

Second-Party Opinion


Maynilad Water Services, Inc.

Sustainable Finance Framework




Evaluation Summary


Sustainalytics is of the opinion that the Maynilad Water Services, Inc. Sustainable Finance Framework is credible, impactful and aligned with the Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023, Social Loan Principles 2023, ASEAN Sustainability Bond Standards 2018, ASEAN Green Bond Standards 2018 and ASEAN Social Bond Standards 2018. This assessment is based on the following:




USE OF PROCEEDS The eligible categories for the use of proceeds – Sustainable Water and Wastewater Management, Sustainable Management of Living Natural Resources, Energy Efficiency, Renewable Energy, Climate Change Adaptation, and Affordable Basic Infrastructure – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 12, 13, and 15.



PROJECT EVALUATION AND SELECTION Maynilad’s Chief Financial Officer and the Chief Sustainability Officer are responsible for the identification, evaluation and selection of projects in line with the Framework’s eligibility criteria. Maynilad has procedures in place to identify and manage environmental and social risks that apply to all allocation decisions made under the Framework. Sustainalytics considers Maynilad’s risk management systems to be adequate and the project evaluation and selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Maynilad’s Finance Division will be responsible for the management and allocation of proceeds to eligible projects. Maynilad will track and report the allocation of proceeds through its internal tracking system, using a register of eligible assets. Maynilad has not disclosed the period during which they intend to allocate the proceeds raised from their issuances. Sustainalytics considers it to be good practice to allocate proceeds within no more than 36 months and encourages Maynilad to report on the allocation period of their issuance. Pending full allocation, Maynilad will hold an amount equivalent to the unallocated proceeds in cash or cash equivalents, or use for debt repayment, in accordance with its internal liquidity management policies and strategies. This is in line with market practice.



REPORTING Maynilad will report on allocation of proceeds in the Company’s Sustainability Report or on its website on an annual basis until full allocation. In addition, Maynilad intends to report on the environmental and social impacts of the use of proceeds using relevant impact metrics, wherever feasible. Sustainalytics considers the allocation and impact reporting commitments to be aligned with market practice.

Evaluation Date	February 29, 2024
Issuer Location	Quezon City, Philippines

Report Sections

Introduction.....	2
Sustainalytics’ Opinion	3
Appendix	11

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Introduction

Maynilad Water Services, Inc. (“Maynilad” or the “Company”) is a water and wastewater services provider in the Philippines headquartered in Quezon City. The Philippines’ Republic Act No. 11600 of 2021 grants Maynilad a 25-year concession to establish, operate and maintain a waterworks system and sewerage and sanitation services in the West Zone service area of Metro Manila and the province of Cavite in the Philippines. As of 2022, the Company operates and maintains five water treatment plants, 23 wastewater treatment plants, more than 11,000 kilometres of water pipelines and 1.5 million water service connections.¹

Maynilad has developed the Maynilad Water Services, Inc. Sustainable Finance Framework dated February 2024 (the “Framework”) under which it intends to issue green, social and sustainability bonds and loans,^{2,3} and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to create positive environmental and social impacts by enhancing water and watershed management, and improving access to essential services for vulnerable groups in the Philippines. The Framework defines eligibility criteria in six areas.

The Framework defines eligibility criteria in the following environmental categories:

1. Sustainable Water and Wastewater Management
2. Sustainable Management of Living Natural Resources
3. Energy Efficiency
4. Renewable Energy
5. Climate Change Adaptation

The Framework defines eligibility criteria in the following social category:

6. Affordable Basic Infrastructure

Maynilad engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP),⁴ Green Loan Principles 2023 (GLP), Social Loan Principles 2023 (SLP),⁵ ASEAN Sustainability Bond Standards 2018 (ASEAN SUS), ASEAN Green Bond Standards 2018 (GBS) and ASEAN Social Bond Standards 2018 (SBS).⁶ The Framework has been published in a separate document.⁷

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁸ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023, as administered by ICMA, and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA, and LSTA; and ASEAN

¹ Maynilad, “Accelerating Innovations 2022 Sustainability Report”, (2023), at: <https://www.mayniladwater.com.ph/investor-relations/accelerating-innovation/>

² In case of multiple tranche loan facilities, Maynilad has committed to only label tranches with defined green or social use of proceeds allocated according to the Framework’s eligibility criteria.

