“Your ZALORA packages have been delivered. Connect with us on social media and let us know what you think.”

Transforming experiences to deliver the digital future to you
ABOUT THE COVER

Today, more than ever, Ayala is committed to innovation. Our investments in the digital economy are moving into the mainstream as consumer preferences shift to technology-enabled services. Informed by insight and deep analytics, our data-driven strategy has helped us respond to the disruption confronting parts of our business. Aggressive competition, changing business models, evolving customer expectations, and climate issues are transforming industries at an accelerated pace. As the Ayala group undergoes a digital transformation journey, we aim to continue to deliver value to our stakeholders as we strive to remain as a catalyst for progressive growth in the Philippines. We hope to walk alongside you as we continue to navigate this path to an exciting future.
ABOUT THIS INTEGRATED REPORT

The 2019 Ayala Integrated Report (IR) offers a holistic view of our businesses and how our performance and the values we have created for our stakeholders give a meaningful impact to the economy, environment, and society. It shows our strong focus on and commitment to sustainability.

In this report we mark milestones in our UN Sustainable Development Goals (SDGs) targets guided by the Ayala Sustainability Blueprint: Bridging the Filipino to 2030, highlighting the role of bold leadership and shared vision in achieving our 2019 results. Moreover, we reviewed and reconfigured our Sustainability Reporting Framework considering ESG material topics with more depth.

REPORTING SCOPE

This report details the consolidated financial, economic, environmental, social, and governance performance across our business units from January 1 to December 31, 2019. Notes and further explanations accompany the text and tables. Included are disclosures on business expansion from our unlisted subsidiaries and affiliates.


REPORTING STANDARDS

In our commitment to align our non-financial information report to global best practices, this report was guided by principles and content elements of the Integrated Reporting <IR> Framework provided by the International Integrated Reporting Council (IIRC). The report on our performance on material topics and disclosures are framed according to the United Nations Global Compact (UNGC) 10 principles, Sustainability Accounting Standards Board (SASB), and Global Reporting Initiatives (GRI) Standards. The World Business Council for Sustainable Development (WBCSD) programs for business transformation helped highlight our target for specific UN Sustainable Development Goals and underscore the interconnectedness of our disclosures.

Starting 2019, we phased in the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD) recommendations for voluntary climate-related financial disclosures aimed at providing useful information to investors, lenders, and insurers.

The TCFD disclosure of Ayala Corporation can be found on pages 75-78.

The opening spread for this IR’s Value Creation chapter is a map that shows the correlation among all factors involved in the process of creating shared value.

With the intention to assess how we have influenced movements in the country’s economic and social landscape and of optimizing opportunities, we evaluated data culled from a rigorous collection process.

This report is a company-wide, group-wide effort brought about by the collaboration of different departments and business units across Ayala. Our Investor Relations team, Risk Management & Sustainability team, and Management reviewed all information in this report and was duly approved by the Board of Directors for publishing.

OUR APPROACH TO EXTERNAL ASSURANCE

Our Board’s Audit Committee is mandated to review and approve the audit, audit-related, and non-audit services from external auditors. It provides oversight on the performance of external and internal auditors.

ON OUR FINANCIAL STATEMENTS

SyCip Gorres Velayo & Co., a member firm of Ernst & Young International Ltd, is the external auditor of the company’s financial statements, with Lucy Lim Chan as the partner-in-charge. In accordance with Securities and Exchange Commission (SEC) regulations, the audit partner principally handling the company’s account is rotated every five years.

ON OUR SUSTAINABILITY PERFORMANCE

DNV-GL, an independent organization and global provider of certification, assurance assessment, and training services, validated the figures and information related to our sustainability performance and <IR> Framework. The group-wide assurance process was done in two phases, which included site visits and interviews with executives from the Ayala group. Due to COVID-19 concerns, the second phase of the assessment was done remotely.

FEEDBACK

We welcome feedback and inquiries to help us improve our future reporting.

