

MAYNILAD WATER SERVICES, INC. SUSTAINABLE FINANCE FRAMEWORK

February 2024

INTRODUCTION

Maynilad Water Services, Inc. (“Maynilad” or the “Company”) is the largest water and wastewater services provider in the Philippines in terms of customer base, with over 1.5 million water service connections. It is managed by Maynilad Water Holdings Company, Inc., which is jointly owned by Metro Pacific Investments Corporation (“MPIC”), DMCI Holdings, Inc. (“DMCI”), and Marubeni Corporation (“MC”). Under Republic Act No. 11600, Maynilad has a 25-year franchise to establish, operate, and maintain the waterworks system and the sewerage and sanitation services in the West Zone concession area of Metro Manila and portions of the Province of Cavite.

As of 2008, the Company provides piped-in water that is clean and safe for drinking, cooking, bathing, and other household activities and currently operates and maintains 8 water treatment plants, 23 wastewater treatment plants, 39 pump stations, 39 water reservoirs, 35 in-line boosters, and over 11,000 kilometers of water pipeline.

As of 2023, Maynilad’s customer base has expanded to 1,532,463 billed service connections or about 10.3 million people. By end of the year, approximately 97% of its customers enjoy 24-hour uninterrupted water supply while 89.5% are provided with water service at a minimum pressure of 7 pounds per square inch (psi).

More than a business, Maynilad is a vehicle for nation-building and social transformation. Our Business Development group offers a whole suite of water and wastewater solutions that can be custom-made to fit varied client requirements. We are backed up by advanced technology, as well as a pool of industry-recognized water and wastewater experts.

VISION: We are the leading water solutions company in the Philippines with a strong presence across Asia.

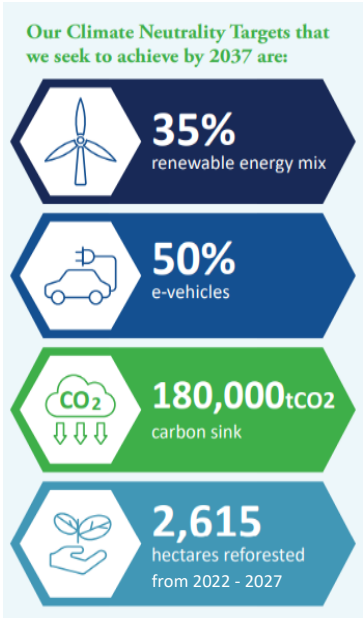
MISSION: We provide safe, affordable, and sustainable water solutions that enable those we serve to lead healthier, more comfortable lives.

In line with this mission and vision, we seek to develop optimal water and wastewater solutions toward the attainment of the United Nations Sustainable Development Goals (“SDGs”). Maynilad focuses on Goal 6: Clean Water and Sanitation, with the objective of ensuring availability and sustainable management of water and sanitation for all. Our business strategies are anchored on three pillars: Operational Efficiency, Stakeholder Relationships, and Business Growth.



Our sustainability framework illustrates how we operationalize our mission. The word “safe” in our mission statement refers to meeting quality standards, strengthening environmental stewardship, promoting employee and community well-being, and managing and addressing governance and regulatory risks. The word “affordable,” on the other hand, refers to providing accessible water services in an efficient and prudent manner, which will result in appropriate tariffs for customers, reasonable returns for shareholders, and highly engaged employees. Hand in hand, “safe” and “affordable” should give rise to attaining sustainable development.