³ Maynilad has communicated to Sustainalytics that the Framework does not include revolving credit facilities, secured bonds or covered bonds.

⁴ The Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

⁵ The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

⁶ The ASEAN Sustainability Bond Standards (ASEAN SUS), ASEAN Green Bond Standards (GBS), and ASEAN Social Bond Standards (SBS) are administered by the ASEAN Capital Markets Forum and are available at: <https://www.theacmf.org/sustainable-finance/publications>

⁷ The Maynilad Water Services, Inc. Sustainable Finance Framework is available on Maynilad’s website at: <https://mayniladwater.com.ph/investor-relations/>

⁸ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Sustainability Bond Standards 2018, ASEAN Green Bond Standards 2018, and ASEAN Social Bond Standards 2018, as administered by ASEAN Capital Markets Forum (ACMF).

- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.15, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Maynilad's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Maynilad representatives have confirmed (1) they understand it is the sole responsibility of Maynilad to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Maynilad.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Maynilad has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Maynilad Sustainable Finance Framework

- Sustainalytics is of the opinion that the Maynilad Sustainable Finance Framework is credible and impactful and aligns with the four core components of the GBP, SBP, GLP and SLP, and ASEAN SUS, GBS and SBS. Sustainalytics notes that in addition to these principles, Maynilad intends to align the Framework with the IFC Guidelines for Blue Finance.⁹ Sustainalytics highlights the following elements of the Framework:
 - Use of Proceeds:
 - The eligible categories – Sustainable Water and Wastewater Management; Sustainable Management of Living Natural Resources; Energy Efficiency; Renewable Energy; Climate Change Adaptation; and Affordable Basic Infrastructure – are aligned with those recognized by the GBP, SBP, GLP, SLP, and ASEAN SUS, GBS and SBS.
 - Maynilad has defined a look-back period of two years for refinancing operating expenditures under the Framework, which Sustainalytics considers to be in line with market practice.
 - Maynilad has confirmed to Sustainalytics that it will ensure no double accounting of financed or refinanced projects and assets across all allocation and impact reporting.

⁹ The IFC "Guidelines for Blue Finance" aim to provide a list of eligible use of proceeds to support private investments aligned with the GBP and GLP. IFC, "Guidelines Blue Finance: Guidance for financing the Blue Economy, building on the Green Bond Principles and the Green Loan Principles", (2022), at: <https://www.ifc.org/content/dam/ifc/doc/mgrt/ifc-guidelines-for-blue-finance.pdf>