You may e-mail your feedback and comments to: investorrelations@ayala.com.ph, sustainability@ayala.com.ph, and esg@ayala.com.ph.

A copy of our financial statements can be accessed at www.ayala.com.ph.

More information about our audit process is found on pages 197-199.

For Management Discussion and Analysis of Financial Condition and Results of Operation, go to pages 217-222.

The full Independent Assurance Statement is on pages 223-226.
NOTE ON FORWARD-LOOKING STATEMENTS

This report contains statements describing the company’s objectives, projections, estimates, and expectations, which may be “forward-looking statements” within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company’s operations include, among others, economic conditions affecting demand or supply and price conditions in the domestic and overseas markets in which the company operates, changes in government regulations, tax laws, and other statutes and incidental factors.

The Board ensures that this report maintains integrity and confirms that all performance and impact disclosures made are presented fairly. Together with the Ayala management, the Board gave high-level supervision to the internal teams responsible for the reporting process and production. The internal parties with relevant skills and experience devoted significant efforts in the reporting process to guarantee that it duly follows particular standards and that the Ayala story is presented in a fair manner. Ayala also engaged external parties, SyCip Gorres Velayo & Co. and DNV-GL, to validate and assure financial and non-financial disclosures to improve accuracy, objectivity, and overall report quality. The report was prepared under the supervision of the Chief Finance, Risk, and Sustainability Officer, Jose Teodoro K. Limcaoco.

The Integrated Report contains certain forward-looking statements which, by their nature, involve risk and uncertainty because they relate to future events and circumstances that may be beyond Ayala’s control. In addition, regulations of the Philippine Stock Exchange prohibit making price sensitive forecasts without considerable independent review and process. The directors therefore advise readers to use caution regarding interpreting any forward-looking statements in the report.

The Board unanimously approved this report on 12 March 2020, and authorized its release on 14 April 2020.

Jaime Augusto Zobel de Ayala
Chairman & CEO

Fernando Zobel de Ayala
President & COO

Jose Teodoro K. Limcaoco
Chief Finance, Risk & Sustainability Officer
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“History has shown Ayala’s resilience across multiple business cycles over the 186 years that we have been in operation. This ability to deal with adversity has been built on our fundamental strengths of adhering to the highest standards of corporate governance, always looking to develop value over the long term, remaining flexible to adjust to changing circumstances, and constantly aligning our business objectives with the broader development needs of the country. These fundamental values have stood us in good stead through the years, defined Ayala as a successful multi-business group, and ensured our continuity and relevance throughout the years.”

- Jaime Augusto Zobel de Ayala, Chairman and CEO
OUR 2019 MILESTONES

**JANUARY**
- Manila Water receives the Notice to Proceed from the Municipality of Mandaon in Pangasian to provide the provision of water supply operation and septage management in the municipality.
- AC Energy launches US$410 million in Green Bond, the first Climate Bond Initiative-certified, publicly listed US Dollar green bonds in Southeast Asia.
- AC Industrials, through AC Motors, re-launches Kia Southeast Asia.

**FEBRUARY**
- Manila Water partners with the Tanauan Water District for the construction, operation, and management of the water supply and sanitation facilities in the city.

**MARCH**
- GCash partners with CIMB Philippines for the bank’s digital savings wallet called GSave, which gives Filipinos easier access to a bank account.
- Manila Water energizes the Cardona Water Treatment Plant at an initial supply of 24 million liters per day following the completion of Phase 1 of the project.
- AC Health increases its stake in the Genenka group from 50 percent to 52.5 percent.

**APRIL**
- AC Health announces plans to build the first dedicated cancer specialty hospital in the Philippines, envisioned to be a fully integrated, 100-bed facility offering comprehensive high-quality cancer care services at more affordable prices.
- Globe launches its Globe At Home Air Fiber 5G postpaid plans, making the Philippines as the first Southeast Asian country to experience the fifth-generation fixed wireless broadband.

