026**	1,376,674,124
Current liabilities	**217,012**	224,412

The conversion rates used were ₱0.0021 and ₱0.0022 to VND1 as of December 31, 2020 and 2019, respectively.

The share of the Group in the net income of Cu Chi Water amounted to nil from 2018 to 2020.

PT STU
PT STU is incorporated in Indonesia with principal place of business in Semarang, Indonesia.

On March 6, 2018, PTMWI acquired 4,478 ordinary shares in PT STU to own 20% of its outstanding capital stock.

The financial information of PT STU as of and for the years ended December 31, 2020 and 2019 follows:

	2020	2019
Current assets	**₱37,803,796**	₱42,912,062
Noncurrent assets	**142,848,017**	176,274,601
Current liabilities	**5,159,801**	13,258,648
Revenue	**69,191,842**	74,165,205
Net income	**7,411,541**	13,124,485

The conversion rates used were ₱0.0034 and ₱0.0036 to IDR1 as of December 31, 2020 and 2019.

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 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 loss of STU for the year ended December 31, 2020 amounted to ₱0.70 million, and the Group's share in the net income of STU for the years ended December 31, 2019 and 2018 amounted to ₱1.48 million and ₱1.40 million, respectively.

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 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, 2020 and 2019 and follows:

	2020	2019
Current assets	**₱1,343,120,000**	₱786,665,602
Noncurrent assets	**58,714,215,730**	44,642,452,527
Current liabilities	**4,339,696,000**	4,141,829,025
Noncurrent liabilities	**19,075,801,093**	14,054,172,264
Revenue	**4,853,650,000**	6,026,669,908
Net income	**1,230,930,000**	1,726,734,378
Other comprehensive loss	**(2,995,694)**	(7,189,872)

The conversion rates used was ₱1.6000 and ₱1.6811 to THB1 as of December 31, 2020 and 2019, respectively.

The acquisition cost of the investment amounted to ₱8,834.04 million (THB5.29 billion). As of December 31, 2020 and 2019, the investment in associate account includes a notional goodwill amounting to ₱1,298.10 million and ₱1,363.84 million (THB811.30 million), respectively.

The share of the Group in the net income (loss), after fair value adjustments of East Water for the years ended December 31, 2020, 2019 and 2018, amounted to (₱179.06 million), ₱294.66 million and ₱262.72 million, respectively. The closing share price of East Water as of December 31, 2020 and December 30, 2019 were THB9.30 per share and THB11.00 per share, 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, 2020

Associate	**Net Assets of Associate***	**Proportionate Ownership Interest**	**Share in Net Identifiable Assets**	**Notional Goodwill**	**Carrying Values**
Thu Duc Water	**₱2,689,324,784**	**49.00%**	**₱1,317,769,144**	**₱1,449,595,983**	**₱2,767,365,127**
Kenh Dong Water	**2,325,675,411**	**47.35%**	**1,101,207,307**	**1,351,597,917**	**2,452,805,224**
Saigon Water	**1,768,940,779**	**37.99%**	**672,020,602**	**198,085,407**	**870,106,009**
Cu Chi Water	**1,308,328,656**	**24.50%**	**320,540,521**	**(320,540,521)**	**-**
PT STU	**175,492,012**	**20.00%**	**35,098,402**	**1,005,960**	**36,104,362**
East Water	**36,641,838,637**	**18.72%**	**6,859,352,193**	**1,298,100,572**	**8,157,452,765**
Total	**₱44,909,600,279**		**₱10,305,988,169**	**₱3,977,845,318**	**₱14,283,833,487**

**Attributable to common shareholders.*

December 31, 2019

Associate	Net Assets of Associate*	Proportionate Ownership Interest	Share in Net Identifiable Assets	Notional Goodwill	Carrying Values
Thu Duc Water	₱2,516,956,992	49.00%	₱1,233,308,926	₱1,525,274,410	₱2,758,583,336
Kenh Dong Water	2,165,667,630	47.35%	1,025,443,623	1,422,160,185	2,447,603,808
Saigon Water	2,095,506,340	37.99%	796,082,859	161,763,000	957,845,859
Cu Chi Water	1,376,632,000	24.50%	337,274,840	–	337,274,840
PT STU	205,928,014	20.00%	41,185,603	1,076,240	42,261,843
East Water	40,664,505,007	18.72%	7,612,395,337	1,363,842,943	8,976,238,280
Total	₱49,025,195,983		₱11,045,691,188	₱4,474,116,778	₱15,519,807,966

**Attributable to common shareholders.*
***Change in the notional goodwill of East Water resulted from the change in fair value of the fixed assets following the re-assessment of the assumptions used as part of the finalization of the purchase price allocation.*

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The rollforward of acquisition cost follows:

	2020	2019
Balance at beginning of year	₱13,369,281,128	₱13,443,606,385
Impairment loss (Note 18)	(340,645,093)	(74,325,257)
Balance at end of year	₱13,028,636,035	₱13,369,281,128

The rollforward of accumulated equity in net earnings follow:

	2020	2019
Balance at beginning of year	₱1,784,596,114	₱1,547,479,451
Equity in net earnings	213,838,618	653,502,170
Dividend income	(361,481,507)	(416,385,507)
Balance at end of year	₱1,636,953,225	₱1,784,596,114

The rollforward of the equity share in other comprehensive loss of an associate as presented in consolidated statement of changes in equity follows:

	2020	2019
Balance at beginning of year	₱1,345,944	₱–
Equity in share in other comprehensive loss	560,794	1,345,944
Balance at end of year	₱1,906,738	₱1,345,944

13. Other Noncurrent Assets

This account consists of:

	2020	2019
Advances to contractors (Note 8)	₱1,680,936,552	₱1,056,159,546
Deferred FCDA	403,178,708	1,669,044,887
Deposits (Note 8)	292,086,146	203,613,759
Water rights	182,247,140	174,284,094
Net input VAT	166,592,498	–
Escrow fund	150,000,000	75,000,000
Receivable from Ayala Multi-Purpose Cooperative (AMPC)	49,645,245	53,090,810
Miscellaneous	26,283,100	20,676,781
	₱2,950,969,389	₱3,251,869,877

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.

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.

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 National Water Resources Board (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, 2020 and 2019, Cebu Water's water banking right amounted to ₱45.00 million.

In 2020 and 2019, MWPVI incurred costs to acquire conditional water permits from the NWRB amounting to ₱137.25 million and ₱129.03 million, respectively. 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 Department of Environment and Natural Resources, among others. On April 23, 2018, the NWRB granted MWPVI the permit to use the water from the Pampanga River and on September 24, 2018, granted permits to use the water from the Abacan River and Pasig-Potrero River which superseded the conditional water permits granted to MWPVI on April 20 and September 20, 2017, respectively. On August 27, 2019, the NWRB granted MWPVI the permit to use water from the Agno River which superseded the conditional water permit granted on March 21, 2018. As of December 31, 2020, the Group believes that the remaining requirements for the Cagayan River are ministerial and is certain that it will be able to comply with the conditions required.

Escrow fund was established by Laguna Water to facilitate the repurchase of its redeemable preferred shares to comply with the pertinent rules of SEC.

Receivable from AMPC pertains to the term loan and credit line facility agreement.

Miscellaneous noncurrent assets includes Cebu Water's advances to the Carmen Development Fund for its permit to extract water at the Carmen property in Cebu, among others.

14. Accounts and Other Payables and Contract Liabilities

a. *Accounts and other payables*

This account consists of:

	2020	2019
Trade payables	₱6,864,950,164	₱6,555,323,927
Accrued expenses:		
Salaries, wages, and employee benefits	520,685,534	517,200,821
Repairs and maintenance	285,659,496	220,664,182
Contractual services	232,053,375	194,083,809
Management and professional fees	204,059,441	294,047,066
Utilities	152,003,513	130,915,964
Occupancy costs (Note 25)	67,862,817	60,863,177
Wastewater costs	55,959,095	81,950,086
Water service connections	38,637,646	26,998,480
Collection fees	31,935,038	20,259,812
Rental of equipment	18,242,023	31,076,051
Printing and communication	15,330,651	18,557,009
Water treatment chemicals	11,967,483	7,615,547
Miscellaneous	92,359,562	186,397,648
Interest payable (Note 15)	864,990,605	493,428,795
Contractors' payable	765,481,780	837,564,502
Others	220,156,587	116,294,234
	₱10,442,334,810	₱9,793,241,110

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 printing and communication, advertising, transportation and travel, and supplies.

Interest payable pertains to the unpaid portion of interest arising from the long-term debts of the Group.

Contractors' payable pertains to the accrual of expenses which requires the Group to pay the contractor based on progress billings. Contracts payable are normally settled within one (1) year.

Other payables are non-interest bearing and are normally settled within one (1) year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

b. *Contract liabilities*

This account consists of:

	2020	2019
Supervision fees	₱396,908,372	₱265,358,865
Connection fees - current	156,759	–
Distributors' fees	–	1,665,542
Current portion	397,065,131	267,024,407
Connection fees - noncurrent portion	111,686,008	78,619,821
	₱508,751,139	₱345,644,228

Contract liabilities from supervision fees are initially recognized for advance payments of customers for the provision of design and project management services in the development of water and used water facilities. Contract liabilities are reclassified to "Supervision fees" under "Other operating income" upon completion of performance milestones for these services.

Contract liabilities from connection fees pertain to customer payments for the set-up of a connection from the customer's establishment to the Group's water or used water network. These are initially recognized at the time of receipt of customer payments and reclassified to "Connection fees from water and service connections" under "Other operating income" upon provision of the related water and used water services to customers.

15. Long-term Debt

a. *Short-term debt*

₱900.00 million Philippine National Bank (PNB) Short-term Loan
On November 28, 2019, the Parent Company entered into a loan agreement with PNB for a short-term facility amounting to ₱900.00 million which were used to finance the working capital requirements of the East Zone. Fixed nominal rate of 5.25% was payable quarterly with principal payable at a bullet in 364 days. On January 31, 2020, the Parent Company made its first and only drawdown amounting to ₱900.00 million. The loan was fully paid as of December 31, 2020.

₱3.00 billion Bank of the Philippines Islands (BPI) Short-term Loan
On March 24, 2020, the Parent Company entered into a loan agreement with BPI amounting to ₱3.00 billion, with interest rates of 5.5% on the first three (3) months, 4.75% on the fourth month, and 3.875% on the last month which were used to finance the working capital requirements of the East Zone. The loan was fully paid as of December 31, 2020.

b. *Long-term debt*

This account consists of:

	2020	2019
East Zone loans:		
USD loans:		
MWMP Loan	₱6,074,671,294	₱5,534,257,976
NEXI Loan	–	942,100,400
USD bonds:		
US$500.00 million sustainability bonds	23,495,102,941	–
Japanese Yen (JP¥) loans:		
JP¥40.00 billion Loan	4,727,142,192	9,481,367,065
MTSP Loan	234,903,612	391,676,309
European Dollar (EUR) loan:		
EUR250.00 million Loan	7,530,830,523	2,220,970,939

(Forward)

	2020	2019
PHP loans:		
₱5.00 billion Metrobank Loan	₱–	₱4,846,682,341
Fixed Rate Corporate Notes	–	4,805,360,512
₱5.00 billion PNB Loan	3,852,036,011	4,346,331,341
₱5.00 billion BDO Loan	4,970,799,214	3,771,453,745
Subsidiaries' loans:		
Thailand Baht (THB) loan:		
THB5.30 billion MWTC Loan	8,445,724,188	8,861,329,985
Canadian Dollar (CAD) loan:		
CAD0.87 million Laguna Water Loan	32,647,319	33,333,702
PHP loans:		
₱0.50 billion Laguna Water Loan	–	66,559,115
₱0.50 billion Laguna Water DBP Loan	374,320,967	403,637,664
₱0.83 billion Laguna Water DBP Loan	642,501,878	692,821,530
₱2.50 billion Laguna Water SBC Loan	1,912,828,081	2,103,252,749
₱2.50 billion Laguna Water BPI Loan	1,093,068,399	694,879,786
₱0.50 billion Boracay Water DBP-SBC Loan	325,422,448	355,563,528
₱0.50 billion Boracay Water DBP-SBC Loan	324,016,644	353,916,765
₱0.65 billion Boracay Water DBP-SBC Loan	576,887,908	630,127,411
₱2.40 billion Boracay Water BPI Loan	1,240,071,342	595,975,402
₱1.15 billion Clark Water RCBC Loan	929,069,938	1,022,358,945
₱0.54 billion Clark Water DBP Loan	317,522,047	180,000,000
₱0.80 billion Cebu Water DBP Loan	568,720,330	612,193,022
₱85.00 million Zamboanga Water DBP Loan	–	79,603,489
₱7.00 billion MWPVI Loan	5,461,654,620	2,928,517,018
₱0.45 billion Tagum Water PNB Loan	401,850,910	401,537,393
	73,531,792,806	56,355,808,132
Less current portion	4,739,618,949	10,485,712,955
	₱68,792,173,857	₱45,870,095,177

Unamortized debt discounts and issuance costs of the Group's long-term debt are as follows:

	2020	2019
USD loans	₱556,021,809	₱43,873,510
JPY loans	39,283,727	99,030,794
EUR loan	98,921,477	33,077,061
THB loan	34,275,812	48,251,370
PHP loans	145,895,646	179,547,880
	₱874,398,471	₱403,780,615

The rollforward analysis of unamortized debt discounts and issuance costs of long-term debt follows:

	2020	2019
Balance at beginning of year	₱403,780,615	₱325,341,530
Additions	648,736,031	204,992,320
Amortization (Note 18)	(161,721,539)	(125,357,757)
Foreign exchange adjustments	(16,396,636)	(1,195,478)
Balance at end of year	₱874,398,471	₱403,780,615

Interest expense on short and long-term debt amounted to ₱1,417.87 million, ₱1,249.78 million, and ₱987.15 million in 2020, 2019, and 2018, respectively (see Note 18).

All proceeds from loan drawdowns of the Parent Company were used for the East Zone business

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, 2020 and 2019 amounted to US$126.50 million and US$109.30 million, respectively.

NEXI Loan
On October 21, 2010, the Parent Company entered into a term loan agreement (NEXI Loan) amounting to US$150.00 million to finance capital expenditures and working capital requirements within the East Zone. The loan has a tenor of ten (10) years and is financed by a syndicate of four (4) banks, namely, ING N.V Singapore, Mizuho Corporate Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ Ltd., and Sumitomo Mitsui Banking Corporation, and is insured by Nippon Export and Investment Insurance. The first, second, and third drawdowns of the loan amounted to US$84.00 million, US$30.00 million, and US$36.00 million, respectively. The carrying value of the loan as of December 31, 2020 and 2019 amounted to nil and US$18.61 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, 2020 and 2019 amounted to JP¥10,212.02 million and JP¥20,482.54 million, respectively.