Decarbonization Roadmap

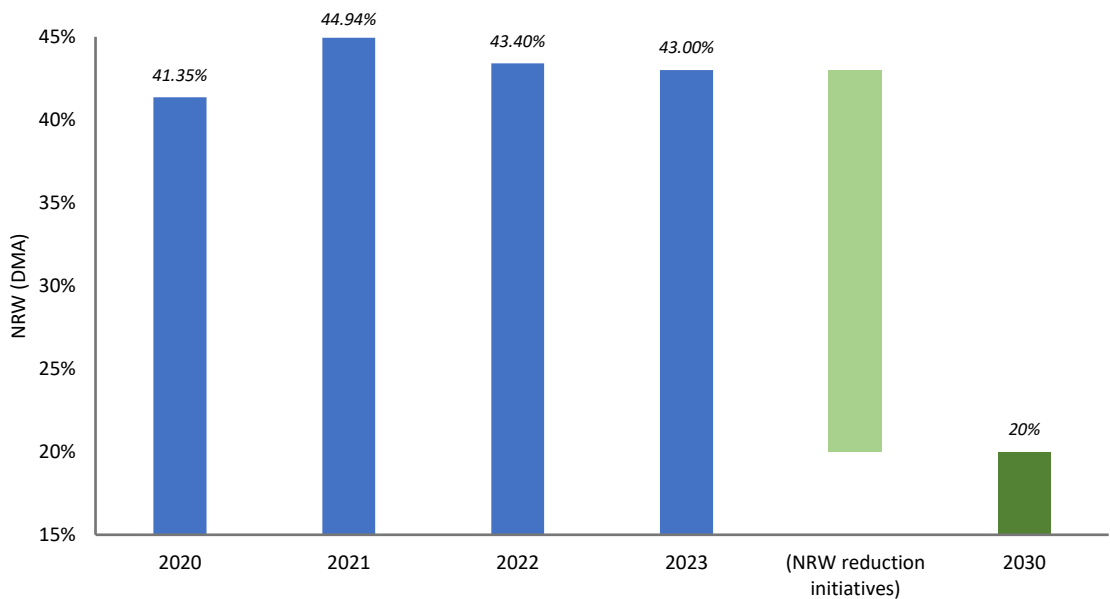


At Maynilad we also intend to reduce our reliance on fossil fuels. As such we are decarbonizing our operations and developing efficiencies to reduce our energy usage. Not only does this have a positive impact on our environment and society, but we are also building a more resilient and sustainable Maynilad. As part of our ambitions, we have developed a Climate Neutrality plan.

With four Climate Neutrality Targets under the plan, we aim to reach net zero scope 1 and 2 emissions by 2037. We aim to do this by investing in more solar power generation and entering into renewables PPAs to increase our usage of renewables. We will further expand our fleet to ensure 50% are electric vehicles. As we continue to reduce our impact on the environment, we will also implement nature-based solutions to reduce carbon from the atmosphere by continuing our work around reforestation and developing a carbon sink.

Reduction of Non-Revenue Water (NRW)

As part of our ongoing commitment to optimizing water management, enhancing service quality, and contributing to a more sustainable and resilient water utility sector, we intend to continue reducing our NRW across our operations. By investing in this, we intend to create operational efficiencies and ensure we are at the forefront of water security in the region. We have ambitious plans to reduce NRW from current levels and bring awareness around this important commodity. Since 2008, we have been actively implementing various initiatives to reduce NRW, including over 538,000 leak repairs, replacement of over 4,500km of pipes, and installation of over 1,100 pressure regulating valves. Maynilad targets to lower its Total NRW to 20% by 2030 and maintain this level until the end of its concession period.



MAYNILAD SUSTAINABLE FRAMEWORK

To support the Company's sustainability objectives, Maynilad has created this Sustainable Finance Framework ("SFF") to outline its approach to issuing Green, Social, and/or Sustainability Bonds and/or Loans (each a Sustainable Finance Transaction ("SFT") and collectively Sustainable Finance Transactions ("SFTs")).

Proceeds from the SFTs will be earmarked to finance or refinance, in whole or in part, projects that meet the Eligibility Criteria (defined below) under the SFF. Net proceeds of an SFT may likewise be used to refinance Eligible Projects that are financed by previous SFTs of the Company and its subsidiaries.

SFTs will include bonds, loans with structures tailored to contribute to sustainable development by application of the proceeds to eligible green projects and/or eligible social projects as defined in this framework.

- With respect to bonds, bonds issued under this Framework will be aligned with the 2021 International Capital Markets Association ("ICMA") Green Bond Principles¹ ("GBP"), 2023 ICMA Social Bond Principles ("SBP")², 2021 ICMA Sustainable Bond Guidelines³, as well as the 2018 ASEAN Green⁴, Social⁵, and Sustainability Bond Standards⁶. Blue bonds, as a sub-category of Green bonds, may also be issued under the relevant green categories and will be in alignment with the 2022 Guidelines from Blue Finance from the International Finance Corporation (IFC)⁷
- With respect to loans, loans issued under this framework will be aligned with the 2023 Loan Market Association ("LMA") Green Loan Principles⁸ ("GLP"), 2023 LMA Social Loan Principles⁹

The SFF comprises the following four core components pursuant to the aforementioned principles and standards that will govern all SFTs of Maynilad and, if applicable, its subsidiaries:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

USE OF PROCEEDS

The net proceeds from the issuance of Maynilad's SFTs shall be earmarked to finance or refinance, either fully or partially, a range of projects that meet the Eligibility Criteria below. Refinancing activities will have a maximum lookback period of 24 months. These initiatives may be executed within Maynilad or within its subsidiary companies.