**MAY**
- AC Industrials, through AC Motors, launches Maxus Philippines to complement its product portfolio.
- AC Energy completes the acquisition of the PHINMA energy group, effectively bringing its ownership to 66.3 percent.
- AC Energy and BiM Group commission the 330MW solar farm in Ninh Thuan province, its maiden Vietnam project.
- AC Energy and The Blue Circle enter into a shareholders’ agreement to develop the 40MW Dai Phong Wind Farm in Vietnam.
- Ayala buys back 3.8 million shares from Mitsubishi Corporation.

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**JULY**
- AC Energy enters into a binding agreement with Power Partners for the transfer of its indirect ownership coal-fired power projects in Kauswagan, Lanao del Norte.
- Globe strengthens its efforts to provide non-telecommunications services by rebranding Globe Capital Ventures to 917 Ventures, the largest corporate incubator in the Philippines.
- Manila Water signs a 30-year raw water supply offtake agreement with the MWSS and WawaJVCo, which involves the supply of raw water from the Wawa and Tayabas rivers.
- Globe expands its MSME customer base from 95,000 to 100,000 by working with more resellers across the country.
- BPI establishes its Green Finance Framework, highlighting its long-standing commitment to fund projects with clear environmental benefits.
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**SEPTEMBER**
- AC Energy and Yoma group forge partnership to jointly explore developing renewable energy projects in Myanmar.
- Globe acquires 77 percent equity interest in leading electronic payment service provider EC Pay, enhancing Globe’s distribution network with over 9,000 partner outlets.
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**NOVEMBER**
- AC Health invests in pharmaceutical distributor IE Medica and its affiliate MedEthix.
- AC Infra’s Entrego inaugurates its 12,000 sqm sorting and distribution facility in Laguna Technopark.
- Ayala reissues its Class B Series 2 Preferred shares worth P15 billion at a rate of 4.82 percent.
- Manila Water signs a 30-year raw water supply offtake agreement with the MWSS and WawaJVCo, which involves the supply of raw water from the Wawa and Tayabas rivers.
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- AC Health acquires Healthway Philippines, one of the leading clinic networks in the country.
OUR GEOGRAPHIC PRESENCE

LEGEND
- Ayala Land
- BPI
- Globe
- AC Energy
- Manila Water
- AC Industrials
- AC Infrastructure
- AC Health
- iPeople
- AC Ventures

PHILIPPINES
NATIONAL CAPITAL REGION (NCR)
Caloocan
Las Piñas
Navotas
Makati
Malabon
Mandaluyong
Manila
Marikina
Muntinlupa
Pasig
Paranaque
Pateros
Quezon City
San Juan
Taguig
Valenzuela

REGION 1 - ILOCOS REGION
Ilocos Norte
Ilocos Sur
La Union
Pangasinan

REGION 2 - CAGAYAN VALLEY
Cagayan
Isabela
Nueva Vizcaya
Quirino

REGION 3 - CENTRAL LUZON
Aurora
Bataan
Bulacan
Nueva Ecija

REGION 4A - CALABARZON
Batangas
Cavite
Laguna
Quezon
Rizal

REGION 4B - MIMAROPA
Marinduque
Occidental Mindoro
Oriental Mindoro
Palawan
Romblon

REGION 5 - BICOL
Albay
Camarinanes Norte
Camarinanes Sur
Catanduanes
Masbate
Sorsogon

REGION 6 - WESTERN VISAYAS
Aklan
Antique
Capiz
Iloilo
Guimaras
Negros Occidental

REGION 7 - CENTRAL VISAYAS
Bohol
Cebu
Negros Oriental
Siquijor

REGION 8 - EASTERN VISAYAS
Biliran
Eastern Samar
Northern Samar
Samar
Leyte
Southern Leyte

REGION 9 - ZAMBOANGA PENINSULA
Zamboanga del Norte
Zamboanga del Sur

REGION 10 - NORTHERN MINDANAO
Bukidnon
Camiguin
Misamis Occidental
Misamis Oriental
Lanao del Norte