- Under the Sustainable Water and Wastewater Management category, Maynilad may finance or refinance investments aimed at construction, development, upgrade and maintenance of equipment, technology or projects, which may include:
 - Water treatment and distribution projects for potable water. Maynilad has communicated to Sustainalytics that projects may also include water and wastewater treatment and conveyance infrastructure development and expansion.
 - Projects to increase water use efficiency, improve water recovery, reduce water losses and reduce non-revenue water¹⁰ through infrastructure development and upgrade. Maynilad has communicated to Sustainalytics that projects for reducing non-revenue water include pipe replacement, integrated meter management, data management, pressure management, active leak control and pipe replacement.
 - Projects to improve water security, such as water source development, potable water reuse, desalination, water quality improvement, water supply reliability and water loss reduction. Maynilad has confirmed to Sustainalytics that such projects include construction, operation, recycling and upgrades of water treatment plants and conveyance technologies, such as ultrafiltration, reverse osmosis, hydro-PAQ clarifiers, pressurised media filtration, multimedia filtration and lamella clarifiers.
 - Maynilad has confirmed that all desalination facilities will have appropriate waste management plans for brine disposal, will be powered by renewable energy or use electricity with an average carbon intensity lower than 100 gCO_{2e}/kWh.
 - Construction, operation, renovation and upgrade of wastewater and sanitation projects, including wastewater treatment. Maynilad has communicated to Sustainalytics that projects include the development and expansion of wastewater conveyance to transport wastewater to treatment and water reclamation facilities.
 - Maynilad has confirmed to Sustainalytics that:
 - Water treatment facilities financed under the Framework will be powered by low-carbon sources, such as renewables, where available.
 - Eligible wastewater treatment projects exclude treatment of wastewater from fossil fuel operations.
 - Integrated water and power plant with fossil fuel power, and deployment of systems and measures that enable water efficiency gains in hard-to-abate industries is excluded from the Framework.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under Sustainable Management of Living Natural Resources category, Maynilad may finance or refinance the development, rehabilitation, protection and conservation of the watersheds¹¹ from which the Company sources water. The criteria include the following:
 - For watershed development, rehabilitation, protection and conservation, Maynilad has confirmed to Sustainalytics that:
 - Plants and tree species used for afforestation and reforestation will be native species or well adapted to local conditions and exclude expenditures towards chemical or synthetic fertilizers. Maynilad has communicated to Sustainalytics that it seeks the assistance of the Department of Environment and Natural Resources (DENR) to conduct survey, mapping and planning (SMP) on the proposed tree planting sites. This includes consultation and information, educational campaigns, soil sampling, soil analysis, survey assessment and preparation of GIS-generated maps to help determine the most suitable and appropriate tree species for planting.
 - Eligible projects are supported by integrated watershed management plans,¹² encompassing water resources management, watershed management, climate adaptation and institutional management plans. These include vulnerability assessments, GIS mapping and planning, hydrogeological

¹⁰ Non-revenue water is the difference between the amount of water put into the distribution system and the amount of water billed to consumers. Asian Development Bank, "Three Issues and Challenges of Reducing Non-Revenue Water", (2010), at: <https://www.adb.org/sites/default/files/publication/27473/reducing-nonrevenue-water.pdf>

¹¹ A watershed is an area that supplies water by surface or subsurface flow to a drainage system or body of water. Worldbank.org, "Water P-Notes", (2009), at: <https://openknowledge.worldbank.org/server/api/core/bitstreams/eb42d53f-b2d1-5858-9377-846d62eccc7a/content>

¹² Integrated Watershed Management is a holistic and integrated approach for sustainable management of a watershed area. Freie Universität Berlin, "Introduction to Integrated Watershed Management", at: https://www.geo.fu-berlin.de/en/v/iwm-network/learning_content/introduction_iwm/index.html

- survey, soil analysis, climate adaptation, and vulnerability and risk assessments.
- Sustainalytics considers investments under this category to be aligned with market practice.
 - Under the Energy Efficiency category, Maynilad may finance or refinance the development, installation or maintenance of equipment and technologies that achieve a minimum 20% of energy efficiency improvements as compared to the initial energy consumption. Maynilad has communicated to Sustainalytics that technologies in this category may include LEDs and energy efficient HVAC systems. Maynilad has confirmed that it will exclude technologies designed or intended for processes that are inherently carbon intensive or powered by fossil fuels. Sustainalytics considers investments under this category to be aligned with market practice.
 - Under the Renewable Energy category, Maynilad may finance or refinance the acquisition, development, construction, operation or maintenance of solar photovoltaic farms. Sustainalytics considers investments under this category to be aligned with market practice.
 - Under the Climate Change Adaptation category, Maynilad may finance or refinance projects aimed at making infrastructure more resilient to the effects of climate change.
 - Maynilad has communicated to Sustainalytics that expenditures in this category include process improvements in water treatment facilities to improve handling of turbid water from heavy rains; heavy rain drainage systems; installation of solar-powered ultrasonic devices to control algal blooms caused by water turbidity; silt curtains to arrest seepage of algae in water treatment facilities; and enhanced earthquake resistance to water utility facilities and associated infrastructure.
 - Maynilad confirmed to Sustainalytics that the projects under this activity: i) are supported by vulnerability assessments to identify potential climate risks, and adaptation plans to address the potential risks identified;¹³ and ii) will exclude business-as-usual renovations and retrofits.
 - Sustainalytics considers investments under this category to be aligned with market practice.
 - Under the Affordable Basic Infrastructure category, Maynilad may finance or refinance the construction, development and upgrades to infrastructure for: i) clean drinking water, sewers and sanitation services targeting marginalized communities and populations, specifically urban poor, in the Philippines;¹⁴ and ii) enhancing water conservation and rainwater harvesting. Additionally, Maynilad may also provide training to the target population on use of the public faucets installed by the Company. Sustainalytics considers expenditures under this category to be socially impactful.
 - Project Evaluation and Selection:
 - Eligible Projects are identified, evaluated, and selected by the Chief Financial Officer and the Chief Sustainability Officer, in line with the Framework's eligibility criteria.
 - Maynilad has internal procedures in place to identify and manage environmental and social risks associated with projects financed under the Framework. Eligible projects are required to undergo an environmental and social impact assessment in accordance with the IFC Performance Standards on Environment and Social Sustainability. For additional details, see Section 2.
 - Based on the delegation of responsibility and environmental and social risk management processes, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - Maynilad's Finance Division will be responsible for the management and allocation of proceeds to eligible projects. The Company will track and report the allocation of proceeds through an internal tracking system, using a register of eligible assets. Maynilad has not disclosed the period during which they intend to allocate the proceeds raised from their issuances.