¹ [Green-Bond-Principles-June-2022-060623.pdf \(icmagroup.org\)](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles-GBP-June-2022-060623.pdf)

² [icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Social-Bond-Principles-SBP-June-2023-220623.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Social-Bond-Principles-SBP-June-2023-220623.pdf)

³ [icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf)

⁴ [4.1-ASEAN-Green-Bond-Standards.pdf](https://www.asean.org/asean-green-bond-standards)

⁵ [4.2-ASEAN-Social-Bond-Standards.pdf](https://www.asean.org/asean-social-bond-standards)

⁶ [4.3-ASEAN-Sustainability-Bond-Standards.pdf](https://www.asean.org/asean-sustainability-bond-standards)

⁷ <https://www.icmagroup.org/assets/documents/Sustainable-finance/Learning-resources/IFC-Blue-Finance-Guidance-Documents-January-2022-270122.pdf>

⁸ [Green Loan Principles 23 February 2023.pdf \(lma.eu.com\)](https://www.lma.eu.com/guides/green-loan-principles)

⁹ <https://www.lma.eu.com/guides/social-loan-principles>

The following categories will meaningfully contribute to one or a combination of the SDGs Maynilad is focused on:

<p>SDGs targeted under the Green Project Categories</p>	    
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Green Project Categories	Eligibility Criteria
<p>Sustainable water and wastewater management</p>	<p>Water Supply</p> <p>Construction, development, implementation and upgrading of:</p> <ul style="list-style-type: none"> • Water treatment and distribution projects for potable water (rehabilitation, maintenance and expansion), • Water efficiency projects (water-related upgrades and technologies) including investments to reduce non-revenue water • Projects to improve water security (includes, but not limited to, water source development, potable reuse, desalination (where energy used is primarily from low carbon or renewable sources and do not utilize fossil fuels, projects will have an appropriate waste management plan in place prior to funding), water quality, supply, and reliability projects, and water loss reduction projects) <p>Water Sanitation</p> <p>Construction, development, implementation, renovation and upgrading of wastewater management projects (including, but not limited to, wastewater treatment facilities and other sanitation projects)</p>
<p>Sustainable management of living / natural resources</p>	<p>Investments in the maintenance, protection, and development of watersheds that Maynilad uses as water sources;</p>
<p>Energy Efficiency</p>	<p>Investments related to the acquisition, development, implementation, and operation of technologies that result in an improvement in energy efficiency of [20%] when compared to relevant baseline or the original energy consumption of the fixture being replaced</p>
<p>Renewable Energy</p>	<p>Investments related to the acquisition, construction, development, and operation of renewable energy assets such as solar power farms</p>

Climate Change Adaptation	Investments in projects augmenting the climate-change resiliency of Maynilad and its operations, including measures to mitigate the effects of climate change
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Social Use of Proceeds

SDGs targeted under the Social Project Categories	 
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Social Project Categories	Eligibility Criteria
Affordable Basic Infrastructure	<p>Water and wastewater projects targeting disadvantaged populations, including but not limited to:</p> <ul style="list-style-type: none"> • Water, sewerage, and sanitation projects to the urban poor (e.g. STM projects); • Water, sanitation, and hygiene programs (i.e. provision of drinking water and sanitation infrastructures in public establishments); • Water conservation, rain harvesting, and similar projects for communities <p><i>Targeted population: Future programs will continue to be in support of marginalized communities and populations. These populations (or “Urban Poor”) are defined as those living below the poverty threshold set by the Philippine Statistics Authority (PSA) or as certified by their local government units (LGUs).</i></p>

Maynilad is currently not involved and commits not to be involved in the financing of any of the following types of projects/activities, through the proceeds from the Maynilad SFTs:

- 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.

PROCESS FOR PROJECT EVALUATION AND SELECTION

As a concessionaire of the Metropolitan Waterworks and Sewerage System (“MWSS”), Maynilad is duty-bound to provide water and wastewater services that meet agreed targets. Said targets emanate from an approved business plan, submitted to the MWSS Regulatory Office (“MWSS-RO”) in a regular cycle of five (5) years, that details a suite of projects and activities to be pursued in the succeeding five-year period. These suite of project and activities are lined up based on the water demand studies, customer satisfaction survey, service needs, and the corresponding determination of what assets and resources are needed to address projected water demand while, at the same time, enhancing customer experience. The MWSS-RO reviews the business plans and the accomplishments of Maynilad, and engages Maynilad’s customers via public consultations, dialogues, and roadshows prior to determining which projects and activities are to be included in the approved business plan. The MWSS-RO sets the appropriate water tariff based on the performance of Maynilad vis-à-vis the agreed targets, as well as the prudence and efficiency of the execution of projects and activities specified in the business plan for the prior five-year period.