REGION 11 - DAVAO
Compostela Valley
Davao del Norte
Davao del Sur
Davao Occidental
Davao Oriental

REGION 12 - SOCCSKSARGEN
Sultan Kudarat
North Cotabato
South Cotabato
Sarangani
Gen. Santos City

REGION 13 - CARAGA
Agusan del Norte
Agusan del Sur
Surigao del Norte
Surigao del Sur
Dinagat Islands

REGION 14 - CORDILLERA ADMINISTRATIVE REGION (CAR)
Abra
Apayao
Benguet
Ifugao
Kalinga
Mountain Province

REGION 15 - AUTONOMOUS REGION OF MUSLIM MINDANAO (ARMM)
Basilan
Lanao del Sur
Maguindanao
Tawi-Tawi
Sulu

WORLD MAP

EUROPE

MIDDLE EAST

SOUTHEAST ASIA
Ayala Corporation is the oldest and one of the largest conglomerates in the Philippines with core interests in real estate, banking, telecommunications, and power. It also has portfolio investments in various industries including water, industrial technologies, infrastructure, health, and education, which are envisioned to drive growth in the long-term. Additionally, Ayala has a social commitment arm, Ayala Foundation, which is focused on bettering the lives of Filipinos primarily by strengthening education, youth leadership, sustainable livelihood, and arts and culture in the country.

With headquarters in Makati City and operations mainly in the Philippines, it continues to grow its regional and global footprint, serving millions of customers across all market segments.

### OUR PORTFOLIO

#### CORE VALUE DRIVERS

**REAL ESTATE**
Leading and most diversified property developer in the country with the largest landbank

- Market cap: ~$11.1B
- % of equity earnings: 30%

**FINANCIAL SERVICES**
Pioneering financial institution and one of the most profitable banks in the country

- Market cap: ~$6.2B
- % of equity earnings: 26%

**TELECOMMUNICATIONS**

- Market cap: ~$4.6B
- % of equity earnings: 13%

**POWER GENERATION**

- % of equity earnings: 24%

### PORTFOLIO INVESTMENTS

**MANILA WATER**
Regional player in water infrastructure services and development

- Market cap: ~$442M
- 51.4%

**ACIndustrials**
Industrial technologies investments focused on electronics manufacturing, vehicle retail, and enabling technologies

- 100%

**ACInfra**
Portfolio of key infrastructure projects and public-private-partnerships (PPPs) in the Philippines

- 100%

### LONG-TERM VALUE DRIVERS

#### SOCIAL INFRASTRUCTURE

**ACHealth**

- **AC Ventures**

**DIGITAL ENABLERS**

**REGIONAL PLATFORM**

**YOMA**
Crabs are Melinda Dilag Belinario’s means of livelihood, but it is the opposite of crab mentality that has allowed her to prosper in the business. She only had ₱10,000 in capital in 2006 when she decided to start selling crabs at a public market in San Jose, Occidental Mindoro. For 11 years, she worked hard, thankful that she had a source of income even though she was restless and dreamed of something bigger.

Sometime in 2017, a fellow seafood vendor told her about BPI Banko and suggested she try applying for a loan. Aling Melinda was apprehensive – her business was, after all, very small. Interest rates may be too high especially since she did not have any collateral to offer. She was worried she might not be able to produce the documents needed for her loan application.

But Aling Melinda was in for a surprise. She learned that BPI Banko, BPI’s microfinance arm, provides loans to self-employed micro-entrepreneurs. BPI Banko representatives took notice of her good, marketable products as well as her capacity and eagerness to expand. She obtained an initial loan of ₱100,000 at friendly interest rates; she used this immediately to open another store.

The returns were brisk. In the next three years, she was able to avail herself of three more loans ranging between ₱100,000 and ₱150,000. She used the proceeds to open other stalls in Occidental Mindoro as well as a grocery store.

