	ANTI-FRAUD POLICY	
	Policy No.: PS-LRA-003-2020	Effective Date: July 1, 2020 Revision No.: 0

I. PURPOSE AND SCOPE

Maynilad is committed in promoting good corporate governance by fostering ethical behavior in the conduct of its business. It maintains a corporate environment that values honesty, integrity, transparency and fairness in all its transactions. It ensures that corporate and individual responsibilities are upheld at all times, and that the appropriate corrective and legal actions are pursued, as necessary.

This Anti-Fraud Policy ("Policy") aims to: (i) express Maynilad's commitment in promoting and maintaining an anti-fraud culture; (ii) maintain the integrity of business transactions involving Maynilad; (iii) facilitate the development of internal controls designed to prevent and detect fraud and other irregularities against Maynilad, its subsidiaries and affiliates; (iv) promote an organizational behavior that observes truthful business ethics; and (v) provide concrete guidelines and procedures on the implementation of the Policy and of the internal controls put in place.

This Policy applies to any act constituting fraud, other irregularities, or suspected irregularities (collectively, "fraud"), involving any of the Stakeholders.


Any investigative activity implementing this Policy will be conducted accordingly, without regard to the position/title, length of service, relationship with Maynilad or personal circumstances of the parties involved.

II. LINKAGE TO MAYNILAD CORE VALUES

This Policy upholds the values of honesty and integrity, which are two of the core values of Maynilad. In conducting its business transactions, Maynilad ensures that truthfulness and fairness are strictly observed by all parties.

III. DEFINITION OF TERMS

1. **Maynilad** – refers to Maynilad Water Services, Inc.
2. **Fraud** – is any act or omission characterized by deceit, misrepresentation, concealment and violation of trust, with or without the threat or actual demonstration of physical force or violence. It is an act that constitutes an intentional perversion of truth in order to induce a party, to his detriment and/or to the gain of the perpetrator, to surrender or part with something of value, including but not limited to money, property, services, personal or business advantage and legal right.
3. **Stakeholders** – means the parties who have interest in Maynilad, and can either affect or be affected by the business. It includes among others, shareholders, directors, officers, employees, as well as consultants, vendors, contractors, third-party agencies, and their respective officers and employees, and any other entity or individual involved in business transactions with Maynilad.
4. **Acts Constituting Fraud** – include acts relating to misappropriation, falsification, misrepresentation, misapplication and other irregularities including, but are not limited to:
 - (a) Any dishonest or fraudulent act;
 - (b) Misappropriation of funds, securities, supplies, or other assets;
 - (c) Impropriety in the handling or reporting of money or financial transactions;
 - (d) Falsification or alteration of company records, reports and documents;
 - (e) Profiteering as a result of insider information on Maynilad transactions and activities;
 - (f) Disclosing confidential and proprietary information to outside parties;

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- (g) Disclosing to outside parties activities currently undertaken or contemplated to be undertaken by Maynilad, without the appropriate authority, and/or with intent to profit, and/or causing undue disadvantage to Maynilad;
- (h) Destruction, removal, or inappropriate use of records, inventory, furniture, fixtures, and equipment;
- (i) Participation in fraudulent transactions; and/or
- (j) Any similar or related act constituting fraud, irregularity or suspected irregularity.

IV. GENERAL POLICY STATEMENT


1. Management shall advocate an ethical corporate culture that upholds honesty, integrity and fairness in doing business. It shall establish internal controls and procedures designed to (i) prevent and detect any fraud; and (ii) investigate, report, recommend and implement corrective and legal actions on the commission of any fraud.
2. Management shall lead in observing honesty, integrity and fairness in conducting Maynilad's business, and shall strictly implement the internal controls and guidelines designed to prevent, detect and sanction the commission of any fraud.
3. Employees shall observe honesty, integrity and fairness in performing their responsibilities and assignments. They are likewise expected to make fair moral judgements in the discharge of their duties and responsibilities.
4. Maynilad does not and will not condone fraud, whether it is committed against the Company or any of the Stakeholders, regardless of whether the same results in damage to Maynilad.
5. Maynilad is committed to take all reasonable steps to prevent or detect any fraud, and to sanction the same, if proven, whether perpetrated by its officers, employees, customers, consultants, contractors and suppliers, or other entities or individuals.
6. Reporting mechanisms, the confidentiality of which is guaranteed, have been established to allow employees and other concerned entities and individuals to report any fraud to the Maynilad management. All potential fraud committed against Maynilad shall be reported to the Incident Management Team ("IMT") composed of the Heads of Corporate Governance, Human Resources ("HR") and Enterprise Risk Management and Internal Audit ("ERMIA"), for assessment and conduct of investigative activities, if warranted.
7. For further information regarding the guidelines on reporting fraud, please refer to the Maynilad Whistleblowing Policy.