MTSP Loan
On October 20, 2005, the Parent Company entered into a Subsidiary Loan Agreement with Land Bank of the Philippines (MTSP Loan) to finance the improvement of the sewerage and sanitation conditions in the Manila Concession. The loan has a term of seventeen (17) years and was made available in Japanese Yen 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, 2020 and 2019, the outstanding balance of the MTSP loan amounted to JP¥507.51 million and JP¥846.14 million, respectively.

EUR250.00 million Loan
On August 27, 2019, the Parent Company entered into a syndicated loan agreement amounting to €250.00 million to fund its capital investment program of the East Zone for 2019 to 2021. 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. The carrying value of the loan as of December 31, 2020 and 2019 amounted to €133.64 million and €39.41 million, respectively.

₱5.00 billion Metrobank Loan
On August 16, 2013, the Parent Company entered into a Credit Facility Agreement (₱5.00 billion Metrobank Loan) with Metropolitan Bank and Trust Company (Metrobank) having a fixed nominal rate of 4.42% and with a term of seven (7) years from the issue date and is payable annually. Proceeds of the loan were used to finance the Parent Company's capital investment program for the expansion and improvement of the water source and distribution and sewerage systems and working capital requirements of the East Zone. The Parent Company may repay the whole and not a part only of the loan starting on the 3rd anniversary of the drawdown date of such loan or on any interest payment date thereafter. The carrying value of the loan as of December 31, 2020 and 2019 amounted to nil and ₱4,846.68 million, respectively.

Fixed Rate Corporate Notes
On April 8, 2011, the Parent Company issued ₱10.00 billion Fixed Rate Corporate Notes (FXCN) with ₱5.00 billion having a term of five (5) years (Five-Year FXCN) from the issue date and the other ₱5.00 billion with a term of ten (10) years (Ten-Year FXCN) from the issue date, both of which is payable quarterly. The loan proceeds were used to finance the Parent Company's obligations under the Concession Agreement with MWSS. The Parent Company may repay the whole and not a part only of the Ten-Year FXCN on the 7th anniversary of the drawdown date of such FXCN or on any FXCN interest payment date thereafter.

On April 8, 2016, the Parent Company repaid the outstanding balance of the Five-Year FXCN in bullet as scheduled. The outstanding balance of the Ten-Year FXCN was prepaid in October 2020. The carrying value of the fixed rate corporate notes as of December 31, 2020 and 2019 amounted to nil and ₱4,805.36 million, respectively.

₱5.00 billion PNB Loan
On May 11, 2018, the Parent Company signed a ₱5.00 billion, ten (10)-year term loan facility with the PNB. The loan will be used to finance general corporate requirements and capital investment programs in the East Zone as well as to refinance existing concessionaire loans. On July 31, 2018, the Parent Company made its first and only drawdown amounting to ₱5.00 billion. The carrying value of the loan as of December 31, 2020 and 2019 amounted to ₱3,852.04 million and ₱4,346.33 million, respectively.

₱5.00 billion BDO Unibank, Inc. (BDO) Loan
On November 13, 2019, the Parent Company signed a ₱5.00 billion, five (5)-year term, revolver loan facility with BDO with principal payable at bullet after sixty (60) months. The loan proceeds were used for the expansion and improvement of the water source, distribution and sewerage systems, and other general corporate requirements as well as to refinance existing concessionaire loans. The Parent Company made two (2) drawdowns in 2019 with an aggregate amount of ₱3,800.00 million, and an additional drawdown in 2020 amounting to ₱1,200.00 million. The carrying value of the loan as of December 31, 2020 and 2019 amounted to ₱4,970.80 million and ₱3,771.45 million, respectively.

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 Department of Finance 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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 are intended to refinance debt and finance programmed capital expenditures for 2020 to 2021 of the East Zone, pursuant to the Sustainability Financing Framework (SFF) which the Parent Company established; proceeds are targeted towards financing projects related to (1) Sustainable water and wastewater management, (2) Terrestrial and aquatic biodiversity conservation, and (3) Affordable basic infrastructure categories. The Parent Company's SFF is aligned with the Green Bond Principles 2018 and Social Bond Principles 2018 and likewise complies with the ASEAN Sustainability Bond Standards 2018 and SEC Memorandum Circular No. 8, series of 2019.

On July 23, 2020, the Parent Company successfully issued the US$500.00 million ASEAN sustainability bonds, debuting in the international debt capital markets. The Parent Company is the first Philippine Corporate to issue an ASEAN sustainability bond. Equally important, this issuance is the single largest green, social or sustainability bond issued by a listed private water utility in Asia.

The ten (10)-year bond was priced at 99.002 with a coupon rate of 4.375% p.a. payable in equal installments semi-annually in arrear, on January 30 and July 30 of each year. The bonds will be redeemed at their principal amount on July 30, 2030 unless previously redeemed or repurchased and cancelled as provided in the following conditions:

Gross-up Event
If a Gross-up Event occurs, the Parent Company may redeem the Notes (in whole but not in part) at 100% of the principal amount of the Notes plus any accrued but unpaid interest, on the giving of not less than 30 and not more than 60 calendar days' irrevocable notice of redemption to the Noteholders.

Change of Control Event
Following the occurrence of a Change of Control triggering event, each bondholder will have a right at such bondholder's option to require the Parent Company to redeem in whole but not in part such bondholder's notes on the change of control triggering event put date at 101% of the principal amount plus any accrued but unpaid interest.

Regulatory Redemption Event
Upon a regulatory redemption triggering event, each bondholder will have the right to require the Parent Company to repurchase all or any part of such holder's bonds pursuant to a Special Repurchase Offer. In the Special Repurchase Offer, the Parent Company will offer to purchase the bonds at a purchase price in cash equal to the special redemption price and additional amounts, if any, to but excluding the date of repurchase (subject to the right of bondholders of record on the relevant record date to receive interest due on the relevant interest payment date), except to the extent the Parent Company has previously or concurrently elected to redeem the Notes in full as described under the conditions of an early redemption due to a gross-up event.

Redemption at the Option of the Issuer
On any payment business day on or after July 30, 2025, and up to but excluding the maturity date, the Parent Company may on one or more occasions redeem all or a part of the bonds, at the redemption prices plus accrued and unpaid interest, if any, to the date of redemption, if redeemed during the twelve (12)-month period commencing on the call dates set forth below:

Call Dates	Prices
July 30, 2025	102.188%
July 30, 2026	101.094%
July 30, 2027	100.547%
July 30, 2028	100.000%

The successful bond issuance enables 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, 2020 amounted to US$489.25 million (nil as of December 31, 2019).

Laguna Water Loans

On September 7, 2010, Laguna Water entered into a loan agreement with two (2) local banks for the financing of its construction, operation, maintenance, and expansion of facilities in its servicing area. Pursuant to the loan agreement, the lenders have agreed to provide loans to Laguna Water up to ₱500.00 million, the principal payments of which will be made in thirty (30) consecutive equal quarterly installments starting August 2013. The first and second drawdowns from the loan were made in November 2010 and June 2011 amounting to ₱250.00 million each. The carrying value of this loan amounted to nil and ₱66.56 million as of December 31, 2020 and 2019, respectively.

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 bearing an effective interest rate of 7.29%. 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, 2020 and 2019 amounted to ₱374.32 million and ₱403.64 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 ₱642.50 million and ₱692.82 million as of December 31, 2020 and 2019, 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 bearing an effective interest rate of 6.14%. The second drawdown was made in two tranches in April 2016 amounting to ₱150.00 million and ₱300.00 million bearing effective interest rates of 5.98% and 6.39%, respectively. The third drawdown was made in September 2016 amounting to ₱400.00 million bearing an effective interest rate of 5.53%. The fourth drawdown was made in three (3) tranches, the first tranche in March amounting to ₱100.00 million bearing an effective interest rate of 6.34% and the second and third tranches in April 2017 amounting to ₱50.00 million and ₱350.00 million bearing an effective interest rate of 6.50% and 6.54%, respectively. The fifth drawdown was made in two (2) tranches in September 2017 amounting to ₱150.00 million and ₱400.00 million bearing an effective interest rate of 6.31% and 6.42%, respectively. The carrying value of the loan amounted to ₱1,912.83 million and ₱2,103.25 million as of December 31, 2020 and 2019, 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, 2020 and 2019, the carrying value of the loan amounted to CAD873,000.

On June 28, 2019, Laguna Water signed a ten (10)-year term loan facility amounting to ₱2.50 billion with the 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 bearing an effective interest rate of 6.06%. The second drawdown was made in December 2019 amounting to ₱500.00 million bearing effective interest rates of 6.05%. The third drawdown was made in March 2020 amounting to ₱400.00 million bearing effective interest rate of 6.00%. The carrying value of the loan amounted to ₱1,093.07 million and ₱694.88 million as of December 31, 2020 and 2019, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2020 and 2019 amounted to ₱325.42 million and ₱355.56 million, respectively.

Omnibus loan and security agreement - Sub-tranche 2
The Agreement provided Boracay Water the option to borrow additional loans from the lenders. On November 14, 2012, Boracay Water entered into the second omnibus loan and security agreement with DBP and SBC. The agreed aggregate principal of the loan amounted to ₱500.00 million which is available in three sub-tranches:

- Sub-tranche 2A, the loan in the amount of ₱250.00 million to be provided by DBP and funded through Philippine Water Revolving Fund (PWRF);
- Sub-tranche 2B, the loan in the amount of ₱125.00 million to be provided by SBC and funded through PWRF; and
- Sub-tranche 2C, the loan in the amount of ₱125.00 million to be provided by SBC and funded through its internally-generated funds.

In consideration of DBP undertaking to purchase sub-tranches 1C and 2C, Boracay Water will pay DBP purchase commitment fee which is equivalent to 0.25% per annum of the purchase price on a quarterly basis. Purchase commitment fee payable amounted to ₱0.61 million and ₱0.99 million as of December 31, 2020 and 2019, 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 ₱324.02 million and ₱353.92 million as of December 31, 2020 and 2019, 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 ₱576.89 million and ₱630.13 million as of December 31, 2020 and 2019, 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. The carrying value of loan amounted to ₱1,240.07 million and ₱595.98 million as of December 31, 2020 and 2019, 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 concession capital expenditures program. Under the agreement, the loan bears interest at a rate ranging from 6.13% to 6.56%, and 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 ₱929.07 million and ₱1,022.36 million as of December 31, 2020 and 2019, 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 carrying value of the loan amounted to ₱317.52 million and ₱180.00 million as of December 31, 2020 and 2019, respectively.

Cebu Water Loan
On December 19, 2013, Cebu Water entered into an Omnibus Loan and Security Agreement with the DBP to partially finance the construction works in relation to its bulk water supply project in Cebu. The lender has agreed to extend a loan facility in the aggregate principal amount of ₱800.00 million or up to 70% of the total project cost, whichever is lower. Principal payments will be made in twenty (20) equal quarterly installments starting December 2017.

In 2013, MW Consortium entered into a real estate mortgage agreement with the DBP, as third-party mortgagor, in consideration for this Cebu Water loan.

The first, second, and final drawdowns on the loan facility amounted to ₱541.13 million on December 20, 2013, ₱195.64 million on May 20, 2014, and ₱14.79 million on November 14, 2014, respectively. The carrying value of the loan as of December 31, 2020 and 2019 amounted to ₱568.72 million and ₱612.19 million, respectively.

Zamboanga Water Loan
On June 30, 2016, Zamboanga Water entered into an Omnibus Loan and Security Agreement in the amount of ₱85.00 million with DBP. The proceeds of the loan will be used to finance Zamboanga Water's capital expenditures in relation to its NRW reduction and management program in Zamboanga City and its working capital requirements. The first, second, and third loan drawdowns were made on July 29, 2016, September 1, 2016, and September 27, 2017 amounting to ₱30.00 million, ₱30.00 million, and ₱25.00 million, respectively.

On March 30, 2020, Zamboanga Water prepaid its outstanding loan balance with the DBP.

The carrying value of the loan as of December 31, 2020 and 2019 amounted to nil and ₱79.60 million, respectively.

MWPVI Loan
On October 5, 2016, MWPVI signed a fifteen (15)-year fixed rate term loan facility amounting to ₱4.00 billion with SBC and Metrobank. The terms of the loan include an option to increase the size of the facility to a maximum of ₱7.00 billion. The proceeds of the loan will be used to finance MWPVI's capital expenditures, future acquisitions and other general corporate requirements.

On February 24, 2017, MWPVI made a bridge loan drawdown amounting to ₱150.00 million each from SBC and Metrobank. These bridge loans had a fixed rate of 2.75% and a 119-day term. On June 23, 2017, these bridge loans were rolled-over for additional 180 days with a rate of 2.90%, repriced monthly. On November 9, 2017, MWPVI repaid its ₱300.00 million bridge loan and made the first drawdown on its loan facility amounting to ₱450.00 million from each bank.

On October 5 and December 19, 2018, MWPVI made its subsequent drawdowns amounting to ₱50.00 million and ₱175.00 million from each bank, respectively. In 2019, MWPVI made additional drawdowns totaling to ₱800.00 million from each bank. These loan drawdowns have a term of thirteen (13) to fifteen (15) years, with interest payable semi-annually and principal repayments starting on November 9, 2022.

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.

The carrying value of the loan as of December 31, 2020 and 2019 amounted to ₱5,461.65 million and ₱2,928.52 million, respectively.

Tagum Water Loan
On October 6, 2016, Tagum Water signed an Omnibus Loan and Security Agreement in the amount of ₱450.00 million with the PNB. The loan will be used to partially finance the construction works in relation to the Tagum Bulk Water Supply Project. Nominal interest is at 5.30% per annum, payable quarterly. 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, 2020 and 2019 amounted to ₱401.85 million and ₱401.54 million, respectively.

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, 2020 and 2019 amounted to THB5,278.51 million and THB5,271.30 million, respectively.

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 ₱23.01 million and ₱25.99 million, respectively, as of December 31, 2020 and 2019.

Compliance with loan covenants
All these loan agreements provide for certain covenants which must be complied by the Group which include compliance with certain financial ratios such as the debt-to-equity, debt-service-coverage and early termination, as well as limitations in the declaration of dividends to stockholders in some of the subsidiaries. As of December 31, 2020 and 2019, the Group was in compliance with all the loan covenants required by the creditors and has not received any written notice of default from lenders or the trustees.

16. Retirement Plan

The Parent Company, Clark Water, Laguna Water, Boracay Water and MWPVI have funded a noncontributory defined benefit pension plans covering substantially all of their respective regular employees. The benefits are based on current salaries and years of service and compensation as of the last year of employment. The latest actuarial valuations were made on December 31, 2020.

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%, 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%.

The retirement plans of Parent Company, Clark Water, Laguna Water, Boracay Water, and MWPVI 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, defines the investment strategy of the fund and regularly reviews the strategy based on market developments and changes in the plan structure. When defining the investment strategy, the Committees take into account the plan's objectives, benefit obligations, and risk capacity. The Committees review, on a quarterly basis, the performance of the funds managed by trustee banks.