Over the years, Aling Melinda’s business thrived, not only because of the funds made available to her, but because of the support and encouragement she got from BPI Banko. “They give me advice on how to use the loans for the business and make smart investments,” she says. “I value all their input because they help me become a more discerning entrepreneur.”

Aling Melinda is one of some 277,000 other small and medium enterprises (SMEs) in the Ayala network.

Micro, small and medium enterprises (MSMEs) are an increasingly significant contributor to economic growth in the country. They account for some 99.5 percent of the total number of Philippine businesses today. They corner about 60 percent of total annual revenues of Philippine businesses and contribute about 35 percent of the country’s total gross domestic product. MSMEs employ 63 percent of working Filipinos.

For the Ayala network of SMEs, inclusivity and support are common themes.

“We want to help achieve a shared prosperity. Ayala has always believed that true success is inclusive and benefits many businesses beyond our own companies within the group,” says Jaime Augusto Zobel de Ayala, Ayala Chairman and CEO.

“We believe that success must ripple throughout entire ecosystems, to eventually create and help accelerate the growth of other entities like self-employed micro-entrepreneurs.”

Aside from being her financial advisers, BPI Banko professionals have become Aling Melinda’s personal coaches. They tell her, for instance, not to get discouraged when some challenges come her way. For example, when her crabs die in transit to Manila, she now finds it easier to recover the loss. When people fail to pay her back after she lent them money out of the goodness of her heart, she now is more discerning on whom to trust. She is able to handle her money better.

“Charge them to experience, that’s what they tell me,” she says. They are patient with her questions, helpful with their advice – and most of all, they themselves are long-standing customers of her crab business.

“My daughter is in college studying accounting, and she helps me in the business with the things she has learned in school. My sons drive me around and help me manage my stores.”

“I am very thankful to BPI Banko for its trust and support. I was able to provide a better life for my family. I learned that you can achieve anything you want if you are determined and if you have people around you to make your load lighter and pull you up.”

One of Aling Melinda’s crab stalls in Occidental Mindoro with BPI Banko manager, Laiza Jayne Perino

Aling Melinda's grocery store.

Melinda Dila Belinario’s crab farm.
EMPOWERING MSMEs

PLEASANT SURPRISES FROM UNEXPECTED TURNS

It was while waiting for her visa that she worked with Engr. Ben C. Monteiro and helped him open three of his first Generika Drugstores.

Just before returning to the US, Leah re-evaluated her plans, pondering her future. And then she surprised even herself when she decided to take a different route.

“I was all set on working in the US, but being exposed to Generika changed my view,” Leah says. “When I was helping Sir Ben set up his own Generika Drugstores, I saw that pharmacy was not just another job or a way of earning money. With it, I could really make a difference and help other people.”

Leah used her and her husband’s savings, money they received as wedding gifts, money from a property in Tuguegarao which she had sold, and a friendly loan from Engr. Monteiro – who not only became her mentor but her godfather in marriage. With the encouragement from her parents and siblings, she opened her first Generika franchise in Talipapa, Novaliches in April 2012.

But funding, she learned, was not her greatest challenge. Leah knew that educational attainment and professional experience did not guarantee entrepreneurial success. She was thankful for the system and support that Generika offered its franchisees: there was a central commissary, the system and support that Generika offered its employ micro-entrepreneurs.

In four years, Leah has opened five stores – Talipapa, North Fairview, Krus na Ligas, Bagbag and Pulilan – and has reached out to more people in these communities. Most of Generika’s customers come from low-income families, and Leah takes comfort in the fact that her Generika stores provide free healthcare services such as consultations, blood pressure and wellness advise, including blood sugar monitoring and body fat analysis services for an affordable fee.

“Beyond the revenue, it’s being able to serve the community,” Leah says. “It’s not really about chasing the money, but being of service to those who need you.”

These days, Leah likes telling people about Generika and even encouraging others to open their own stores. She is thankful that she found a stable corporate partner in Ayala who shares her goals of helping others while also improving her capability as an entrepreneur.