¹³ Maynilad has communicated to Sustainalytics that for its projects, it identifies potential environmental impacts and prepares an Environmental Management Plan to mitigate the identified impacts; both of which are disclosed in its Environmental Impact Assessment (EIA) Report.

¹⁴ Urban poor refers to individuals or families residing in urban centres and urbanized areas whose income or combined household income is lower than the poverty threshold defined by the Philippines; National Economic and Development Authority, or those who cannot afford in a sustained manner to provide their minimum basic needs of food, health, education, housing and other essential amenities of life.

Senate of the Philippines, "Republic Act No. 8425", (1997), at: <https://issuances-library.senate.gov.ph/legislative%2Bissuances/Republic%20Act%20No.%208425#:~:text=8425,-Full%20Title&text=AN%20ACT%20INSTITUTIONALIZING%20THE%20SOCIAL,FUNCTIONS%2C%20AND%20FOR%20OTHER%20PURPOSES.>

- Sustainalytics considers it to be good practice to allocate proceeds within no more than 36 months and encourages Maynilad to report on the allocation period of their issuance..
- Pending full allocation, Maynilad will hold an amount equivalent to the unallocated proceeds in cash, cash equivalents or use it for debt repayment, in accordance with the Company's internal liquidity management policies and strategies. Maynilad has confirmed to Sustainalytics that it shall not use the proceeds towards repayment of debt related to fossil fuel or carbon intensive activities.
 - Based on the use of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - Maynilad will report on allocation of proceeds in the Company's Sustainability Report or on its website on an annual basis until full allocation.
 - Allocation reporting will include a list of approved green, social and sustainable projects financed under the Framework, including allocated amounts and remaining balance of unallocated proceeds.
 - In addition, Maynilad intends to report on the environmental and social impacts of the use of proceeds using relevant impact metrics, wherever feasible, such as number of people with access to improved sanitation facilities, reduction in total lost water, area covered by sustainable land and water resources management practices (in m²), annual energy savings (in MWh or GWh), annual renewable energy generation (in MWh or GWh), reduction in water losses and additional water availability, and number of target population served.
 - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Maynilad Water Services, Inc. Sustainable Finance Framework aligns with the four core components of the GBP, SBP, GLP and SLP.

Alignment with ASEAN Sustainability Bond Standards 2018, ASEAN Green Bond Standards 2018 and ASEAN Social Bond Standards 2018

The ASEAN SUS, GBS and SBS provide guidance to issuers and communicate more specifically what issuers should do to issue credible green, social and sustainability bonds in ASEAN countries. Sustainalytics is of the opinion that the Framework aligns with the ASEAN SUS, GBS and SBS.