Changes in net defined benefit liability of funded retirement plans are as follow:

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance at beginning of year	₱1,073,159,894	₱878,965,617	₱194,194,277
Net benefit costs in profit or loss:			
Current service cost	94,899,005	–	94,899,005
Net interest (Note 18)	51,778,303	42,023,405	9,754,898
	146,677,308	42,023,405	104,653,903
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in interest)	–	(12,198,535)	12,198,535
Actuarial changes arising from:			
Experience adjustments	(31,525,597)	–	(31,525,597)
Changes in demographic assumptions	27,333	–	27,333
Changes in financial assumptions	45,789,001	–	45,789,001
	14,290,737	(12,198,535)	26,489,272
Benefits paid	(167,385,832)	(167,385,832)	–
Contributions	–	103,519,030	(103,519,030)
Reversals	(2,216,615)	–	(2,216,615)
Balance at end of year	₱1,064,525,492	₱844,923,685	₱219,601,807

	2019		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance at beginning of year	₱908,610,900	₱799,219,100	₱109,391,800
Net benefit costs in profit or loss:			
Current service cost	95,216,969	–	95,216,969
Net interest (Note 18)	74,957,894	66,027,368	8,930,526
	170,174,863	66,027,368	104,147,495
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in interest)	–	12,687,925	(12,687,925)
Actuarial changes arising from:			
Experience adjustments	(49,041,524)	–	(49,041,524)
Changes in demographic assumptions	197,602	–	197,602
Changes in financial assumptions	152,056,966	–	152,056,966
	103,213,044	12,687,925	90,525,119
Benefits paid	(108,389,176)	(108,389,176)	–
Transfers	(449,737)	–	(449,737)
Contributions	–	109,420,400	(109,420,400)
Balance at end of year	₱1,073,159,894	₱878,965,617	₱194,194,277

The components of the fair value of plan assets are as follows:

	2020	2019
Assets:		
Cash and cash equivalents	₱4,718,503	₱3,328,627
Debt investments - domestic	643,870,657	664,641,346
Equity investments - domestic	224,227,334	208,745,776
Interest receivable	2,389,360	2,831,395
Other receivable	42,317	13,000
	875,248,171	879,560,144
Liabilities:		
Accrued trust fees	538,909	594,527
Other payables	29,785,577	–
	30,324,486	594,527
Fair value of plan assets	₱844,923,685	₱878,965,617

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:

	2020	2019	2018
Discount rate	3.88% to 4.11%	5.60% to 5.61%	8.25% to 8.50%
Salary increase rate	4.00% to 5.00%	6.00%	5.00% to 7.00%

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)	2020	2019
Discount rate	1.00%	(₱100,321,260)	(₱86,623,211)
	(1.00%)	121,046,108	103,693,351
Salary increase rate	1.00%	118,584,140	102,219,091
	(1.00%)	(100,352,914)	(87,083,405)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2020	2019
Less than 1 year	₱135,878,339	₱175,094,816
More than 1 year and up to 5 years	453,786,157	510,452,410
More than 5 years and up to 10 years	319,803,279	379,059,205
	₱909,467,775	₱1,064,606,431

The average duration of the defined benefit obligation at the end of the reporting period is 11.98 years and 11.66 years as of December 31, 2020 and 2019, respectively.

The asset allocation of the plan is set and reviewed from time to time by the Committee taking into account the membership profile and the liquidity requirements of the plan. This also considers the expected benefit cash flows to be matched with asset durations.

Contributions to the plan are recommended by the Retirement and Welfare Plan Committee and approved by the Parent Company, Clark Water, Laguna Water, Boracay Water, and MWPVI in consideration of the contribution advice from the actuary. The Parent Company, MWPVI, Boracay Water, Clark Water, and Laguna Water are expected to contribute a total of

₱82.87 million to their respective defined benefit pension plans in 2021 based on the latest actuarial valuation report.

As of December 31, 2020 and 2019, the plan assets include shares of stock of Ayala, ALI, BPI, and Globe Telecom, Inc. (Globe) with a total fair value of ₱29.57 million and ₱32.10 million, respectively.

17. Other Noncurrent Liabilities

Other noncurrent liabilities consist of:

	2020	2019
Deferred credits	₱445,365,847	₱449,478,831
Customers' guaranty deposits and other deposits	384,818,834	382,329,799
	₱830,184,681	₱831,808,630

Deferred credits pertain to the unamortized discounts of the customers' guaranty deposits. The rollforward analysis of the deferred credits follows:

	2020	2019
Balance at beginning of year	₱449,478,831	₱442,135,108
Additions	11,240,339	21,374,645
Amortization (Note 18)	(15,353,323)	(14,030,922)
Balance at end of year	₱445,365,847	₱449,478,831

Customers' guaranty deposits and other deposits pertain to the deposits paid by the Group's customers for the set-up of new connections which will be refunded to the customers upon termination of the customers' water service connections or at the end of the concession, whichever comes first.

18. Other Operating Income, Operating Expenses, Interest Income and Interest Expense

Other operating income consists of:

	2020	2019 (As Restated - See Note 19)	2018 (As Restated - See Note 19)
Supervision fees (Note 23)	₱324,114,028	₱882,249,033	₱425,990,731
Connection fees from water and service connections	149,680,291	161,614,281	268,300,671
Pipeworks and integrated used water services	95,283,072	198,681,476	121,407,650
Operations and maintenance services	95,200,999	111,523,478	99,751,722
Cross-border billing	56,939,641	–	–
Recovery of expenses	31,200,088	18,855,764	–
Septic sludge disposal and bacteriological water analysis	27,966,849	40,357,997	37,296,665
Reconnection fee	15,571,079	30,527,248	49,874,392
Income from customer late payments	14,020,420	42,798,341	26,576,051
Construction revenue	–	2,517,958	29,007,243
Miscellaneous	35,956,660	70,865,805	44,501,984
	₱845,933,127	₱1,559,991,381	₱1,102,707,109

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Miscellaneous includes income from sale of inventories, water tankering, due diligence, and rental of equipment.

Operating expenses consist of:

	2020	2019 (As Restated - See Note 19)	2018 (As Restated - See Note 19)
Salaries, wages and employee benefits (Notes 16 and 23)	**₱1,082,641,100**	₱1,129,904,350	₱1,182,785,010
Depreciation and amortization (Notes 9, 10 and 11)	**519,862,875**	357,204,715	391,553,015
ECL on receivables and contract assets (Note 6)	**458,828,593**	15,843,315	145,079,550
Contractual services	**316,395,147**	239,947,384	300,374,232
Provisions and MWSS penalty (Notes 1 and 30)	**305,498,400**	1,224,695,546	–
Taxes and licenses	**271,744,789**	289,644,627	313,377,977
Management, technical and professional fees (Note 23)	**246,701,830**	325,769,360	491,838,496
Repairs and maintenance	**208,910,986**	254,915,008	172,819,196
Insurance	**123,031,928**	116,181,369	84,222,331
Printing and communication (Note 23)	**87,887,253**	65,462,142	67,566,448
Donations	**21,319,444**	21,033,371	44,273,571
Advertising	**16,753,201**	48,982,002	14,558,154
Business meetings and representation	**16,326,304**	44,601,434	56,407,620
Rent (Notes 11, 23 and 25)	**15,877,898**	53,042,730	122,146,550
Transportation and travel	**13,029,038**	82,321,348	89,181,708
Other expenses	**190,598,408**	51,290,552	74,275,363
	₱3,895,407,194	₱4,320,839,253	₱3,550,459,221

Other expenses include expenses incurred for bank charges and equipment rental.

Interest income consists of:

	2020	2019 (As Restated - See Note 19)	2018 (As Restated - See Note 19)
Interest income on:			
Cash and cash equivalents and short-term investments (Note 5)	**₱204,394,982**	₱228,968,845	₱254,719,063
Finance income from contract assets (Note 6)	**291,971,227**	144,213,539	125,905,858
Receivable from BWC (Note 6)	**5,348,329**	27,814,005	28,083,490
Others	**1,476,870**	964,990	2,543,455
	₱503,191,408	₱401,961,379	₱411,251,866

Interest expense consists of:

	2020	2019 (As Restated - See Note 19)	2018 (As Restated - See Note 19)
Interest expense on:			
Service concession obligations, deposits and others (Notes 10 and 17)	**₱729,079,224**	₱782,447,210	₱789,711,898
Long-term debt (Note 15):			
Coupon interest	**1,256,149,606**	1,124,421,615	848,253,628
Amortization of debt discount, issuance costs and premium	**161,721,539**	125,357,757	138,892,431
Lease liabilities (Note 11)	**27,973,355**	27,128,333	–
Pension liabilities (Note 16)	**9,698,076**	8,930,526	1,920,740
Other financing charges (Note 15)	**75,450,992**	–	–
	₱2,260,072,792	₱2,068,285,441	₱1,778,778,697

Other financing charges consist of loan pre-termination and prepayment fees.

Other income (loss) - net consists of:

	2020	2019 (As Restated - See Note 19)	2018 (As Restated - See Note 19)
Impairment losses (Notes 9 and 12)	**(₱340,645,093)**	(₱74,325,257)	(₱136,735,300)
Gain on bargain purchase (Note 4)	**–**	18,332,330	43,753,620
Refund income	**–**	7,097,025	51,961,022
Others – net	**(220,793,476)**	25,295,563	227,622,739
	(₱561,438,569)	(₱23,600,339)	₱186,602,081

Others include reversals long-outstanding accounts amounting to ₱228.64 million, ₱25.55 million and ₱168.93 million in 2020, 2019 and 2018, respectively; and a net gain on the settlement of the receivable from BWC ₱52.40 million in 2019.

19. Discontinued Operations

MWTS Healthy Family

On August 26, 2020, MWTS announced the permanent closure of its Healthy Family business division effective October 31, 2020 due to its recurring losses and inability to financially sustain business operations which qualified the MWTS Healthy Family division as a discontinued operation for the years ended December 31, 2020, 2019 and 2018.

The results of operations of MWTS Healthy Family division are as follows:

	2020	2019	2018
Revenue from contracts with customers	**₱78,674,895**	₱139,860,404	₱206,099,390
Cost of services and operating expenses	**167,952,026**	237,068,387	360,403,784
Operating loss	**(89,277,131)**	(97,207,983)	(154,304,394)
Interest income (expense) - net	**4,969**	1,040,991	103,060
Other income (loss) - net	**34,045,886**	(63,006,214)	(71,457,301)
Loss before income tax	**(55,226,276)**	(159,173,206)	(225,658,635)
Benefit from income tax	**(3,937,260)**	(1,926,754)	(6,542,005)
Net loss from discontinued operations	**(₱51,289,016)**	(₱157,246,452)	(₱219,116,630)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The net cash flows of MWTS Healthy Family division are as follows:

	2020	2019	2018
Operating	**(₱11,160,539)**	₱5,429,971	(₱98,175,835)
Investing	**26,268,591**	(34,004,556)	(32,867,734)
Financing	**(11,819,105)**	(19,784,901)	105,000,000
Net increase (decrease) in cash and cash equivalents	**₱3,288,947**	(₱48,359,486)	(₱26,043,569)

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 District Metered Areas (DMAs) established by Zamboanga Water has rendered the NRWRSA impractical and unworkable. On April 30, 2020, Zamboanga Water approved the termination of the NRWRSA, without prejudice to Zamboanga Water's claims against ZCWD and remedies under the NRWRSA, which qualified Zamboanga Water as a discontinued operation.

The results of operations of Zamboanga Water are as follows:

	2020	2019	2018
Revenue from contracts with customers	**₱4,995,680**	₱162,604,880	₱55,915,538
Cost of services and operating expenses	**335,509,004**	55,950,590	56,023,099
Operating income (loss)	**(330,513,324)**	106,654,290	(107,561)
Interest income (expense) - net	**(44,195)**	(4,769,720)	(4,501,816)
Other income (loss) - net	**2,907,411**	–	–
Loss before income tax	**(327,650,108)**	101,884,570	(4,609,377)
Provision for (benefit from) income tax	**(9,881,645)**	1,416,831	–
Net income (loss) from discontinued operations	**(317,768,463)**	₱100,467,739	(4,609,377)

The net cash flows of Zamboanga Water are as follows:

	2020	2019	2018
Operating	**(₱19,114,415)**	(₱19,705,788)	(₱31,309,330)
Investing	**(4,034,566)**	(824,672)	(299,604)
Financing	**13,589,430**	28,009,322	22,037,228
Net increase (decrease) in cash and cash equivalents	**(₱9,559,551)**	₱7,478,862	(₱9,571,706)

The net income attributable to the owners of the Parent Company and noncontrolling interest from continuing and discontinued operations are as follows:

	2020	2019	2018
Net income (loss) attributable to:			
Equity holders of Manila Water Company, Inc.			
Continuing operations	**₱4,769,320,763**	₱5,579,515,032	₱6,747,481,615
Discontinued operations	**(268,867,738)**	(84,005,833)	(223,780,887)
	4,500,453,025	5,495,509,199	6,523,700,728
Noncontrolling interests			
Continuing operations	**145,523,960**	116,689,058	111,277,183
Discontinued operations	**(100,189,741)**	27,227,120	54,880
	45,334,219	143,916,178	111,332,063
EPS			
Basic, net loss from discontinued operations	**(₱0.13)**	(₱0.04)	(₱0.11)
Diluted, net loss from discontinued operations	**(₱0.13)**	(₱0.04)	(₱0.11)

20. Income Tax

Provision for (benefit from) income tax consists of:

	2020	2019 (As Restated - See Note 19)	2018 (As Restated - See Note 19)
Current	₱1,993,760,367	₱2,182,474,222	₱2,137,615,306
Final	77,225,700	6,229,200	18,774,224
Deferred	(322,261,714)	186,474,613	(173,490,231)
	₱1,748,724,353	₱2,375,178,035	₱1,982,899,299

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2020	2019 (As Restated - See Note 19)	2018 (As Restated - See Note 19)
Statutory income tax rate	30.00%	30.00%	30.00%
Tax effects of:			
Change in unrecognized deferred tax	(15.22)	0.56	0.56
Excess of 40% Optional Standard Deduction (OSD) against allowable deductions	(0.07)	(20.05)	(22.30)
Interest income subjected to final tax	(0.84)	(0.04)	(0.01)
Nontaxable equity in net earnings of associates	(0.96)	(2.43)	(2.37)
Nondeductible expense	64.45	60.19	50.37
Income exempt from tax	(51.09)	(38.71)	(32.52)
Others - net	(0.03)	(0.12)	(1.30)
Effective income tax rate	26.24%	29.40%	22.43%

On November 26, 2020, the Senate approved on its third and final reading Senate Bill No. 1357, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) bill, which seeks to reduce the corporate income tax rate and rationalize the current fiscal incentives by making them time-bound, targeted and performance-based.