V. IMPLEMENTATION/APPLICATION

This Policy shall apply to all employees of Maynilad and all its Stakeholders.

VI. POLICIES AND STANDARDS

1. Maynilad shall establish and maintain effective internal control mechanisms to prevent and detect any fraud.

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2. All line managers should implement and abide by the internal control systems and ensure his/her respective unit's/team's full compliance with the Policy, and with the internal controls and procedures implementing the same. Line managers should equip each member of his/her respective unit/team with the necessary knowledge regarding fraud, and the internal controls and procedures implemented to prevent, detect and /or sanction the same.

Line management is responsible for the detection and prevention of fraud, particularly within their respective area of responsibility. Each member of the management team should be familiar with the types of improprieties that might occur within his/her area of responsibility, and should be on the lookout for any indication of fraud.

3. Maynilad employees are responsible for protecting the assets and the reputation of Maynilad, and are expected to be watchful of any potential commission of fraud, particularly within their respective areas of responsibility.

Maynilad employees should likewise be vigilant in ensuring that the internal controls implementing this Policy are strictly implemented. The ownership of the internal controls is shared across Maynilad, and each employee is expected to ensure that the internal controls remain effective and relevant.

4. Any detected or suspected fraud must be reported immediately to the Corporate Governance Head who, in turn, shall coordinate with the IMT regarding the conduct of investigative activities.
5. Fraud which relates to the employee's moral, ethical, or behavioral conduct and/or which constitute an act violative of the Philippine Labor Code and/or Maynilad's Standards of Discipline shall be resolved by the Division and Department management concerned and the Employee Relations Unit of HR.
6. ERMIA shall be primarily responsible for the conduct of investigative activities relating to fraud.
7. The effectiveness of internal controls, as well as the procedures put in place to implement the Policy, will be subject to periodic review by the Maynilad Internal Audit Department.


VII. OPERATIONAL PROCEDURES

The following procedures shall be observed in the implementation of this Policy:

1. **Establishment and Implementation of Internal Controls.** Pursuant to Maynilad's commitment to promote good corporate governance, every Division, with the assistance of ERMIA, shall spearhead the establishment of internal controls designed to prevent and detect the commission of fraud. The Division Heads, with the assistance of ERMIA, shall likewise facilitate the dissemination of information on these controls to all Stakeholders.

The Division Heads shall work with ERMIA in designing the internal controls for their respective divisions, taking into consideration the functions, responsibilities, accountabilities, authorizations and nature of transactions of each division. The Division Head shall be primarily responsible for implementing the internal controls for the prevention and detection of fraud in his/her division.


The line managers shall ensure that the internal controls are strictly implemented in their respective units. They shall communicate to the members of their unit the specific details of the internal controls and its implementation. They shall review the effectivity of controls and report to the Division Head any issue that may arise in implementing the internal controls.

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All employees shall comply with the requirements provided under, and perform the obligations imposed by, the internal controls put in place. Any incident that may violate or weaken the internal controls should be documented and reported to the line managers, the Division Head and ERMIA.


2. **Fraud Prevention and Detection.** Management shall launch initiatives to prevent and detect fraud, which include the following:

- (a) **Conduct of a Fraud Awareness Program.** ERMIA, with the assistance of HR, shall launch a fraud awareness program which shall provide all employees with the basic anti-fraud education. This program shall provide Maynilad employees with some knowledge to enable them to identify acts that constitute fraud, and training designed to prevent and detect such acts.
- (b) **Conduct of Analytical Review Procedures.** Line managers shall make a quarterly review and analysis of its procedures and of reports submitted to their respective units/departments, with a view to (i) identifying any abrupt, drastic and/or suspicious change in the procedures, patterns or rates; (ii) determining whether there is a threat or an actual commission of fraud; (iii) reporting the same to the Corporate Governance Head; and (iv) providing information and assisting in the investigative activity, upon ERMIA's directive.
- (c) **Employee Management.** The HR and the Division Heads shall manage the manpower complement of the division.
 - (i) The HR Business Partner and the Division Head shall review the division's organizational structure, and the authorities, responsibilities, accountabilities and reporting lines of each position, and revise the same, as necessary. Upon revision, the new organizational structure shall be clearly communicated to Maynilad and its Stakeholders. This is to ensure that transparency in the organization is maintained and to deter the perpetration and concealment of fraud.
 - (ii) For each division, the HR Business Partner, the Division Head and the Department Heads shall review the work assignments of each employee and implement job rotation and alternative work assignments in order to prevent excessive familiarity which is conducive to the perpetration of fraud. The review of and change in work assignments shall be done periodically, the frequency of which shall be determined by HR and the Division Head.
 - (iii) The Talent Management Unit of HR shall conduct a more comprehensive background check on applicants for employment, for all kinds of employees. The background check may be conducted by HR or by an external service provider. Applicants who have previous derogatory record(s) shall not be considered for employment.
 - (iv) HR shall conduct random lifestyle checks on employees to identify any suspicious change in lifestyle and spending patterns which may be an indicator of a possible involvement in fraudulent and irregular acts.
- (d) **Conduct of Due Diligence Activities for External Parties.** In accrediting vendors, suppliers, contractors and other third-party service providers ("External Parties"), the Supply Chain Management Division ("SCM") shall exercise reasonable diligence in ensuring that Maynilad's reputation will not be tainted by dealing with these External Parties. Accordingly, SCM shall comply with the operating procedures in respect of the Supplier or Contractor Accreditation policy, and shall issue a certification to this effect.

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Should an External Party commit or perpetrate fraud, an investigative activity shall be commenced against it and the division that transacted with it.

- (e) Other similar initiatives. Management may launch similar programs and activities to further ensure the prevention and detection of fraud.
3. **Fraud Investigation.** All acts constituting fraud will be subject to initial assessment by the IMT. Upon IMT's determination that fraud may have been committed, ERMIA shall conduct a fact-finding investigation to aid management in determining the applicable sanctions, if any.
 - (a) ERMIA may, at its option, employ professional anti-fraud practitioners to conduct fact-finding investigations which shall be carried out in accordance with the existing Maynilad Incident Management Policy.
 - (b) Utmost confidentiality shall be maintained in the conduct of investigative activities. The investigators, employees and resource persons are mandated to keep confidential all the details of personalities, events and other information taken up during the investigation.
 - (c) ERMIA shall be given full access to all records and information necessary to gather the relevant information for the conduct of the investigative activities.
 - (d) Employees are required to fully cooperate in the conduct of the investigative activities. Any employee who refuses or fails to cooperate shall be imposed the corresponding sanction, as provided in Maynilad's Standards of Discipline and/or under the law.
 4. **Imposition of Administrative Sanctions.** If there is reason to believe that an employee may have committed fraud which constitutes a violation of the Philippine Labor Law and Maynilad's Standards of Discipline, Maynilad shall proceed to conduct administrative proceedings.
 - (a) The results of ERMIA's investigative activity shall be the basis for initiating an administrative proceeding against the erring employee.
 - (b) The Employee Relations Unit of HR, working with the division and department to which the erring employee belongs, shall initiate and conduct the administrative proceedings on the basis of the findings of the investigative activity.
 - (c) If found guilty of committing fraud, HR, together with the division to which the erring employee belongs, shall impose the corresponding penalty on the erring employee and implement corrective action, as necessary.
 5. **Filing of Legal Action.** If filing a legal action against the perpetrator of fraud is warranted, the Legal and Regulatory Affairs Division ("LRA") shall cause the filing of the appropriate complaint before the relevant court to protect Maynilad's interest.
 6. **Recovery for Damage or Loss.** Should the fraud committed cause damage or loss to Maynilad, the concerned division, with LRA's assistance, shall work on recovering from the perpetrator due compensation for the damage or loss. However, the perpetrator's payment of compensation shall not prevent Maynilad from still filing the appropriate legal action against the perpetrator.

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VIII. MONITORING AND REVIEW

ERMIA shall periodically review the compliance with and the effectiveness of this Policy, and will recommend the appropriate changes thereto, if necessary.

IX. REFERENCES

Internal Controls Certification Policy
Whistleblowing Policy
Incident Management Policy
Other relevant policies (e.g. Policy on Gifts, Entertainment and Sponsored Travels)