Eligible Projects are identified, evaluated, and selected by the Chief Financial Officer and the Chief Sustainability Officer based on the crafted sustainable financing criteria.

Projects undergo an evaluation and selection process based on various criteria, including but not limited to:

- a) The Maynilad Sustainable Financing Framework ("MSFF")
- b) Maynilad's vision, mission, chosen direction, strategy, and objectives
- c) Technical, financial, and commercial feasibility
- d) Enterprise Risk Management framework

Additional guidance may be provided by Maynilad's parent companies, MPIC, DMCI, and MC.

In line with Maynilad's commitment to adhere to the IFC Performance Standards on Environment and Social Sustainability, these projects are required to undergo environmental and social impact assessment and implement an environmental management system to assess, prevent, and mitigate risks.

Furthermore, these projects must adhere to Maynilad's policies and comply with applicable local, national, and international laws as approved by regulatory authorities.

MANAGEMENT OF PROCEEDS

Maynilad will maintain a sustainable finance asset register of eligible projects. The register will include details of the current value of eligible assets, the notional allocation of net proceeds from the SFT against each eligible asset, and the disclosure of any unallocated proceeds from the SFT. Maynilad will regularly monitor this allocation using its internal information system.

If a project included in the register no longer meets the eligibility criteria, is sold or otherwise disposed of, Maynilad will remove it as soon as practicable from the portfolio and replace it with other project/s that meet the eligibility criteria.

Until the full allocation is achieved, any unallocated proceeds from the issuance of an SFT may be utilized for investments in short-term liquid investments including, but not limited to, short-term government securities, bank deposits and money market placement which are expected to earn at prevailing market rates, or in accordance with the Company's internal liquidity management policies and strategies.

REPORTING

A. ALLOCATION REPORTING

Maynilad will regularly disclose details about the utilization of the net proceeds and remaining unallocated funds from an SFT issued under MSFF. This reporting will commence one year after the issuance or first disbursement of an SFT and will continue until all funds are fully allocated or in the event there are material changes. The information will be made available on Maynilad's official website (www.mayniladwater.com.ph) and/or in the Company's Sustainability Report. The information will contain at least the following details:

1. List of approved Green/Social/Sustainable Projects, including allocated amounts; and
2. Remaining balance of unallocated proceeds.

Where possible, Maynilad will also provide additional information such as case studies or examples of select projects, subject to considerations such as competition and confidentiality agreements. The annual reporting will be reviewed and approved by the Sustainable Council and Maynilad's senior management.

Maynilad intends to engage an external auditor to provide independent verification on our reporting and management of proceeds in accordance with this Framework.

B. IMPACT REPORTING

When applicable and feasible, Maynilad will provide updates on specific impact metrics, either on a per-project basis or collectively for all projects funded through an SFT. The Company will release concise descriptions of the Eligible Projects and their anticipated effects, encompassing factors such as installed capacity, population served, and adherence to established standards.

Eligible Project Category	Potential Impact Metrics
Sustainable water and wastewater management	<ul style="list-style-type: none"> • Number of people with access to improved sanitation facilities under the project • Reduction in total lost water
Sustainable management of living / natural resources	<ul style="list-style-type: none"> • Area covered by sustainable land and water resources management practices
Energy Efficiency	<ul style="list-style-type: none"> • Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings)
Renewable Energy	<ul style="list-style-type: none"> • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)
Climate Change adaptation	<ul style="list-style-type: none"> • Reduction in lost operations • Additional water availability
Affordable Basic Infrastructure	<ul style="list-style-type: none"> • # of additional target residents provided service

EXTERNAL REVIEW

A. Pre-Issuance Review

Maynilad appointed Sustainalytics to independently verify the Sustainable Finance Framework to ensure alignment with the market standards. [Sustainalytics has reviewed the Framework, use of proceeds categories, process for project selection, management of proceeds and reporting sections and has confirmed alignment with the relevant ICMA and MLA principles, and has provided a Second Party Opinion report to the Framework.]

B. Post-Issuance Review

Maynilad intends to seek limited assurance opinion for each annual allocation report provided by an external auditor to certify the allocation of proceeds in accordance with the principles of this framework and the E&S impacts of the eligible projects.