“Everything is about collaboration,” she says.

“Nothing comes easy, you need to work hard, create an enabled team because you can’t do it alone, work on the relationship and be worthy of the partnership.”

Where she is now may not be where she had envisioned herself to be ten years ago. Indeed, there have been many surprises along the way. Deep in her heart, however, Leah knows she made the right decision in staying in the Philippines. Now she is building a life here with her husband and two children.

Partnership with Ayala has changed her, and Leah makes sure she pays it forward by being, herself, an agent of change.

Leah Clara Maquiraya Yabis used to believe she had everything figured out.

After obtaining her BS Pharmacy degree from the University of Santo Tomas and passing her Pharmacy Licensure Examination, she worked for six months as a pharmacist at St. Paul Hospital in Tuguegarao City. She then worked part time as an instructor for St. Paul University Philippines while taking up her Master in Public Health from Cagayan State University. She quickly rose from the ranks and became program coordinator for the SPUP College of Pharmacy.

When she had amassed all this experience in the academe, she went to the United States, spending a year working on obtaining her Foreign Pharmacy Graduate Equivalency Certificate so that she could work there as a pharmacist. And then she returned to the Philippines to process her US work visa.
OUR LEADERSHIP
Fellow shareholders,

The events of the past year have challenged the corporate momentum we have built over the last decade. However, history has shown Ayala’s resilience across multiple business cycles over the 126 years that we have been in operation. This ability to deal with adversity has been built on our fundamental strengths of adhering to the highest standards of corporate governance, always looking to develop value over the long term, remaining flexible to adjust to changing circumstances, and constantly aligning our business objectives with the broader development needs of the country. These fundamental values have stood us in good stead through the years, defined Ayala as a successful multi-business group, and ensured our continuity and relevance throughout the years.

While the challenges of the past year have resulted in one of the most difficult periods in our corporate history, it is also during trying times that the strength of our diversification initiatives and massive expansion program are put to the test.

Recall that in 2011, the Ayala group set in motion a strategic agenda that led to the expansion of our established franchises in real estate, banking, and telecommunications to capitalize on the strong momentum we saw taking place in the domestic environment. In parallel, we invested in energy generation as a new growth platform from which we would derive future sources of earnings and value creation. These initiatives have cemented our competitive advantage, maintained our relevance in our markets, and established the foundation for long-term growth and value regardless of the prevailing macroeconomic or competitive environment.

In particular, we have seen how the strong performance of our core business pillars—Ayala Land, Bank of the Philippine Islands, Globe Telecom, and AC Energy—sustained Ayala’s trajectory in 2019. Their results cushioned the impact of the setbacks faced by Manila Water in connection with the water supply shortage in the metropolis. Further, these core businesses helped mitigate the slowdown AC Industrials confronted which arose from headwinds in global manufacturing and the domestic automotive industries. I am pleased to report that despite a challenging period, our profitability improved 11 percent to ₱35.3 billion in 2019.

Let me provide a background of the macroeconomic environment we faced during the period to put this year-end review into perspective.
Global economic growth in 2019 was at its slowest since the Global Financial Crisis, but developing countries in Asia still recorded strong growth even as trade tensions dampened outlook for the region.

Here at home, while the Philippine economic growth of 5.9 percent in 2019 fell below the above-6 percent growth that we witnessed over the past four consecutive years, it continued to be bolstered by solid domestic consumption, driven by stable inflation, higher remittances, and record-low unemployment. This continued to benefit Ayala Land, BPI, and Globe, which remained as the top contributors to Ayala’s performance during the year, along with AC Energy, which has been a consistent significant source of growth over the past three years. AC Energy’s announced pivot towards renewable energy and the sale of some of its conventional power assets allowed it to recycle capital, recognize gains, pointing us towards an exciting new future. We envision these four business pillars to remain as Ayala’s core value drivers in the medium term.