Section 2: Sustainability Strategy of Maynilad

Contribution to Maynilad's sustainability strategy

Maynilad demonstrates a commitment to sustainability by integrating ESG considerations into its internal systems and processes. Maynilad's sustainability strategy is based on three key pillars derived from a materiality assessment conducted in 2021, namely business growth, operational efficiency and stakeholder relationships. The operational efficiency pillar sets out the Company's strategy in the key environmental areas of: i) water conservation, focusing on water efficiency, wastewater treatment, quality and reliability of water supply; ii) climate change, focusing on energy management, GHG emissions and environmental compliance; and iii) external impacts, focusing on supply chain, materials, quality, biodiversity and waste management. The stakeholder relationships pillar sets out the Company's strategy in the key social areas of: i) internal stakeholder management encompassing employee engagement, occupational, health and safety, and diversity, equity and inclusion; and ii) external stakeholder management, covering community development, fair and transparent practices and customer experience.¹⁵

Maynilad has developed a Climate Neutrality plan with four targets for 2037: i) 35% renewable energy in the Company's mix; ii) 50% electric vehicles in the Company's fleet; iii) reforest 2,615 hectares; and iv) create a carbon sink of 180 ktCO₂. Maynilad aims to achieve 90 million litres per day (MLD) of new water capacity and zero injuries and fatalities by 2027. The Company has set the following targets for 2026: i) reduced non-revenue water to 20% of district metered areas; ii) reaching 95.1% water supply coverage of account-based connections; and iii) reaching 67% sanitation coverage of account-based connections or services. In line with its targets, Maynilad plans to invest approximately PHP 178 billion (approximately USD 3.1 billion) from 2023 until 2046 in its wastewater management programme, which aims to expand sewer coverage and

¹⁵ Maynilad, "Accelerating Innovations 2022 Sustainability Report", (2023), at: <https://www.mayniladwater.com.ph/investor-relations/accelerating-innovation/>

manage pollution loading into water bodies.¹⁶ In 2023, Maynilad set a target to reduce 162 MLD of non-revenue water and plans to spend PHP 16.5 billion (approximately USD 295 million) to further reduce non-revenue water wastages, with investments more than PHP 10 billion (approximately USD 179 million) going towards pipe replacement projects between 2023 and 2027.¹⁷

Sustainalytics is of the opinion that the Maynilad Sustainability Finance Framework is aligned with the Maynilad's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have a positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues related to emissions, effluents and waste generated in construction; land use and loss of biodiversity issues associated with the large-scale infrastructure development projects; occupational health and safety; business ethics; product and service quality; and community relations.

Sustainalytics is of the opinion that Maynilad can manage or mitigate potential risks through implementation of the following:

- Regarding emissions, effluents and waste generated in construction, and land use and loss of biodiversity, all projects in the Philippines are subject to the country's Ecological Solid Waste Management Act 2000 (Republic Act No. 9003),¹⁸ which establishes rules to minimize and prevent pollution and establishes mechanisms to manage waste and effluents generation and prescribes pollution mitigation and management strategies for activities, including agriculture and construction. Additionally, Maynilad complies with the national effluent and pollution standards, and follows national-level policies and regulations to address risks related to waste management, as well as emissions and effluents, including: the Philippine Clean Water Act (RA 9275)¹⁹ on protecting water resources and ensuring proper wastewater management; the Philippine Clean Air Act (RA 8749)²⁰ on controlling emissions from various sources, including industrial facilities; and the Ecological Solid Waste Management Act (RA 9003)²¹ on proper solid waste management and disposal, promoting waste reduction and recycling. The Company adheres to the minimum standards outlined in DAO 2016-08²² and specific standards in DAO 2021-19,²³ which encompass the Water Quality Guidelines and General Effluent Standards. Furthermore, the Company manages its environmental systems in line with ISO 14001:2015 and requires its suppliers to have an environmental management system in place.^{24,25}
- The Company addresses risks related to occupational health and safety by establishing a system to monitor and manage health and safety concerns in accordance with the Philippines' Republic Act 11058.²⁶ Maynilad's health and safety systems include the establishment of a Central Safety and Health Committee (CSHC) and the implementation of environmental, health, safety and security reporting practices. The CSHC undertakes monitoring and management of employee safety and health risks monthly. Additionally, Maynilad has a risk management system in place in accordance with the ISO 31000 standard in line with occupational safety and health management systems BS OHSAS 18001:2007.^{27,28}