The net deferred tax assets of the Group pertain to the deferred income tax effects of the following:

	2020	2019
Deferred tax assets:		
Service concession obligations - net	₱2,052,144,388	₱1,369,810,971
Provisions and accruals	586,425,816	60,300,922
Allowance for ECL	74,822,038	81,787,502
Pension liabilities	55,979,668	10,012,235
Lease liabilities - net	9,206,723	–
Others	85,140,588	61,326,445
	2,863,719,221	1,583,238,075
Deferred tax liabilities:		
Difference between amortization expense of SCA per straight line method and per UOP	(1,104,812,120)	(393,533,422)
Unrealized foreign exchange gains	(123,756,820)	–
Bonds transaction cost	(85,449,574)	–
Right-of-use assets - net	–	(897,596)
	(1,314,018,514)	(394,431,018)
	₱1,549,700,707	₱1,188,807,057

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The components of the net deferred tax liabilities of the Group as of December 31, 2020 and 2019 represent the deferred income tax effects of the following:

	2020	2019
Deferred tax liabilities:		
Difference between amortization expense of SCA per straight-line method and per UOP	₱119,879,385	₱74,086,290
Contract assets from bulk water arrangements	100,860,997	26,367,070
Accrued receivables	57,551,112	27,142,321
Unrealized gain on bargain purchase	13,666,011	24,236,606
Contract assets	9,947,170	50,136,421
Others	14,055,692	2,472,245
	315,960,367	204,440,953
Deferred tax assets:		
Allowance for ECL	(84,590,015)	(18,257,823)
Net Operating Loss Carryover (NOLCO)	(31,305,705)	(25,974,142)
Pension liabilities	(10,633,092)	(9,042,305)
Provisions and accruals	(1,925,434)	(701,941)
Contract liabilities	–	(10,517,997)
Others	(8,280,150)	(2,799,269)
	(136,734,396)	(67,293,477)
	₱179,225,971	₱137,147,476

Parent Company
RR No. 16-2008 was issued by the BIR to implement Section 34 (L) of the National Internal Revenue Code of 1997, as amended by Section 3 of RA No. 9504 on the use of Optional Standard Deductions (OSD) for individuals and corporations. The OSD allowed to corporate taxpayers shall be in an amount not exceeding forty percent (40%) of their gross income. Gross income refers to gross sales or gross revenue derived from any business activity, net of returns and allowances, less cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses. This was applied by the Parent Company for the years ended December 31, 2019, and 2018.

The use of OSD as the method of computing tax deductible expenses affected the recognition of several deferred tax assets and liabilities, such that no deferred tax assets and liabilities were recognized on items of income and expenses that are not considered in determining gross income for income tax purposes.

The effective tax rate of 18% for the years in which OSD is projected to be utilized was used in computing the deferred income taxes on the net service concession obligation starting 2008.

In 2020, the Parent Company used itemized deductions in the calculation of its current income tax. The tax rate of 30% was used in computing for the deferred income taxes of the Parent Company as this is the rate that the underlying deferred tax assets or liabilities are expected to be recovered, settled or utilized in the future. As a result of the shift from OSD to itemized deduction, the Parent Company recorded additional deferred income tax assets amounting to ₱1,181.15 million.

Deferred taxes on allowance for ECL and pension liability were not recognized by the Parent Company. The net reduction in deferred tax assets from applying the 18% effective tax rate to the recognized deferred taxes on net service obligation and the derecognition of the deferred taxes relating to the accounts with temporary differences which are not considered in determining gross income for income tax purposes by the Parent Company amounted to ₱130.41 million as of December 31, 2019. As of December 31, 2020, deferred taxes on allowance for ECL amounting to ₱273.99 million was not recognized.

Clark Water
Clark Water as a duly registered CFZ enterprise under RA No. 9400, An Act Amending RA No. 7227 otherwise known as the Bases Conversion and Development Act of 1992, is entitled to all the rights, privileges and benefits established thereunder including tax and duty-free importation of raw materials and capital equipment and special income tax rate of 5% applied on its gross income earned in lieu of all national and local taxes.

Starting 2020, all sales outside the CFZ are charged with 12% value-added tax and subjected to the Regular Corporate Income Tax rate of 30%.

Laguna Water
In 2019, Laguna Water availed of the OSD, as such the effective tax rate of 18% was used in computing the deferred income taxes of Laguna Water for the years in which OSD is projected to be utilized.

In 2020, Laguna Water used the Itemized Deduction in determining the amount of their deductible expenses for income tax purposes. As a result, the applicable income tax rate is the Regular Corporate Income Tax rate of 30% and Minimum Corporate Income Tax rate of 2%.

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 30% and Minimum Corporate Income Tax rate of 2%, while foreign subsidiaries are subject to tax rates applicable in their respective countries.

NOLCO
The Parent Company's subsidiaries, namely, MWTS, Calasiao Water, MWPVI, Zamboanga Water, MW Consortium, Davao Water, Tagum Water, and MWTV have total NOLCO amounting to ₱343.75 million and ₱397.54 million as of December 31, 2020 and 2019, 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, 2020 and 201, the unrecognized deferred tax assets on NOLCO amounted to ₱0.39 million and ₱119.26 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, 2020, the Group has incurred NOLCO before taxable year 2020 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
2017	2018 to 2020	₱24,313,723	₱24,313,723	₱–
2018	2019 to 2021	49,041,811	–	49,041,811
2019	2020 to 2022	324,188,542	–	324,188,542
		₱397,544,076	₱24,313,723	₱373,230,353

As of December 31, 2020, the Group has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment Period	Amount	Applied/Expired	Unapplied
2020	2020 to 2025	₱609,988,268	₱–	₱609,988,268

MCIT
The movements of the Group's MCIT as of December 31, 2020 which can be claimed against future Regular Corporate Income Tax due on taxable income, but not beyond three (3) succeeding taxable years from the year the excess MCIT arose, are as follows:

Year Incurred	Amount	Applied/Expired	Balance	Expiry Year
2019	₱11,369,686	₱11,369,686	₱–	2022
2020	11,679,166		11,679,166	2023
	₱23,048,852	₱11,369,686	₱11,679,166	

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21. Equity

The Parent Company's capital stock consists of:

	2020		2019	
	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	**2,064,839,617**	**2,064,839,617**	2,064,839,617	2,064,839,617
Issued and outstanding	**2,041,814,326**	**2,041,814,326**	2,041,447,232	2,041,447,232
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 968 and 967 existing certificated shareholders as of December 31, 2020 and 2019, 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.

On July 2, 2020, the Securities and Exchange Commission (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.

The movement of the Parent Company's issued and outstanding common stock follows:

	2020	2019
Number of shares at beginning of year	**2,041,447,232**	2,030,732,360
Additions	**367,094**	10,714,872
Number of shares at end of year	**2,041,814,326**	2,041,447,232

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, 2020:

Declaration Date	Record Date	Amount Per Share		Payment Date
		Common Shares	Participating Preferred Shares	
March 1, 2018	March 15, 2018	₱0.4302	₱0.04302	March 28, 2018
October 2, 2018	October 17, 2018	0.4283	0.04283	October 31, 2018
November 20, 2018	December 6, 2018	–	0.01000	December 20, 2018
February 26, 2019	March 14, 2019	0.4551	0.04551	March 28, 2019
September 27, 2019	October14, 2019	0.4551	0.04551	October 25, 2019

Dividends in arrears of the Parent Company amounted to ₱80.00 million and ₱40.00 million as of December 31, 2020 and 2019, respectively (nil as of December 31, 2018).

Retained earnings
The approved Business Plan includes planned capital expenditures on (i) service continuity, (ii) service accessibility, (iii) water security, and (iv) environmental sustainability described as follows:

- Service continuity projects are endeavored to maintain the level of service provided to its customers even in times of calamity;
- Service accessibility projects would enable the Parent Company to expand its service coverage;
- Water security projects include two components: (1) new water source development and, (2) existing water source rehabilitation and improvement; and
- Projects under the Environmental Sustainability Investment category are comprised of wastewater projects endeavored to achieve the Parent Company's wastewater coverage targets.

On November 24, 2020, November 26, 2019, and November 20, 2018, the Parent Company's BOD approved the appropriation of ₱5,115.00 million, ₱3,051.00 milllion, and ₱3,746.00 million, respectively, to ensure the completion of the Parent Company's large system projects included in its approved Business Plan. The implementation of these projects is consistent with the timeline of the approved Business Plan which covers until the end of the concession period. Appropriated retained earnings amounted to ₱40,610.00 million and ₱35,495.00 million as of December 31, 2020 and 2019, respectively.

Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries and associates accounted for under the equity method amounting to ₱3,629.61 million and ₱3,274.44 million as of December 31, 2020 and 2019, 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, 2020 and 2019 amounted to ₱5,569.55 million and ₱6,992.36 million, respectively.

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.

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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	November 19, 2013
Number of shares granted	16,054,873	7,281,647	6,627,100
Number of unsubscribed shares	5,161,140	884,873	351,680
Fair value of each option	₱5.74	₱11.58	₱10.58
Weighted average share price	₱26.55	₱21.35	₱23.00
Exercise price	₱27.31	₱26.00	₱22.92
Expected volatility	24.92%	26.53%	24.90%
Dividend yield	2.80%	2.55%	3.47%
Risk-free interest rate	3.43%	3.79%	2.99%

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 2013 and previous years' grants, the ESOWN grantees were allowed to subscribe fully or partially to whatever allocation may have been granted to them. In case of partial subscriptions, the employees are still allowed to subscribe to the remaining unsubscribed shares granted to them provided that this would be made at the start of Year 5 from grant date up to the end of Year 6. Any additional subscription made by the employee (after the initial subscription) will be subjected to another three (3)-year holding period. For the 2018 and 2015 grants, unsubscribed shares were forfeited.

Movements in the number of stock options outstanding as of December 31, 2019 is as follows:

	2019	Weighted average exercise price
Balance at beginning of year	131,600	₱23.49
Cancellations/expirations	(131,600)	–
Balance at end of year	–	₱–

There were no additional stock options in 2020. Total expense arising from equity-settled share-based payment transactions amounted to ₱18.79 million, ₱20.16 million, and ₱23.97 million in 2020, 2019 and 2018, 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.

Other equity reserves
On May 9, 2012, the Parent Company sold portion of its investment in MW Consortium to Vicsal Development Corporation (VDC) which decreased its ownership by 10% without loss of control. Proceeds from the sale amounted to ₱15.00 million and the gain of ₱7.50 million was presented as part of "Other equity reserves" in the consolidated statements of financial position.

In 2016, MWPVI increased its ownership interest in MW Consortium from 51.00% to 57.22% and MW Consortium in Cebu Water from 51.00% to 70.58% arising from the issuance of redeemable preferred shares. This resulted to a corresponding increase in effective ownership of MWPVI in Cebu Water from 26.01% to 40.39%. The Group recognized gain on dilution of noncontrolling interest amounting to ₱46.61 million and presented this as part of "Other equity reserves" in the consolidated statements of financial position.

22. Earnings per Share

Earnings per share amounts attributable to equity holders of the Parent Company for the years ended December 31, 2020, 2019, and 2018 were computed as follows:

	2020	2019	2018
Net income (loss) attributable to common equity holders of the Parent Company			
Continuing operations	**₱4,769,320,763**	₱5,579,515,032	₱6,747,481,615
Discontinued operations	**(268,867,738)**	(84,005,833)	(223,780,887)
Dividends on preferred shares*	**(763,852,861)**	(925,332,930)	(1,094,186,642)
Net income attributable to common shareholders for basic and diluted earnings per share	**₱3,736,600,164**	₱4,570,176,269	₱5,429,514,086
Weighted average number of common shares for basic earnings per share	**2,064,839,617**	2,064,839,617	2,060,184,183
Dilutive common shares arising from stock options	**–**	–	77,730
Adjusted weighted average number of common stocks for diluted earnings per share	**2,064,839,617**	2,064,839,617	2,060,261,913
EPS before discontinued operations			
Basic earnings per share	**₱1.94**	₱2.25	₱2.74
Diluted earnings per share	**₱1.94**	₱2.25	₱2.74
EPS			
Basic earnings per share	**₱1.81**	₱2.21	₱2.64
Diluted earnings per share	**₱1.81**	₱2.21	₱2.64

**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 whose interest rates are disclosed in Notes 5 and 15, respectively. There have been no guarantees provided for nor received on any related party receivables or payables. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Significant transactions with related parties follow:

a. The Parent Company entered into an Administrative and Support Services Agreement (ASSA) with Ayala in 1997, being its sponsor as required during the privatization process. The ASSA was initially effective for ten (10) years and automatically renewable every five (5) years. Under the agreement, Ayala shall provide technical and other knowledge, experience and skills as reasonably necessary for the development, administration and operation of the concession, for which the Parent Company shall pay an annual base fee of US$1.00 million and adjusted for the effect of CPI. As a result, certain key management positions are occupied by employees of Ayala.

On March 1, 2017, the BOD confirmed the automatic renewal of the ASSA between the Parent Company and Ayala for another five (5) years until July 30, 2022 and approved the amendment reducing the base fee to ₱1.00 per year beginning August 1, 2017.

Total management and professional fees charged to operations arising from these agreements amounted to ₱133.30 million, ₱156.54 million, and ₱209.22 million in 2020, 2019 and 2018, respectively. Total outstanding payables amounted to nil as of December 31, 2020 and 2019 (see Note 14).

b. 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)	
	2020	2019	**2020**	2019
Shareholder:				
Ayala	**₱–**	₱–	**₱69,512**	₱13,264
Affiliates:				
ALI and subsidiaries	**–**	–	**186,246,893**	632,412,687
Integrated Microelectronics, Inc. (IMI)	**–**	–	**3,941,802**	–
Globe and subsidiaries	**–**	–	**21,328**	–
AC Industrial Technology Holdings, Inc. (AITHI) and subsidiaries	**–**	–	**4,021**	260,154
BPI and subsidiaries	**6,143,392,683**	3,375,711,308	**4,095,093**	3,200,718
	6,143,392,683	3,375,711,308	**194,309,137**	635,873,559
	₱6,143,392,683	₱3,375,711,308	**₱194,378,649**	₱635,886,823

**Includes trade, retention and interest receivables*

Cash in banks and cash equivalents pertain to deposits and investments with original maturities of three (3) months or less from the date of original acquisition.

Trade receivables are primarily composed of receivables for water and used water services rendered by the Group. These are non-interest bearing and are collectible within thirty (30) days from bill generation. Allowance for ECL provided for receivables from related parties amounted to ₱24.70 million and ₱28.44 million as of December 31, 2020 and 2019, respectively.