We have always actively managed our portfolio and believe in constantly rebalancing our businesses interests to either realize value as opportunities arise or to launch a new business-building cycle in a specific industry. In particular, we have always been proud of what Manila Water has achieved, turning around the East Zone concession and laying an efficient water supply and distribution system for the metropolis despite the absence of new water sources. However, we also need to be flexible, quick and open-minded to how industries, economic environments, and regulatory agencies evolve. Thus, in February 2020, we invited the Razon group as a strategic partner in Manila Water. I look forward to this partnership with a group that shares a deep commitment to contributing to the country’s water infrastructure development.

In AC Industrials, the company experienced a number of geopolitical headwinds, including the US-China trade war and Brexit that contributed to the world economy’s slowest year-on-year expansion since the financial crisis a decade ago. We recognize the acceleration of disruptive changes, driven by intensifying competition and evolving customer demands, which has created a challenging environment for worldwide manufacturing and trade. These have posed operational challenges for the various platforms under AC Industrials. To address this, we are in the process of reassessing AC Industrials’ portfolio to identify the pain points, develop solutions, and rationalize the long-term strategic direction of the business.

Meanwhile, our social infrastructure portfolio continues to gain traction. AC Health continues to ramp up its clinic footprint with the acquisition of a 100 percent stake in Healthway Philippines, which operates a network of mail-based multispecialty and corporate clinics. This complements FamilyDoc, the largest network of primary care clinics in the country. In education, with the merger of AC Education and iPeople, we have established a group of seven educational institutions with a combined student population of approximately 60,000 across 28 campuses in Metro Manila and the Calabarzon, Bicol, and Mindanao regions.

During the year, the Ayala group also made great strides in our digital transformation journey. Our digital portfolio includes Zalora, the country’s largest fashion e-commerce site with 20 million visits per month and carrying 20,000 fashion brands, as well as its adjacent company Entrego, a technology-driven logistics company that has gained foothold servicing the major e-commerce players in the country. In financial services, we are happy to see the many touchpoints that both BPI and Globe have been able to harness to address financial inclusion and facilitate higher engagement from the unserved and underserved segments of the population, including MSMEs and the low-income consumer segment.

Between the BPI mobile app and Globe’s GCash, the group has been able to reach over 1.9 million online banking clients, 20 million registered users, and over 75,000 merchants and partners. Today, the BPI app ranks 5th in mobile banking on the App Store and 17th on Google Play. Moreover, I am delighted to share that our efforts to grow the fintech landscape in the country has gained significant traction as GCash is currently the number one finance app in the Philippines on both the App Store and Google Play.

While we intend to remain as a Philippine-centric business group, we are open to overseas investments on an opportunistic basis, particularly in markets and sectors where we can bring our strengths and expertise. In November 2019, we acquired a 20 percent stake in the Yoma group, Myanmar’s leading conglomerate with interests in sectors that are overlapping with Ayala, including real estate, power, and financial services. Myanmar is an underpenetrated frontier market with a promising economic growth story, supported by its government’s broad liberalization initiatives. We envision our investment in the Yoma group to serve as Ayala’s main platform for strategic investments in Myanmar.

As a final word, the unfortunate episodes that transpired in our country and the rest of the world at the beginning of 2020 have resulted in an existential moment of radical business transformation. The COVID-19 pandemic is adversely impacting many economies, markets, and businesses at the national and global scale which has not spared the Ayala group. In the Philippines, even before the onset of this global pandemic, the eruption of the Taal Volcano in January had already affected certain industries domestically, including real estate and retail within the volcano’s vicinity.

While the outlook for the business environment has radically changed as a result of these unfortunate events, we take comfort in the fact that we have built a healthy balance sheet at the holding company and across the group that gives us a buffer to absorb external shocks such as the current global health crisis. We consider this to be one of our strongest attributes, having survived and thrived under multiple crises.