¹⁶ Maynilad, "Maynilad sets P178-B wastewater spending plan from 2023 to 2046", (2023), at <https://www.mayniladwater.com.ph/maynilad-sets-p178-b-wastewater-spending-plan-from-2023-to-2046/>

¹⁷ Maynilad, "Maynilad to spend Php16.5 billion from 2023 to 2027 for NRW reduction", (2023), at <https://www.mayniladwater.com.ph/maynilad-to-spend-php16-5-billion-from-2023-to-2027-for-nrw-reduction/>

¹⁸ Philippine Government, "Republic Act No. 9003", at: <https://www.officialgazette.gov.ph/2001/01/26/republic-act-no-9003-s-2001/>

¹⁹ Philippine Government, "Republic Act No. 9275", at: <https://www.officialgazette.gov.ph/2004/03/22/republic-act-no-9275/>

²⁰ Philippine Government, "Republic Act No. 8749", at: <https://apidb.denr.gov.ph/infores/uploads/policy/1999/ra8749.pdf>

²¹ Philippine Government, "Republic Act No. 9003", at: <https://www.officialgazette.gov.ph/2001/01/26/republic-act-no-9003-s-2001/>

²² Philippine Government, "Water Quality Guidelines and General Effluent Standards", (2016), at: <https://pab.emb.gov.ph/wp-content/uploads/2017/07/DAO-2016-08-WQG-and-GES.pdf>

²³ Philippine Government, "Updated Water Quality Guidelines and General Effluent Standards for Selected Parameters", (2019), at: <https://emb.gov.ph/wp-content/uploads/2021/07/DAO-2021-19-UPDATED-WQG-AND-GES-FOR-SELECTED-PARAM.pdf>

²⁴ ISO, "ISO 14001 – Environment Management Systems", at: <https://www.iso.org/iso-14001-environmental-management.html>

²⁵ Maynilad, "Maynilad receives company-wide ISO certification", (2015), at: <https://www.mayniladwater.com.ph/maynilad-receives-company-wide-iso-certification/>

²⁶ Philippine Government, "Republic Act No. 11058", at: <https://www.officialgazette.gov.ph/2018/08/17/republic-act-no-11058/>

²⁷ Maynilad, "Accelerating Innovations 2022 Sustainability Report", (2023), at: <https://www.mayniladwater.com.ph/investor-relations/accelerating-innovation/>

²⁸ Maynilad, "Maynilad receives company-wide ISO certification", (2015), at: <https://www.mayniladwater.com.ph/maynilad-receives-company-wide-iso-certification/>

- To mitigate risks related to business ethics, Maynilad has established the Code of Business Ethics policy, which serves as a guidance for all employees to conduct business transactions and business relationships in adherence to Maynilad's standards of business code and ethics, including compliance with regulatory requirements on competition and fair dealing, political activities and contributions, the confidentiality of the information and proper use of property, and conflicts of interest and corporate opportunities.
- To address risks related to product and service quality, the Company has established quality management systems in line with ISO 9001:2008.²⁹ To address issues related to water supply reliability and water quality, Maynilad has set up alternative water sources, such as a new water treatment plant that uses effluent as raw water for direct potable reuse, and installation of modular treatment plants.
- Regarding community relations, Maynilad engages with the communities where it operates through regular stakeholder interactions, including providing continual support to address community grievances regarding water supply issues.³⁰

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Maynilad has implemented measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

The use of proceeds categories are aligned with those recognized by the GBP, SBP, GLP, SLP, ASEAN SUS, GBS and SBS. Sustainalytics has focused on one below where the impact is specifically relevant in the local context.