	Payables and Contract Liablities* (Note 14)		**Long-term Debt** (Note 15)	
	2020	2019	**2020**	2019
Affiliates:				
ALI and subsidiaries	**₱147,712,019**	₱188,720,758	**₱–**	₱–
AC Energy Holdings, Inc. (AC Energy)	**86,735,603**	–	**–**	–
BPI and subsidiaries	**25,608,180**	11,190,595	**2,333,139,741**	1,290,855,188
Globe and subsidiaries	**5,215,464**	12,133,084	**–**	–
AITHI and subsidiaries	**–**	1,201,847	**–**	–
HCX Technology Partners, Inc.	**981,740**	901,640	**–**	–
Ayala Healthcare Holdings, Inc.	**15,680**	–	**–**	–
	₱266,268,686	₱214,147,924	**₱2,333,139,741**	₱1,290,855,188

**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 and Laguna Water with BPI (see Note 15).

	Revenues			Purchases		
	2020	2019	2018	**2020**	2019	2018
Shareholder:						
Ayala	**₱5,061,894**	₱7,753,611	₱6,109,967	**₱178,492,976**	₱156,537,256	₱209,220,988
Affiliates:						
ALI and subsidiaries	**515,293,654**	1,137,740,158	656,875,805	**284,481,160**	421,158,449	274,348,720
IMI and subsidiaries	**51,271,558**	34,197,393	27,127,460	**–**	–	–
BPI and subsidiaries	**7,264,119**	94,023,336	99,654,361	**42,310,291**	45,136,463	3,272,564
AITHI and subsidiaries	**5,428,333**	5,042,869	5,655,375	**41,499,053**	104,350,965	–
Globe and subsidiaries	**1,622,556**	2,430,837	3,094,544	**56,011,412**	57,510,596	37,042,399
Ayala Healthcare Holdings, Inc.	**–**	–	–	**9,653,347**	–	15,184,639
AC Energy	**–**	–	–	**668,653,577**	448,106,541	377,271,684
HCX Technology Partners, Inc.	**–**	–	–	**7,663,220**	5,934,660	5,679,690
Bestfull Holdings, Inc. and subsidiaries	**–**	–	–	**209,288**	–	–
	580,880,220	1,273,434,593	792,407,545	**1,110,481,348**	1,082,197,674	712,799,696
	₱585,942,114	₱1,281,188,204	₱798,517,512	**₱1,288,974,324**	₱1,238,734,930	₱922,020,684

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 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; and
- HCX Technology Partners, Inc. for payroll management services.

c. On April 9, 2002, Laguna Water entered into a concession agreement (as amended on March 31, 2004, July 22, 2009, and June 30, 2015) with PGL, one of its shareholders. Concession fees paid to PGL amounted to ₱14.31 million and ₱36.46 million in 2020 and 2019, respectively (see Notes 1 and 29).

d. On December 17, 2009, Boracay Water entered into a concession agreement with TIEZA, one of its shareholders. Concession fees paid to TIEZA amounted to ₱20.17 million and ₱40.68 million in 2020 and 2019, respectively (see Notes 1 and 29).

e. 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. Revenue earned by MWPVI from the agreement, included under "Supervision fees", amounted to ₱219.23 million, ₱802.77 million and ₱320.25 million in 2020, 2019 and 2018, respectively (see Note 18).

f. 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 ₱29.70 million, ₱4.99 million and ₱5.12 million in 2020, 2019 and 2018, respectively (see Note 18).

g. On December 20, 2017, Boracay Water signed a Fourth Omnibus Loan and Security Agreement in the amount of ₱2.40 billion with the BPI. The loan will be used to finance the general corporate and capital expenditures requirements of Boracay Water. The carrying value of loan as of December 31, 2020 and 2019 amounted to ₱1,240.07 million and ₱595.98 million, respectively (see Note 15).

h. 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 bearing an effective interest rate of 6.06%. The second drawdown was made in December 2019 amounting to ₱500.00 million bearing effective interest rates of 6.05%. The third drawdown was made in March 2020 amounting to ₱400.00 million bearing effective interest rate of 6.00%. The carrying value of the loan amounted to ₱1,093.07 million and ₱694.88 million as of December 31, 2020 and 2019, respectively (see Note 15).

i. In September 2017, the Parent Company entered into an Open Access Contract with AC Energy which will cover a two (2)-year supply of electricity to five (5) of the Parent Company's facilities currently enrolled under Open Access. The contract was renewed for another two (2) years, and will expire on June 2021. On June 26, 2019, Cebu Water entered into a similar contract with AC Energy which will cover a two (2)-year supply of electricity. As of December 31, 2020 and 2019, the Group has guaranty deposits with AC Energy amounting to ₱18.49 million and ₱15.64 million, respectively (see Note 13).

j. On March 24, 2020, the Parent Company entered into a loan agreement with BPI amounting to ₱3.00 billion, with interest rates of 5.5% on the first three (3) months, 4.75% on the fourth month, and 3.875% on the fifth month. The loan was fully paid as of December 31, 2020.

k. In December 2020, the Parent Company established an Escrow Fund amounting to ₱1,112.13 million with BPI Asset Management and Trust Corporation (BPI AMTC) in relation to the acquisition of a parcel of land. BPI AMTC shall hold, invest, and manage the Escrow Fund, including any income therefrom (see Note 8).

l. 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 ₱523.46 million and ₱510.11 million as of December 31, 2020 and 2019, respectively (see Note 16). The Group's plan assets include shares of stock of Ayala, ALI, BPI, and Globe with a total fair value of ₱29.57 million and ₱32.10 million as of December 31, 2020 and 2019, respectively.

m. Compensation of key management personnel of the Group by benefit type, included as part of "Salaries, wages and employee benefits," are as follows:

	2020	2019	2018
Short-term employee benefits	**₱530,425,483**	₱523,863,831	₱576,676,245
Post-employment benefits	**26,604,271**	24,818,496	19,899,576
Share-based payments	**18,793,325**	13,743,064	16,960,455
	₱575,823,079	₱562,425,391	₱613,536,276

24. Significant Contracts with the West Zone Concessionaire

In relation to the Concession Agreement, the Parent Company entered into the following contracts with Maynilad:

a. Interconnection Agreement that provides for the arrangements on the cross-border flows both incidental or permanent transfers, including the water interconnection points. The terms of the agreement provide, among others, the cost and the volume of water to be transferred between zones. For sewerage, the Parent Company and Maynilad may enter into a separate contracts.

b. Joint Venture Arrangement that will operate, maintain, renew, and as appropriate, decommission common purpose facilities, and perform other functions pursuant to and in accordance with the provisions of the Agreement and perform such other functions relating to the concession (and the concession of the West Zone Concessionaire) as the Concessionaires may choose to delegate to the joint venture, subject to the approval of MWSS.

c. In March 2010, MWSS entered into a loan agreement with The Export-Import Bank of China to finance the Angat Water Utilization and Aqueduct Improvement Project Phase II (the Project). Total loan facility is US$116.60 million with maturity of twenty (20) years, including five (5) years of grace period. Interest rate is 3% per annum. MWSS then entered into a MOA with the Parent Company and Maynilad for the Parent Company and Maynilad to shoulder equally the repayment of the loan, with such repayment to be part of the concession fees (see Note 10).

d. On May 12, 2015, MWSS entered into a MOA with the Parent Company and Maynilad for the Angat Water Transmission Improvement Project (Angat Transmission Project). The Angat Transmission Project aims to improve the reliability and security of the raw water coming from the Angat Dam through the rehabilitation of the transmission system from Ipo to La Mesa and the application of water safety, risk and asset management plans. Subsequently, on May 27, 2016, MWSS entered into a loan agreement with Asian Development Bank to finance the Angat Transmission Project. The loan amounts to US$123.30 million with a maturity of twenty-five (25) years including a seven (7)-year grace period. As stipulated in the MOA, the Parent Company and Maynilad shall shoulder equally the repayment of the loan and all reasonable expenditures related to the Project with such payments to form part of the concession fees.

c. In 2016, MWSS entered into a MOA with the Parent Company and Maynilad which was subsequently amended in 2018 for the New Centennial Water Source - Kaliwa Dam Project (NCWS-KDP). The NCWS-KDP aims to develop a new water source in order to meet the increasing water demand by constructing a dam for MWSS service area's domestic water supply.

To partially finance the NCWS-KDP, MWSS entered into a Preferential Buyer's Credit Loan Agreement with The Export-Import Bank of China in 2018 amounting to US$211.21 million with a maturity of twenty (20) years including a seven (7)-year grace period. As stipulated in the MOA, the Parent Company and Maynilad shall shoulder equally the repayment of the loan and all reasonable expenditures related to the Project with such payments to form part of the concession fees.

25. Assets Held in Trust

MWSS

The Parent Company was granted the right to operate, maintain in good working order, repair, decommission and refurbish the movable property required to provide the water and sewerage services under the Concession Agreement. The legal title to all movable property in existence at the Commencement Date, however, shall be retained by MWSS and upon expiration of the useful life of any such movable property as may be determined by the Parent Company, such movable property shall be returned to MWSS in its then-current condition at no charge to MWSS or the Parent Company.

The Concession Agreement also provides for the Concessionaires to have equal access to MWSS facilities involved in the provision of water supply and sewerage services in both the East and West Zones including, but not limited to, the MWSS management information system, billing system, telemetry system, central control room and central records.

The net book value of the facilities transferred to the Parent Company on Commencement Date based on MWSS' closing audit report amounted to ₱4.60 billion, with a sound value of ₱10.40 billion.

In 2020, the Parent Company engaged the services of Royal Asia Appraisal Corporation to conduct a re-appraisal of the assets managed by the Parent Company as of December 31, 2020. Total appraised value as of December 31, 2020 amounted to ₱28.00 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 ₱36.40 million each year is recorded in 2020 and 2019 as deduction to lease liabilities. In 2018, total rent payments amounted to ₱32.25 million, which is included under "Rent" in the consolidated statements of comprehensive income.

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 in 2020 and 2019 as deduction to lease liabilities, and in 2018, under "Rent" in the consolidated statement of comprehensive income.

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.

In 2014, Laguna Water engaged the services of Cuervo Appraisers to conduct a re-appraisal of PGL assets on record as of December 31, 2013. Total replacement cost as of December 31, 2013 amounted to ₱2,138.38 million with a sound value of ₱1,596.19 million.

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.

In 2015, Boracay Water engaged the services of Cuervo Appraisers, Inc. to conduct an appraisal of its assets as of August 18 to 20, 2015. Total replacement cost as of December 31, 2015 amounted to ₱1.11 billion with a sound value of ₱793.41 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.

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.

CWD
On October 23, 2017, Calasiao Water was granted the right to develop, manage, operate, maintain, repair, refurbish and improve, expand, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water delivery and sanitation services in the Municipality of Calasiao. Legal title to all facilities (including any fixed assets resulting from the exercise of rights and powers), other than new assets contributed by Calasiao Water, shall remain with CWD.

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.

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.

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.

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.

CCWD
On July 3, 2019, Calbayog Water was granted the right to operate, maintain, repair, improve, expand, renew, and as appropriate, decommission all fixed and movable assets, including movable property but excluding retained assets, required to provide water supply and sanitation services in the service area of CCWD.

26. Segment Information

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. Accordingly, the segment information is reported based on geographic location.

The Group's BOD and Management Committee monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arms' length basis in a manner similar to transactions with third parties.

The amount of segment assets and liabilities are based on measurement principles that are similar with those used in measuring assets and liabilities in the consolidated statements of financial position which is in accordance with PFRS.

The segments where the Group operates follow:

- Manila Concession and Head Office – represents the operations of the Manila Concession (East Zone) of the Parent Company in accordance with its Concession Agreement.
- Domestic Subsidiaries – represents the financial results of the Philippine businesses such as MWTS, Calasiao Water, MWPVI (including Laguna Water, Clark Water, Boracay Water, North Luzon Water, Filipinas Water, Obando Water, Bulakan Water, Ilagan Water, South Luzon Water, MW Consortium, Cebu Water, Davao Water, Tagum Water, BMDC, Aqua Centro, MWTV, EcoWater, Leyte Water, Zamboanga Water, and Calbayog Water).
- Foreign Subsidiaries – consists of businesses outside the Philippines under MWAP (MWSAH, Asia Water, TDWH, KDWH, MWTH, MWTC, MSEA, and PTMWI).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Details of the Group's operating segments as of and for the years ended December 31, 2020, 2019, and 2018 are as follows:

	2020			
	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Consolidated
	(In Thousands)			
Revenue				
Sales to external customers	₱16,888,949	₱4,236,186	₱–	₱21,125,135
Operating expenses (excluding depreciation and amortization)	5,407,559	2,845,658	84,991	8,338,208
Other income (expenses) - net				
Equity share in net income of associates	–	–	213,839	213,839
Revenue from rehabilitation works	9,751,168	1,224,999	–	10,976,167
Cost of rehabilitation works	(9,751,168)	(1,224,999)	–	(10,976,167)
Impairment losses	–	–	(340,645)	(340,645)
Other income (loss) - net	(769,112)	52,083	343	(716,686)
EBITDA	10,712,278	1,442,611	(211,454)	11,943,435
Depreciation and amortization	2,848,360	673,269	1,356	3,522,985
Income before interest income (expense)	7,863,918	769,342	(212,810)	8,420,450
Interest income	179,241	323,002	948	503,191
Interest expense	(1,278,726)	(807,812)	(173,535)	(2,260,073)
Income before income tax	6,764,433	284,532	(385,397)	6,663,568
Provision for (benefit from) income tax	1,533,461	230,190	(14,927)	1,748,724
Net income from continuing operations	5,230,972	54,342	(370,470)	4,914,844
Net loss from discontinued operations	–	(369,057)	–	(369,057)
Net income	5,230,972	(314,715)	(370,470)	4,545,787
Other comprehensive income (loss)				
Cumulative translation adjustment	–	–	(403,721)	(403,721)
Actuarial loss on pension liabilities - net	(35,826)	9,337	–	(26,489)
Equity share in other comprehensive loss of associates	–	–	(561)	(561)
Income tax effect	52,499	(3,903)	–	48,596
Total comprehensive income	₱5,247,645	(₱309,281)	(₱774,752)	₱4,163,612
Total net income attributable to:				
Equity holders of the Parent Company	₱5,230,972	(₱360,047)	(₱370,472)	₱4,500,453
Noncontrolling interests	–	45,334	–	45,334
	₱5,230,972	(₱314,713)	(₱370,472)	₱4,545,787
Total comprehensive income (loss) attributable to:				
Equity holders of the Parent Company	₱5,247,645	(₱403,210)	(₱774,753)	₱4,069,682
Noncontrolling interests	–	93,930	–	93,930
	₱5,247,645	(309,280)	(₱774,753)	₱4,163,612
Other information				
Segment assets, exclusive of investments in associates and deferred tax assets	₱113,822,344	₱26,214,790	₱655,897	₱140,693,031
Investments in associates	–	–	14,283,833	14,283,833
Deferred tax assets	1,245,558	304,143	–	1,549,701
	₱115,067,902	₱26,518,933	₱14,939,730	₱156,526,565
Segment liabilities, exclusive of deferred tax liabilities	₱67,566,041	₱20,113,108	₱8,504,735	₱96,183,884
Deferred tax liabilities	–	179,226	–	179,226
	₱67,566,041	₱20,292,334	₱8,504,735	₱96,363,110
Segment additions to property, plant and equipment and SCA	₱11,031,989	₱2,163,904	₱–	₱13,195,893
Depreciation and amortization	₱2,848,360	₱673,269	₱1,356	₱3,522,985
Noncash expenses other than depreciation and amortization*	₱323,647	₱115,136	₱340,645	₱779,428