Impact of sustainable water and wastewater management in the Philippines

Approximately 2 billion people worldwide lacked safe drinking water in 2020, and 3.6 billion people lacked access to safely managed sanitation.³¹ At the same time, global water losses related to non-revenue water are estimated at 126 billion m³, amounting to USD 39 billion per year.³² Sanitation is a key challenge for the Philippines, where no significant sewerage system exists and septic tank effluent is discharged without treatment, exposing millions of people to water-related diseases.³³ More than 3 million people in the country rely on unsafe and unsustainable water sources and 7 million people lack access to improved sanitation.³⁴ The country has nearly 80,000 households without access to safe water, adding up to 36% of all 221,325 poor households in the Philippines in 2022.³⁵

The Philippine Water Supply and Sanitation Master Plan of 2021 aims to achieve universal access to safe, sufficient, affordable and sustainable water supply, hygiene and sanitation by 2030.^{36,37} The plan focuses on eight key reform agenda: i) establishing effective water supply and sanitation sector institutions; ii) strengthening the regulatory environment; iii) creating and ensuring effective water supply and sanitation services; iv) balancing water supply and demand; v) building climate resilience; vi) enabling access to funding and financing ; vii) managing data and information to determine the baseline and gaps of investment; and viii) driving R&D in the sector.³⁸

Given this context, Sustainalytics is of the opinion that Maynilad's investments in drinking water and wastewater treatment, water supply and non-revenue water management can provide a meaningful contribution to the acute issue of clean water and sanitation in the Philippines.

²⁹ Ibid.

³⁰ Maynilad, "Accelerating Innovations 2022 Sustainability Report", (2023), at: <https://www.mayniladwater.com.ph/investor-relations/accelerating-innovation/>

³¹ UNESCO, "The United Nations World Water Development Report 2023", at: <https://www.unwater.org/publications/un-world-water-development-report-2023>

³² Liemberger, R. et al. (2019), "Quantifying the global non-revenue water problem", Water Supply, at: <https://iwaponline.com/ws/article/19/3/831/41417/Quantifying-the-global-non-revenue-water-problem>

³³ ADB, "Philippines: Water District Development Project", (2022), at: <https://www.adb.org/projects/41665-013/main>

³⁴ Water.org, "Philippines' water and sanitation crisis", (2022), at: <https://water.org/our-impact/where-we-work/philippines/>

³⁵ UNCTAD, "Commission on Science and Technology for Development (CSTD)", (2022), at: https://unctad.org/system/files/non-official-document/CSTD2022-23_c14_W_Philippines_en.pdf

³⁶ Good Governance Philippines, "NEDA launches PH water supply and sanitation master plan", (2021), at: <https://governance.neda.gov.ph/neda-launches-ph-water-supply-sanitation-master-plan/>

³⁷ Philippine Government, NEDA, "Philippines Water Supply and Sanitation Master Plan", (2021), at: <https://neda.gov.ph/pwssmp/>

³⁸ Good Governance Philippines, "NEDA launches PH water supply and sanitation master plan", (2021), at: <https://governance.neda.gov.ph/neda-launches-ph-water-supply-sanitation-master-plan/>

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Maynilad Sustainability Finance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally. 6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
	12. Responsible Production and consumption	12.2 By 2030, achieve the sustainable management and efficient use of natural resources
Sustainable Management of Living Natural Resources and Land Use	15. Life on Land	15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.
	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Energy Efficiency	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Renewable Energy	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Climate Change Adaptation	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
Affordable Basic Infrastructure		

Conclusion

Maynilad has developed the Maynilad Water Services, Inc. Sustainable Finance Framework under which it may issue green, social or sustainability bonds or loans, and use the proceeds to finance or refinance projects, in whole or in part, in the following use of proceeds categories: Sustainable Water and Wastewater Management, Sustainable Management of Living Natural Resources, Energy Efficiency, Renewable Energy, Climate Change Adaptation, and Affordable Basic Infrastructure. Sustainalytics considers that the eligible projects are expected to provide positive environmental and social impacts.

The Maynilad Water Services, Inc. Sustainable Finance Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Maynilad Water Services, Inc. Sustainable Finance Framework is aligned with the overall sustainability strategy of Maynilad and that the use of proceeds are expected to contribute to advance the UN Sustainable Development Goals 6, 7, 12, 13 and 15. Additionally, Sustainalytics is of the opinion that Maynilad has measures in place to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Maynilad is well positioned to issue green, social and sustainability bonds and loans and that the Maynilad Water Services, Inc. Sustainable Finance Framework is

robust, transparent and in alignment with the four core components of the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023, ASEAN Sustainability Bond Standards 2018, ASEAN Green Bond Standards 2018 and ASEAN Social Bond Standards 2018.