	2019 (As Restated - See Note 19)			
	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Consolidated
	(In Thousands)			
Revenue				
Sales to external customers	₱16,862,821	₱4,778,688	₱5,796	₱21,647,305
Operating expenses (excluding depreciation and amortization)	6,530,900	2,900,354	174,633	9,605,887
Other income (expenses) - net				
Equity share in net income of associates	–	–	653,502	653,502
Revenue from rehabilitation works	9,518,912	1,333,999	–	10,852,911
Cost of rehabilitation works	(9,518,912)	(1,333,999)	–	(10,852,911)
Impairment losses	–	–	(74,325)	(74,325)
Other income (loss) - net	33,065	10,665	(1,967)	41,763
EBITDA	10,364,986	1,888,999	408,373	12,662,358
Depreciation and amortization	2,405,355	517,992	1,305	2,924,652
Income before interest income (expense)	7,959,631	1,371,007	407,068	9,737,706
Interest income	215,026	183,412	3,523	401,961
Interest expense	(1,234,218)	(605,332)	(228,735)	(2,068,285)
Income before income tax	6,940,439	949,087	181,856	8,071,382
Provision for income tax	2,040,639	318,571	15,968	2,375,178
Net income from continuing operations	4,899,800	630,516	165,888	5,696,204
Net loss from discontinued operations	–	(56,779)	–	(56,779)
Net income	4,899,800	573,737	165,888	5,639,425
Other comprehensive income (loss)				
Cumulative translation adjustment	–	–	(1,054,114)	(1,054,114)
Actuarial loss on pension liabilities - net	(65,519)	(13,679)	–	(79,198)
Equity share in other comprehensive loss of associates	–	–	(1,346)	(1,346)
Income tax effect	–	933	–	933
Total comprehensive income	₱4,834,281	₱560,991	(₱889,572)	₱4,505,700
Total net income attributable to:				
Equity holders of the Parent Company	₱4,899,800	₱444,828	₱150,881	₱5,495,509
Noncontrolling interests	–	128,909	15,007	143,916
	₱4,899,800	₱573,737	₱165,888	₱5,639,425
Total comprehensive income (loss) attributable to:				
Equity holders of the Parent Company	₱4,834,281	₱432,495	(₱905,925)	₱4,360,851
Noncontrolling interests	–	128,496	16,353	144,849
	₱4,834,281	₱560,991	(₱889,572)	₱4,505,700
Other information				
Segment assets, exclusive of investments in associates and deferred tax assets	₱93,128,758	₱24,148,456	₱615,812	₱117,893,026
Investments in associates	–	–	15,519,808	15,519,808
Deferred tax assets	975,573	213,234	–	1,188,807
	₱94,104,331	₱24,361,690	₱16,135,620	₱134,601,641
Segment liabilities, exclusive of deferred tax liabilities	₱52,176,830	₱17,304,488	₱8,991,967	₱78,473,285
Deferred tax liabilities	–	137,147	–	137,147
	₱52,176,830	₱17,441,635	₱8,991,967	₱78,610,432
Segment additions to property, plant and equipment and SCA	₱10,982,853	₱4,165,339	₱–	₱15,148,192
Depreciation and amortization	₱2,405,355	₱517,992	₱1,305	₱2,924,652
Noncash expenses other than depreciation and amortization*	₱27,245	₱58,114	₱74,325	₱159,684

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2018 (As Restated - See Note 19)			
	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Consolidated
	(In Thousands)			
Revenue				
Sales to external customers	₱16,189,503	₱3,355,767	₱29,007	₱19,574,277
Operating expenses (excluding depreciation and amortization)	5,202,420	2,233,560	279,047	7,715,027
Other income (expenses) - net				
Equity share in net income of associates	–	–	699,142	699,142
Revenue from rehabilitation works	8,198,599	1,463,378	–	9,661,977
Cost of rehabilitation works	(8,198,599)	(1,463,378)	–	(9,661,977)
Impairment losses	–	(71,430)	(65,305)	(136,735)
Other income (loss) - net	222,641	171,897	(6,706)	387,832
EBITDA	11,209,724	1,222,674	377,091	12,809,489
Depreciation and amortization	2,176,661	423,175	468	2,600,304
Income before interest income (expense)	9,033,063	799,499	376,623	10,209,185
Interest income	228,651	174,541	8,060	411,252
Interest expense	(1,257,030)	(387,268)	(134,481)	(1,778,779)
Income before income tax	8,004,684	586,772	250,202	8,841,658
Provision for income tax	1,819,881	156,690	6,328	1,982,899
Net income from continuing operations	6,184,803	430,082	243,874	6,858,759
Net loss from discontinued operations	–	(223,726)	–	(223,726)
Net income	6,184,803	206,356	243,874	6,635,033
Other comprehensive income				
Cumulative translation adjustment	–	–	524,680	524,680
Actuarial gain (loss) on pension liabilities - net	(74,978)	19,933	–	(55,045)
Income tax effect	–	(4,160)	–	(4,160)
Total comprehensive income	₱6,109,825	₱222,129	₱768,554	₱7,100,508
Total net income attributable to:				
Equity holders of the Parent Company	₱6,184,803	₱95,391	₱243,507	₱6,523,701
Noncontrolling interests	–	110,965	367	111,332
	₱6,184,803	₱206,356	₱243,874	₱6,635,033
Total comprehensive income attributable to:				
Equity holders of the Parent Company	₱6,109,825	₱109,634	₱768,187	₱6,987,646
Noncontrolling interests	–	112,495	367	112,862
	₱6,109,825	₱222,129	₱768,554	₱7,100,508
Other information				
Segment assets, exclusive of investments in associates and deferred tax assets	₱93,797,598	₱10,560,913	₱816,243	₱105,174,754
Investments in associates	–	–	15,994,949	15,994,949
Deferred tax assets	1,125,584	238,020	–	1,363,604
	₱94,923,182	₱10,798,933	₱16,811,192	₱122,533,307
Segment liabilities, exclusive of deferred tax liabilities	₱47,080,563	₱12,980,508	₱8,748,048	₱68,809,119
Deferred tax liabilities	–	103,105	–	103,105
	₱47,080,563	₱13,083,613	₱8,748,048	₱68,912,224
Segment additions to property, plant and equipment and SCA	₱9,058,054	₱2,823,601	₱1,961	₱11,883,616
Depreciation and amortization	₱2,176,661	₱423,175	₱468	₱2,600,304
Noncash expenses other than depreciation and amortization*	₱43,524	₱170,071	₱65,305	₱278,900

The Group does not have a single customer contributing more than 10% 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, 2020 and 2019:

	2020			
	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Total
		(In Thousands)		
Revenue from contracts with customers:				
Water and used water revenues	**₱16,676,121**	**₱3,603,080**	**₱–**	**₱20,279,201**
Other operating income	**212,828**	**633,106**	**–**	**845,934**
	₱16,888,949	**₱4,236,186**	**₱–**	**₱21,125,135**
Timing of revenue recognition:				
Revenue recognized over time	**₱16,798,309**	**₱4,145,171**	**₱–**	**20,943,480**
Revenue recognized at a point in time	**90,640**	**91,015**	**–**	**181,655**
	₱16,888,949	**₱4,236,186**	**₱–**	**₱21,125,135**

	2019 (As Restated - See Note 19)			
	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Total
		(In Thousands)		
Revenue from contracts with customers:				
Water and used water revenues	₱16,645,094	₱3,442,219	₱–	₱20,087,313
Other operating income	150,493	1,396,731	12,768	1,559,992
	₱16,795,587	₱4,838,950	₱12,768	₱21,647,305
Timing of revenue recognition:				
Revenue recognized over time	₱16,772,613	₱4,709,351	₱–	₱21,481,964
Revenue recognized at a point in time	22,974	129,599	12,768	165,341
	₱16,795,587	₱4,838,950	₱12,768	₱21,647,305

27. Fair Value Measurement

The carrying amounts approximate fair values for the Group's financial assets and liabilities due to its short-term maturities except for the following financial assets and financial liabilities as of December 31, 2020 and 2019:

	2020			2019	
	Carrying Value	**Fair Value Quoted Market Prices (Level 1)**	**Fair Value Significant Unobservable Inputs (Level 3)**	Carrying Value	Fair Value Significant Unobservable Inputs (Level 3)
			(In Thousands)		
Financial assets at amortized cost					
Contract assets from MCWD and TWD	**₱1,975,067**	**₱–**	**₱3,852,930**	₱1,687,180	₱3,267,955
Other financial liabilities					
Long-term debt	**₱73,531,793**	**₱24,461,716**	**₱50,124,332**	₱56,355,808	₱56,916,162
Service concession obligations	**9,105,646**	**–**	**11,378,431**	9,153,822	10,352,666
Customers' guaranty deposits and other deposits	**384,819**	**–**	**229,214**	382,330	306,264
	₱83,022,258	**₱24,461,716**	**₱61,731,977**	₱65,891,960	₱67,575,092

The methods and assumptions used by the Group in estimating the fair value of the long-term financial assets at amortized cost and other financial liabilities such as long-term debt, service concession obligations, and customers' guaranty deposits and other deposits are as follows:

a. The fair values are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

b. The discount rates used for PHP-denominated loans were 0.99% to 10.50% in 2020 and 3.02% to 7.42% in 2019 while the discount rates used for foreign currency-denominated loans ranged from 0.99% to 5.52% in 2020 and 3.17% to 6.89% in 2019.

For the Parent Company, the recoverable amounts of its nonfinancial assets, particularly its property and equipment and service concession assets, have been determined through the assistance of external appraisers. The fair value, which was considered in the calculation of the recoverable amounts, was established as the current highest and best use of the property. This was further defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms' length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Fair Value Hierarchy
There were no financial assets measured at fair value as of December 31, 2020 and 2019. During the periods ended December 31, 2020 and 2019, 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 and TWD, 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 various other financial assets such as trade receivables and payables which arise directly from the conduct of its operations.

The Parent Company's BOD reviews and approves the policies for managing each of these risks. The Group monitors risks arising from all financial instruments and regularly report financial management activities and the results of these activities to the Parent Company's BOD. In addition, the Group ensures that all loan covenants are complied with.

The Group's risk management policies are summarized below:

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to its financial instruments with floating and/or fixed rates. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk.

The Group's policy is to manage the interest payments using a mix of fixed and variable rate debts to minimize the Group's exposure to changes in interest rates primarily from its long-term debt. As of December 31, 2020 and 2019, the Group's mix of fixed interest and floating interest rate of long-term debt are 64.85% to 35.15% and 63.93% to 36.07%, respectively.

As of December 31, 2020, the fixed interest rates of the Group's foreign currency denominated long-term debt are from 1.33% to 4.38% and are from 4.98% to 9.00% for Peso denominated long-term debt. As of December 31, 2019, the fixed interest rates of the Group's foreign currency denominated long-term debt are from 1.33% to 1.51% and are from 4.42% to 9.00% for Peso denominated long-term debt. Floating interest rates are based on 6-month LIBOR, EURIBOR or BIBOR plus margin as of December 31, 2020 and 2019.

The following tables summarize the maturity profile of the Group’s long-term debt based on contractual undiscounted principal payments:

2020*

	Due in 2021	Due in 2022	Due in 2023	Due in 2024	Due in 2025	Due after 2025	Total in Original Currency (In PHP)	Total in Original Currency (In JPY)	Total in Original Currency (In USD)	Total in Original Currency (In EUR)	Total in Original Currency (In THB)	Total (In PHP)
Liabilities:												
Long-term debt												
East Zone loans:												
Fixed Rate (exposed to fair value risk)												
₱5.00 billion PNB Loan	₱500,000,000	₱500,000,000	₱500,000,000	₱500,000,000	₱500,000,000	₱1,375,000,000	₱3,875,000,000	¥-	$-	€-	THB-	₱3,875,000,000
₱5.00 billion BDO Loan	₱-	₱-	₱-	₱1,800,000,000	₱-	₱-	₱1,800,000,000	¥-	$-	€-	THB-	₱1,800,000,000
JP¥40.00 billion Loan	¥6,897,902,094	¥3,397,902,104	¥-	¥-	¥-	¥-	₱-	¥10,295,804,198	$-	€-	THB-	₱4,765,927,763
US$500.00 million sustainability bonds	$-	$-	$-	$-	$-	$500,000,000	₱-	¥-	$500,000,000	€-	THB-	₱24,011,500,000
Floating Rate (exposed to cash flow risk)												
MTSP Loan	¥340,366,724	¥168,170,255	¥-	¥-	¥-	¥-	₱-	¥508,536,979	$-	€-	THB-	₱235,401,768
MWMP Loan	$7,721,832	$7,721,832	$7,721,832	$7,721,832	$7,721,832	$88,711,000	₱-	¥-	$127,320,160	€-	THB-	₱6,114,296,044
₱5.00 billion BDO Loan	₱-	₱2,000,000,000	₱-	₱-	₱1,200,000,000	₱-	₱3,200,000,000	¥-	$-	€-	THB-	₱3,200,000,000
EUR250.00 million Loan	€-	€-	€32,500,000	€32,500,000	€32,500,000	€32,500,000	₱-	¥-	$-	€130,000,000	THB-	₱7,629,752,000
Subsidiaries’ loans:												
Fixed Rate (exposed to fair value risk)												
₱1.15 billion Clark Water RCBC Loan	₱95,833,333	₱95,833,333	₱95,833,333	₱95,833,333	₱95,833,333	₱455,208,335	₱934,375,000	¥-	$-	€-	THB-	₱934,375,000
₱0.80 billion Cebu Water DBP Loan	₱44,209,804	₱44,209,804	₱44,209,804	₱44,209,804	₱44,209,804	₱353,678,431	₱574,727,451	¥-	$-	€-	THB-	₱574,727,451
₱0.50 billion Laguna Water DBP Loan	₱29,411,765	₱29,411,765	₱29,411,765	₱29,411,765	₱29,411,765	₱227,941,175	₱375,000,000	¥-	$-	€-	THB-	₱375,000,000
₱0.83 billion Laguna Water DBP Loan	₱50,484,848	₱50,484,848	₱50,484,848	₱50,484,848	₱50,484,848	₱391,257,578	₱643,681,818	¥-	$-	€-	THB-	₱643,681,818
₱2.50 Laguna Water SBC Loan	₱192,307,692	₱192,307,692	₱192,307,692	₱192,307,692	₱192,307,692	₱961,538,464	₱1,923,076,924	¥-	$-	€-	THB-	₱1,923,076,924
₱2.50 billion Laguna Water BPI Loan	₱-	₱75,862,069	₱151,724,138	₱151,724,138	₱151,724,138	₱568,965,517	₱1,100,000,000	¥-	$-	€-	THB-	₱1,100,000,000
₱0.38 billion Boracay Water DBP-SBC Loan	₱22,058,824	₱22,058,824	₱22,058,824	₱22,058,824	₱22,058,824	₱126,838,232	₱237,132,352	¥-	$-	€-	THB-	₱237,132,352
₱0.50 billion Boracay Water DBP-SBC Loan	₱31,473,214	₱31,473,214	₱31,473,214	₱31,473,214	₱31,473,214	₱180,970,984	₱338,337,054	¥-	$-	€-	THB-	₱338,337,054
₱0.65 billion Boracay Water DBP-SBC Loan	₱54,166,667	₱54,166,667	₱54,166,667	₱54,166,667	₱54,166,667	₱311,458,331	₱582,291,666	¥-	$-	€-	THB-	₱582,291,666
₱2.40 billion Boracay Water BPI Loan	₱-	₱-	₱62,500,000	₱125,000,000	₱125,000,000	937,500,000	₱1,250,000,000	¥-	$-	€-	THB-	₱1,250,000,000
₱0.45 billion Tagum Water PNB Loan	₱42,083,332	₱33,666,667	₱33,666,667	₱33,666,667	₱33,666,667	₱227,250,000	₱404,000,000	¥-	$-	€-	THB-	₱404,000,000
₱7.00 billion MWPVI Loan	₱-	₱262,350,000	₱524,700,000	₱524,150,000	₱523,600,000	₱3,665,200,000	₱5,500,000,000	¥-	$-	€-	THB-	₱5,500,000,000
Floating Rate (exposed to cash flow risk)												
₱0.54 billion Clark Water DBP Loan	₱-	₱26,666,667	₱26,666,667	₱26,666,667	₱26,666,667	₱213,333,332	₱320,000,000	¥-	$-	€-	THB-	₱320,000,000
₱0.12 billion Boracay Water DBP-SBC Loan	₱7,352,941	₱7,352,941	₱7,352,941	₱7,352,941	₱7,352,941	₱42,279,413	₱79,044,118	¥-	$-	€-	THB-	₱79,044,118
THB5.30 billion Loan	THB-	THB-	THB-	THB5,300,000,000	THB-	THB-	₱-	¥-	$-	€-	THB5,300,000,000	₱8,480,000,000
Total in Original Currency							₱23,136,666,383	¥10,804,341,177	$627,320,160	€130,000,000	THB5,300,000,000	₱74,373,543,958
Total in PHP	₱4,790,802,594	₱5,447,404,924	₱4,104,820,098	₱14,446,770,098	₱5,366,220,098	₱40,217,526,146	₱23,136,666,383	₱5,001,329,531	₱30,125,796,044	₱7,629,752,000	₱8,480,000,000	₱74,373,543,958