Appendix

Alignment with the ASEAN Sustainability Bond Standards, ASEAN Green Bond Standards, and ASEAN Social Bond Standards

ASEAN Sustainability Bond Standards' Criteria	Alignment with ASEAN SUS, GBS and SBS	Sustainalytics' comments on alignment with the ASEAN Sustainability Bond Standards, ³⁹ ASEAN Green Bond Standards, ⁴⁰ and Social Bond Standards ⁴¹
Eligibility	Yes	The ASEAN SUS, GBS and SBS requires that issuers must be in or that the proceeds be directed to assets in an ASEAN country. As a Philippine-based institution, Maynilad meets this requirement.
Use of Proceeds	Yes	The ASEAN SUS, GBS and SBS offers specific clarifications that fossil fuel power generation projects and projects which involve activities that pose a negative social impact related to adult entertainment, alcohol, gambling, tobacco products and weapon are excluded. Maynilad has outlined in its Framework a list of exclusions, as mentioned below: <ul style="list-style-type: none"> • Large-scale hydroelectric projects (i.e. projects that generate greater than 20 MW of electricity); • Technology and equipment for large scale hydroelectric projects; • Desalination projects whereby the primary source of energy is fossil fuels; • Power generation projects, powered by fossil fuels
Process for Project Evaluation and Selection	Yes	The ASEAN SUS, GBS and SBS specifies information that must be clearly communicated to investors before issuance regarding project selection. Maynilad Water Services, Inc.'s Chief Financial Officer and Chief Sustainability Officer are responsible for identification, evaluation, and selection of the projects in line with the Maynilad Water Services, Inc. Sustainable Finance Framework's eligibility criteria. Maynilad Water Services, Inc. has an internal procedure in place to identify and manage environmental and social risks that are applicable to all allocation decisions made under the Framework. Maynilad Water Services, Inc.'s has environmental and social risk management processes in place. Sustainalytics considers this process to be in line with market practice.
Management of Proceeds	Yes	The ASEAN SUS, GBS and SBS mandates that proceeds must be appropriately tracked and that temporary investments be disclosed. Maynilad has not disclosed the period during which they intend to allocate the proceeds raised from their issuances. Sustainalytics considers it to be good practice to allocate proceeds within no more than 36 months and encourages Maynilad to report on the allocation period of their issuance. Pending full allocation, Maynilad will hold an amount equivalent to the unallocated proceeds in cash or cash equivalents, or use it for debt repayment, in accordance with the Company's internal liquidity management policies and strategies.
Reporting	Yes	The ASEAN SUS, GBS and SBS recommends annual reporting on the allocation of funds and the expected impacts. Maynilad Water Services, Inc. will report on the allocation of proceeds in the Company's Sustainability Report or on its website on an annual basis until full allocation. In addition, Maynilad Water Services, Inc. will report on the environmental and social impacts of the use of proceeds using relevant impact metrics, wherever feasible. Sustainalytics considers the allocation and impact reporting commitments as aligned with market practice.
External Review		The ASEAN SUS, GBS and SBS encourages, but does not require, external review.

³⁹ The ASEAN Sustainability Bond Standards are available at: <https://www.theacmf.org/images/downloads/pdf/ASUS2018.pdf>.

⁴⁰ The ASEAN Green Bond Standards are available at: <https://afcpw.asean.org/wp-content/uploads/2020/05/4.1-ASEAN-Green-Bond-Standards.pdf>

⁴¹ The ASEAN Social Bond Standards are available at:

<https://www.theacmf.org/images/downloads/pdf/ASBS2018.pdf#:~:text=To%20support%20ASEAN%E2%80%99s%20sustainable%20development%20needs%2C%20the%20ACMF,GBS%29%20that%20were%20first%20introduced%20in%20November%202017.>

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