Interest on financial instruments classified as floating rate is repriced on a semi-annual basis, unless otherwise stated. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.
The spot exchange rates used were ₱0.4629 to JP¥1, ₱48.0230 to US$1, ₱58.6904 to EUR1, and ₱1.6000 to THB1 in 2020.
**Excludes the CAD0.87 million Laguna Water loan whose repayment date is related to the completion of the funded project*

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	Due in 2020	Due in 2021	Due in 2022	Due in 2023	Due in 2024	Due after 2024	Currency (In PHP)	Currency (In JPY)	Currency (In USD)	Currency (In EUR)	Currency (In THB)	Total (In PHP)
Liabilities:												
Long-term debt												
East Zone loans:												
Fixed Rate (exposed to fair value risk)												
Fixed Rate Corporate Notes	₱25,000,000	₱4,775,000,000	₱–	₱–	₱–	₱–	₱4,800,000,000	¥–	$-	€-	THB-	₱4,800,000,000
₱5.00 billion Metrobank Loan	₱4,850,000,000	₱–	₱–	₱–	₱–	₱–	₱4,850,000,000	¥–	$-	€-	THB-	₱4,850,000,000
₱5.00 billion PNB Loan	₱500,000,000	₱500,000,000	₱500,000,000	₱500,000,000	₱500,000,000	₱1,875,000,000	₱4,375,000,000	¥–	$-	€-	THB-	₱4,375,000,000
₱5.00 billion BDO Loan	₱–	₱–	₱–	₱–	₱1,800,000,000	₱–	₱1,800,000,000	¥–	$-	€-	THB-	₱1,800,000,000
JP¥40.00 billion Loan	¥6,897,902,098	¥6,897,902,098	¥6,897,902,098	¥–	¥–	¥–	₱–	¥20,693,706,294	$-	€-	THB-	₱9,579,116,643
Floating Rate (exposed to cash flow risk)												
NEXI Loan	$18,750,000	$-	$-	$-	$-	$-	₱–	¥–	$18,750,000	€-	THB-	₱949,406,250
MTSP Loan	¥340,366,724	¥340,366,724	¥168,170,256	¥–	¥–	¥–	₱–	¥848,903,704	$-	€-	THB-	₱392,957,525
MWMP Loan	$6,292,040	$6,292,040	$6,292,040	$6,292,040	$6,292,040	$78,559,068	₱–	¥–	$110,019,268	€-	THB-	₱5,570,825,635
₱5.00 billion BDO Loan	₱–	₱–	₱2,000,000,000	₱–	₱–	₱–	₱2,000,000,000	¥–	$-	€-	THB-	₱2,000,000,000
EUR250.00 million Loan	€-	€-	€-	€10,000,000	€10,000,000	€20,000,000	₱–	¥–	$-	€40,000,000	THB-	₱2,254,048,000
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	₱551,041,667	₱1,030,208,332	¥–	$-	€-	THB-	₱1,030,208,332
₱0.80 billion Cebu Water DBP Loan	₱44,209,804	₱44,209,804	₱44,209,804	₱44,209,804	₱44,209,804	₱397,888,235	₱618,937,255	¥–	$-	€-	THB-	₱618,937,255
₱0.50 billion Laguna Water Loan	₱66,666,666	₱–	₱–	₱–	₱–	₱–	₱66,666,666	¥–	$-	€-	THB-	₱66,666,666
₱0.50 billion Laguna Water DBP Loan	₱29,411,765	₱29,411,765	₱29,411,765	₱29,411,765	₱29,411,765	₱257,352,939	₱404,411,764	¥–	$-	€-	THB-	₱404,411,764
₱0.83 billion Laguna Water DBP Loan	₱50,484,848	₱50,484,848	₱50,484,848	₱50,484,848	₱50,484,848	₱441,742,428	₱694,166,668	¥–	$-	€-	THB-	₱694,166,668
₱2.50 Laguna Water SBC Loan	₱192,307,692	₱192,307,692	₱192,307,692	₱192,307,692	₱192,307,692	₱1,153,846,156	₱2,115,384,616	¥–	$-	€-	THB-	₱2,115,384,616
₱2.50 billion Laguna Water BPI Loan	₱–	₱–	₱31,034,483	₱96,551,724	₱96,551,724	₱475,862,069	₱700,000,000	¥–	$-	€-	THB-	₱700,000,000
₱0.38 billion Boracay Water DBP-SBC Loan	₱22,058,824	₱22,058,824	₱22,058,824	₱22,058,824	₱22,058,824	₱148,897,056	₱259,191,176	¥–	$-	€-	THB-	₱259,191,176
₱0.50 billion Boracay Water DBP-SBC Loan	₱31,473,214	₱31,473,214	₱31,473,214	₱31,473,214	₱31,473,214	₱212,444,198	₱369,810,268	¥–	$-	€-	THB-	₱369,810,268
₱0.65 billion Boracay Water DBP-SBC Loan	₱54,166,667	₱54,166,667	₱54,166,667	₱54,166,667	₱54,166,667	₱365,624,998	₱636,458,333	¥–	$-	€-	THB-	₱636,458,333
₱2.40 billion Boracay Water BPI Loan	₱–	₱–	₱–	₱30,000,000	₱30,000,000	₱540,000,000	₱600,000,000	¥–	$-	€-	THB-	₱600,000,000
₱85.00 million Zamboanga Water DBP Loan	₱21,250,000	₱21,250,000	₱21,250,000	₱15,937,500	₱–	₱–	₱79,687,500	¥–	$-	€-	THB-	₱79,687,500
₱0.45 billion Tagum Water PNB Loan	₱8,416,667	₱33,666,667	₱33,666,667	₱33,666,667	₱33,666,667	₱260,916,665	₱404,000,000	¥–	$-	€-	THB-	₱404,000,000
₱4.00 billion MWPVI Loan	₱–	₱–	₱143,100,000	₱286,200,000	₱285,900,000	₱2,284,800,000	₱3,000,000,000	¥–	$-	€-	THB-	₱3,000,000,000
Floating Rate (exposed to cash flow risk)												
₱0.54 billion Clark Water DBP Loan	₱–	₱–	₱15,000,000	₱15,000,000	₱15,000,000	₱135,000,000	₱180,000,000	¥–	$-	€-	THB-	₱180,000,000
₱0.12 billion Boracay Water DBP-SBC Loan	₱7,352,941	₱7,352,941	₱7,352,941	₱7,352,941	₱7,352,941	₱49,632,354	₱86,397,059	¥–	$-	€-	THB-	₱86,397,059
THB5.30 billion Loan	THB-	THB-	THB-	THB-	THB5,300,000,000	THB-	₱–	¥–	$-	€-	THB5,300,000,000	₱8,909,830,000
Total in Original Currency							₱29,070,319,637	¥21,542,609,998	$128,769,268	€40,000,000	THB5,300,000,000	₱56,726,503,690
Total in PHP	₱10,617,230,754	₱9,526,407,838	₱6,860,832,576	₱2,386,764,424	₱13,080,356,924	₱14,254,911,174	₱29,070,319,637	₱9,972,074,168	₱6,520,231,885	₱2,254,048,000	₱8,909,830,000	₱56,726,503,690

Interest on financial instruments classified as floating rate is repriced on a semi-annual basis, unless otherwise stated. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.
The spot exchange rates used were ₱0.4629 to JP¥1, ₱50.6350 to US$1, ₱56.3512 to EUR1, and ₱1.6811 to THB1 in 2019.
**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, 2020 and 2019, with all variables held constant (through the impact on floating rate borrowings).

	2020	
	Changes in Basis Points	Effect on Income Before Income Tax
		(In Thousands)
Floating rate borrowings	100	(₱197,824)
	(100)	198,824

	2019	
	Changes in Basis Points	Effect on Income Before Income Tax
		(In Thousands)
Floating rate borrowings	100	(₱115,125)
	(100)	115,125

Foreign exchange risk

The Group's foreign exchange risk results primarily from movements of the PHP against the USD, JPY and EUR. Substantially all revenues are generated in PHP while majority of capital expenditures are also in PHP. Approximately 68.90% and 48.78% of debt, including bonds payable, as of December 31, 2020 and 2019, respectively, are denominated in foreign currency.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine Peso equivalents are as follows:

	2020		2019	
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
	(In Thousands)		(In Thousands)	
Assets				
Cash and cash equivalents:				
USD	USD304,951	₱14,644,655	USD6,781	₱343,369
THB	THB191,489	306,387	THB7,484	12,582
VND	VND65,906,826	136,867	VND15,332,720	33,503
IDR	IDR1,072,486	3,651	IDR294,844	1,074
SGD	SGD14	508	SGD5	203
JP¥	JP¥556	258	JP¥556	258
Short-term investments:				
THB	–	–	THB65,000	109,268
Accounts receivable:				
USD	USD484	23,242	USD217	10,992
IDR	IDR576,952	1,964	–	–
VND	VND198,650	413	–	–
THB	THB16	26	–	–
Other current assets:				
THB	THB28,171	45,074	–	–
IDR	IDR376,132	1,281	IDR196,277	715
VND	VND464,211	964	VND178,430	390
USD	USD10	474	USD11	572
Other noncurrent assets:				
USD	USD11	541	–	–
IDR	IDR46,525	158	IDR38,908	142
VND	VND56,150	117	VND120,436	263
THB	THB1	2	–	–
		15,166,582		513,331
Liabilities				
Accounts payable:				
THB	THB23,967	38,348	THB24,759	41,621
USD	USD332	15,924	USD1,149	58,156
VND	VND1,338,154	2,779	VND41,998	92
SGD	SGD56	2,014	SGD27	999
IDR	IDR189,134	644	IDR288,720	1,052

(Forward)

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	2020		2019	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Long-term debt:				
USD	**USD615,742**	**₱29,569,774**	USD127,903	₱6,476,358
THB	**THB5,278,512**	**8,445,724**	THB5,271,297	8,861,330
EUR	**EUR128,315**	**7,530,831**	EUR39,413	2,220,971
JP¥	**JP¥10,719,527**	**4,962,069**	JP¥21,328,674	9,873,043
CAD	**CAD873**	**32,647**	CAD873	33,334
Service concession obligations:				
USD	**USD75,970**	**3,648,328**	USD67,114	3,398,331
JP¥	**JP¥345,603**	**159,980**	JP¥454,048	210,179
		54,409,062		31,175,466
Net foreign currency-denominated liabilities		**(₱39,242,480)**		(₱30,662,135)

The spot exchange rates used were ₱48.0230 to US$1, ₱0.4629 to JP¥1, ₱36.1200 to SGD1, ₱0.0021 to VND1, ₱0.0034 to IDR1, ₱1.6000 to THB1, ₱37.3967 to CAD1 and ₱58.6904 to EUR1 in 2020, and ₱50.6350 to US$1, ₱0.4629 to JP¥1, ₱37.4909 to SGD1, ₱0.0022 to VND1, ₱0.0036 to IDR1, ₱1.6811 to THB1, ₱38.1829 to CAD1 and ₱56.3512 to EUR1 in 2019.

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). Thus, the Group 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.

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, 2020						
	Current	Days Past Due					
	Standard Grade	Less than 30 Days	30 to 60 Days	61 to 90 Days	Over 90 Days	Expected Credit Loss	Total
				(In Thousands)			
Receivables							
Trade receivables:							
Manila (Outside East Zone)	₱68,963	₱63,550	₱30,432	₱27,907	₱220,319	₱236,233	₱647,404
East Zone	16,626	61,352	30,180	27,334	2,033,836	790,464	2,959,792
Boracay	9,471	9,532	7,881	5,405	41,008	161,975	235,272
Clark	34,571	3,630	1,862	811	1,178	8,463	50,515
Laguna	165,632	39,706	20,836	14,661	49,851	376,455	667,141
Others	3,677	-	-	-	-	110,250	113,927

(Forward)

December 31, 2020

	Current	Days Past Due					
	Standard Grade	Less than 30 Days	30 to 60 Days	61 to 90 Days	Over 90 Days	Expected Credit Loss	Total
				(In Thousands)			
Employees	**₱26,717**	**₱–**	**₱–**	**₱–**	**₱–**	**₱5**	**₱26,722**
Interest from banks	**10,306**	**–**	**–**	**–**	**–**	**–**	**10,306**
Others	**129,972**	**–**	**–**	**–**	**–**	**65,223**	**195,195**
	465,935	**177,770**	**91,191**	**76,118**	**2,346,192**	**1,749,068**	**4,906,274**
Contract assets	**2,504,480**	**–**	**–**	**–**	**–**	**337,520**	**2,842,000**
	₱2,970,415	**₱177,770**	**₱91,191**	**₱76,118**	**₱2,346,192**	**₱2,086,588**	**₱7,748,274**

December 31, 2019

	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:							
Manila (Outside East Zone)	₱396,362	₱261,503	₱100,361	₱56,748	₱110,797	₱156,398	₱1,082,169
East Zone	143,065	394,327	106,278	40,697	349,119	550,276	1,583,762
Boracay	42,060	21,018	5,518	3,059	8,586	133,812	214,053
Clark	36,781	593	145	46	1,293	5,265	44,123
Laguna	104,800	39,253	19,284	10,398	16,646	341,229	531,610
Others	16,895	–	–	–	–	50,357	67,252
Employees	30,797	–	–	–	–	423	31,220
Interest from banks	13,705	–	–	–	–	–	13,705
Others	121,337	–	–	–	–	62,881	184,218
	905,802	716,694	231,586	110,948	486,441	1,300,641	3,752,112
Contract assets	2,477,925	–	–	–	–	15,952	2,493,877
	₱3,383,727	₱716,694	₱231,586	₱110,948	₱486,441	₱1,316,593	₱6,245,989

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, 2020

	Within 1 year	1 to 5 years	More than 5 years	Total - Gross
Assets:				
Cash and cash equivalents	₱20,727,258,023	₱–	₱–	₱20,727,258,023
Short-term investments	129,300,000	–	–	129,300,000
Receivables:				
Customers	4,634,541,122	–	–	4,634,541,122
Employees	26,721,569	–	–	26,721,569
Interest from banks	10,306,422	–	–	10,306,422
ZCWD	39,509,823			39,509,823
Others	195,194,601	–	–	195,194,601
Contract assets from MCWD and TWD	276,328,970	1,143,936,076	3,415,957,589	4,836,222,635
	₱26,039,160,530	₱1,143,936,076	₱3,415,957,589	₱30,599,054,195

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	December 31, 2019			
	Within 1 year	1 to 5 years	More than 5 years	Total - Gross
Assets:				
Cash and cash equivalents	₱8,958,243,402	₱–	₱–	₱8,958,243,402
Short-term investments	109,268,451	–	–	109,268,451
Receivables:				
Customers	3,498,316,542	–	–	3,498,316,542
Employees	31,219,817	–	–	31,219,817
Interest from banks	13,705,156	–	–	13,705,156
ZCWD	24,652,776	–	–	24,652,776
Others	184,217,465	–	–	184,217,465
Contract assets from MCWD and TWD	237,319,624	1,138,970,341	3,701,026,163	5,077,316,128
	₱13,056,943,233	₱1,138,970,341	₱3,701,026,163	₱17,896,939,737

The Group's financial liabilities based on contractual undiscounted payments:

	December 31, 2020			
	Within 1 year	1 to 5 years	More than 5 years	Total - Gross
Liabilities:				
Accounts and other payables	₱10,442,334,810	₱–	₱–	₱10,442,334,810
Long-term debt*	7,600,746,243	39,000,591,790	49,037,975,632	95,639,313,665
Service concession obligation*	1,021,836,962	3,701,868,959	10,813,279,788	15,536,985,709
Lease liabilities*	148,816,240	187,528,204	227,367,965	563,712,409
Other noncurrent liabilities	–	–	830,184,681	830,184,681
	₱19,213,734,255	₱42,889,988,953	₱60,908,808,066	₱123,012,531,274

**Includes contractual interest cash flows*

	December 31, 2019			
	Within 1 year	1 to 5 years	More than 5 years	Total - Gross
Liabilities:				
Accounts and other payables	₱9,793,241,110	₱–	₱–	₱9,793,241,110
Long-term debt*	13,025,293,388	37,816,267,080	17,050,115,292	67,891,675,760
Service concession obligation*	1,249,894,110	3,903,710,920	10,051,672,122	15,205,277,152
Lease liabilities*	80,618,635	176,322,322	233,812,061	490,753,018
Other noncurrent liabilities	–	–	831,808,630	831,808,630
	₱24,149,047,243	₱41,896,300,322	₱28,167,408,105	₱94,212,755,670

**Includes contractual interest cash flows*

Changes in liabilities arising from financing activities:

	December 31, 2020					
	Short-term Debt	Long-term Debt	Service Concession Obligations	Lease Liabilities	Interest Payable	Total
Balance at beginning of year	₱–	₱56,355,808,132	₱9,153,821,686	₱308,482,153	₱493,428,795	₱66,311,540,766
Cash flows - net	(12,032,877)	18,004,454,847	(1,211,982,518)	(99,434,114)	(2,578,403,389)	14,102,601,949
Accretion	12,032,877	161,721,539	603,526,856	28,294,594	–	805,575,866
Interest	–	–	–	–	3,140,807,030	3,140,807,030
Concession fees	–	–	762,637,047	–	–	762,637,047
Additions - net	–	–	–	156,594,676	–	156,594,676
Foreign exchange losses (gains) - net	–	(990,191,712)	(202,356,976)	–	(190,841,831)	(1,383,390,519)
	₱–	₱73,531,792,806	₱9,105,646,095	₱393,937,309	₱864,990,605	₱83,896,366,815

	December 31, 2019					
	Short-term Debt	Long-term Debt	Service Concession Obligations	Lease Liabilities	Interest Payable	Total
Balance at beginning of year	₱8,596,538,853	₱43,050,927,571	₱7,928,526,704	₱218,762,542	₱435,977,783	₱60,230,733,453
Cash flows - net	(8,694,693,078)	13,507,605,554	(838,285,843)	(84,891,260)	(2,082,011,707)	1,807,723,666
Accretion	–	125,357,757	549,946,363	28,955,074	–	704,259,194
Interest	–	–	–	–	2,300,209,085	2,300,209,085
Concession fees	–	–	1,654,178,505	–	–	1,654,178,505
Additions - net	–	–	–	145,655,797	–	145,655,797
Foreign exchange losses (gains) - net	98,154,225	(328,082,750)	(140,544,043)	–	(160,746,366)	(531,218,934)
	₱–	₱56,355,808,132	₱9,153,821,686	₱308,482,153	₱493,428,795	₱66,311,540,766

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 closely manages its capital structure vis-à-vis a certain target gearing ratio, which is total liabilities (less service concession obligations) divided by the sum of the total stockholders' equity and total liabilities (less service concession obligations). The Group's target gearing ratio is set at 60%. This target is to be achieved by managing the Group's level of borrowings and dividend payments to shareholders (see Note 15).

	2020	2019
Total liabilities	₱96,363,110,383	₱78,610,432,600
Less service concession obligations	9,105,646,095	9,153,821,686
	87,257,464,288	69,456,610,914
Total stockholders' equity	60,163,455,106	55,991,207,785
Total	₱147,420,919,394	₱125,447,818,699
Gearing ratio	59%	55%

The Group also monitors its net debt to equity ratio. For purposes of computing its net debt, the Group includes the outstanding balance of its long-term debt (including current portion), less cash and cash equivalents and short-term investments. To compute its total capital, the Group uses the total stockholders' equity attributable to common equity holders of the Parent Company.

	2020	2019
Total debt	₱73,531,792,806	₱56,355,808,132
Less:		
Cash and cash equivalents	20,727,258,023	8,958,243,402
Short-term investments	129,300,000	109,268,451
Net debt	52,675,234,783	47,288,296,279
Total stockholders' equity attributable to common equity holders of the Parent Company	58,851,031,587	54,714,736,087
Total net debt to equity ratio	0.90x	0.86x

As of December 31, 2020 and 2019, the Parent Company's market capitalization was below 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

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Within thirty (30) days from the commencement of each renewal date, the Parent Company shall cause the performance bond to be reinstated in the full amount set forth above as applicable for that year.

With a minimum of ten (10)-day written notice period to the Parent Company, MWSS may make one or more drawings under the performance bond relating to a Rate Rebasing Period to cover amounts due to MWSS during that period; provided, however, that no such drawing shall be made in respect of any claim that has been submitted to the Appeals Panel for adjudication until the Appeals Panel has handed down its decision on the matter.

In the event that any amount payable to MWSS by the Parent Company is not paid when due, such amount shall accrue interest at a rate equal to that of a 364-day Treasury Bill for each day it remains unpaid;

c. With the Extension, the Parent Company agreed to increase its annual share in MWSS operating budget by 100% from
₱100.00 million to ₱395.00 million, subject to annual CPI;

d. To meet certain specific commitments in respect of the provision of water and sewerage services in the East Zone, unless deferred by MWSS RO due to unforeseen circumstances or modified as a result of rate rebasing exercise;

e. To operate, maintain, renew and, as appropriate, decommission facilities in a manner consistent with the National Building Standards and best industrial practices so that, at all times, the water and sewerage system in the East Zone is capable of meeting the service obligations (as such obligations may be revised from time to time by the MWSS RO following consultation with the Parent Company);

f. To repair and correct, on a priority basis, any defect in the facilities that could adversely affect public health or welfare, or cause damage to persons or third-party property;

g. To ensure that at all times, the Parent Company has sufficient financial, material and personnel resources available to meet its obligations under the Agreement; and

h. To ensure that no debt or liability that would mature after the life of the Agreement will be incurred unless with the approval of MWSS.

The Parent Company is committed to perform its obligations under the Concession Agreement and Extension to safeguard its continued right to operate the Concession.

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.

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.

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, 2020, 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.

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.

Zamboanga Water's NRWRSA
On June 2, 2015, the Zamboanga Water entered into a NRWRSA with ZCWD. The NRWRSA sets forth the rights and obligations of the Zamboanga Water throughout the ten (10)-year period. The significant provisions under the agreement with ZCWD consist of:

a. Zamboanga Water is required to implement Network Restructuring and NRW Reduction Programs for ZCWD's water distribution system; and
b. Zamboanga Water has the right to restructure and maintain the facilities in the ZCWD service area but legal title to these assets remains with ZCWD. The legal title to all fixed assets contributed to the existing ZCWD system by Zamboanga Water during the project tenure remains with Zamboanga Water until the expiration date (or an early termination date) at which time all rights, titles and interest in such assets will automatically vest in ZCWD (see Note 1).

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:

c. Develop raw surface water sources in Hijo River;

d. Plan, develop, design, build and test the facilities;

e. Implement the Tagum Bulk Water Project;

f. Manage, use, occupy, operate, repair, maintain, upgrade and develop the facilities; and

g. 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.

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.

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.

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.

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.

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 provide 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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.

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.

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.

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.

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.

30. Provisions and Contingencies

On October 13, 2005, the Municipality of Norzagaray, Bulacan assessed the Parent Company and Maynilad Water Services, Inc. (jointly, the Concessionaires) real property taxes on certain common purpose facilities registered in the name of and owned by MWSS purportedly due from 1998 to 2005 amounting to ₱357.11 million. On November 15, 2010, the local government of Quezon City demanded the payment of ₱302.71 million for deficiency real property taxes from MWSS on MWSS properties within its territorial jurisdiction. The assessments from the municipality of Norzagaray and Quezon City have been questioned by the Concessionaires and MWSS, and are pending resolution before the Central Board of Assessment Appeals and Supreme Court, respectively. On November 7, 2018, the Supreme Court issued its decision declaring that the real properties of MWSS located in Quezon City are exempt from the real estate tax imposed by the local government of Quezon City. On June 17, 2019, the Supreme Court decision on the case became final and executory and was thereby recorded in the Book of Entries of Judgments.

As of December 31, 2020 and 2019, the provision for estimated probable losses pertains to various legal proceedings and exposures arising in the ordinary course of business. Management believes that any amount the Group may have to pay in connection with any of these matters will not have a material adverse effect on the Group's financial position or operating results. The information normally required under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the outcome of the proceedings (Note 1).

31. Events After the Reporting Period

Parent Company
On February 15, 2021, the Parent Company and Prime Strategic Holdings, Inc. (previously Prime Metroline Holdings, Inc.) signed an Amendment to the Subscription Agreement which both parties entered into last February 1, 2020. 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% upon Closing and 50.00% upon call of the Parent Company's BOD.

On the same date, Philwater and Trident Water executed a Share Purchase Agreement wherein Philwater agrees 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.

The Parent Company has not issued, and Trident Water has not acquired, the 820.00 million common shares subject of the Subscription Agreement pending the completion of the following conditions to closing:

1. Execution of the Shareholders' Agreement by Ayala, Philwater, and Trident Water, and
2. Compliance with and completion of the mandatory tender offer by Trident Water to the shareholders of the Parent Company as may be required by the SEC.

Trident Water will initiate the mandatory tender offer after receipt of written approval by the SEC. The mandatory tender offer is estimated to be completed by April 2021. The Shareholders' Agreement will be signed after the completion of the mandatory tender offer.

MWPVI
On January 14, 2021, the consortium of MWPVI and TPGI has signed and executed a JVA with the SJCWD for the design, construction, improvement, upgrade, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply system and the provision of water and sanitation services of SJCWD in San Jose City, Nueva Ecija.

Clark Water
On June 16, 2016, the DENR promulgated DENR Administrative Order (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. On January 29, 2021, Clark Water received a show cause order from the Environmental Management Bureau requiring Clark Water to justify why it should not be penalized for not being able to commence construction last January 15, 2021. Clark Water is given 60 days to respond.

As of date of authorization for issuance of this report, Clark Water has not yet started the implementation of projects to comply with the CAP and DAO No. 2016-08 as Clark Water has not obtained (1) CDC's necessary approval of the Extraordinary Tariff Adjustment in relation to the projects, and (2) CDC's issuance of construction-related permits to the contractor for the Bionutrient Removal (BNR)-related projects. Non-compliance to the CAP and DAO No. 2016-08 may result to possible fines and penalties as indicated under Section 28 of RA No. 9275.

CORPORATE INFORMATION

MWSS Administration Building
489 Katipunan Road, Balara
Quezon City, 1105 Philippines
Tel.: +63(2) 7917 5900
Website: www.manilawater.com

CUSTOMER SERVICE

Customer Service Hotline: 1627 (Open 24 hours)
Tel.: +63(2) 7917 5900 local 1520
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:
BPI Stock Transfer Office
16F BPI Building
6768 Ayala Avenue corner Paseo de Roxas
Makati City, 1226 Philippines
Tel.: +63(2) 8580-4693 to 95

CREDITS

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Wunderman Thompson

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PHOTOGRAPHY

Cyrus Hans U. Panganiban	Portraiture
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Manila Water Company, Inc.
MWSS Administration Building
489 Katipunan Road, Balara
Quezon City, 1105 Philippines
Tel. No. +63(2) 7917 5900
www.manilawater.com