It is within this context that I thank our board of directors for their engagement and foresight across a variety of working committees, our management team for ensuring a culture of professional commitment, our many business partners for their willingness to collaborate with us, and our fellow shareholders for their continued support, trust, and confidence in Ayala. We look forward to a lasting partnership as we weather these uncertain times, supporting our employees and our many stakeholders as we continue to contribute to society through our institutions, our products, and our services.
MESSAGE FROM THE PRESIDENT

Fellow shareholders,

Let me begin by thanking all of you for your continued support and confidence in Ayala. The past year was a trying time for our group as we confronted an unprecedented situation in Manila Water and our Metro Manila concession area. The water supply shortage that emerged in March 2019 impaired the high standards of service Manila Water has maintained over the past 23 years. Several factors led to this unfortunate incident. While the situation was compounded by low dam levels brought about by the prolonged dry season last year, the main factor in the shortage was the delay in new water source development under the government’s Water Supply Master Plan.

In order to prevent this from happening again, Manila Water is working closely with MWSS and this administration on the timely execution of the Water Supply Master Plan. Several medium-term water supply projects are now in various stages of review and development. These projects will provide additional water supply for the growing water demand of our East Zone customer base in the coming years.

These initiatives, along with the continued network management and optimization program, has enabled water availability for customers to be maintained within regulatory levels despite lower raw water supply.

Although we faced significant challenges in both our water and global manufacturing businesses in 2019, our real estate, banking, telco, and power units continued to serve as engines of growth. This validates the strength of a diversified portfolio and the expansion strategy we put in place a decade ago.

We are happy to report that in 2019, Ayala recorded ₱35.3 billion in net earnings, an 11 percent expansion from 2018. This was lifted by gains from the partial divestment of AC Energy’s thermal assets as it moved towards renewable energy and the merger of our education arm with iPeople.

Our results, however, were weighed down by the recognition of a remeasurement loss of ₱18.1 billion, arising from a likely reduced stake in Manila Water, whose shareholders are being asked to approve an increased number of shares to open up opportunities for a strategic investor. We believe a partnership with a strategic investor will accelerate Manila Water’s long-term strategic direction, including

FERNANDO ZOBEL DE AYALA
President and COO
In 2019, Ayala Land launched three new large-estates contributing 58 percent to its bottomline as geographic diversification continued, with new developments bringing a compounded annual growth rate of 17 percent at a faster pace than its development income.

Ayala Land's recurring income portfolio, which includes office and commercial and industrial lot sales as well as a growing leasing operation, supported by office and commercial and industrial assets and property management, continues to expand and achieve low-cost funding, increased operational efficiency, and higher engagement from the unserved and underserved markets.

In 2019, Ayala Land launched three new large-scale, integrated, mixed-use developments, bringing its total estates to 29. These new estates—the 120-hectare Broadfield in Laguna, the 11-hectare the Junction Place in Quezon City, and the 290-hectare Crescendo in Tarlac—enhances Ayala Land's presence in Metro Manila and in Luzon.

Ayala Land’s presence in Metro Manila and in Luzon.

Its regional aspirations. Over the past decade, Manila Water has established itself as a major water infrastructure player in Southeast Asia with investments in various platforms across Vietnam, Thailand, and Indonesia and today continues to be on the lookout for opportunities in the region.

Let me now touch on the performance of our business units in greater detail.

**Ayala Land** continued to reap the benefits of its diversification strategy to achieve a better balance between its development and recurring income portfolio as well as in its geographic concentration. Its net profits rose 13 percent to ₱33.2 billion, supported by office and commercial and industrial lot sales as well as a growing leasing operation.

Ayala Land’s recurring income portfolio, which includes office and mall leasing, hotels and resorts, and property management, continues to expand at a faster pace than its development income. It has recorded a compounded annual growth rate of 25 percent since 2013. This has outpaced Ayala Land’s development income, which includes residential and office and lot sales, which posted a compounded annual growth rate of 17 percent during the same period. Meanwhile, Ayala Land’s geographic diversification continued, with new estates contributing 58 percent to its bottomline as the development of these areas accelerate.

In 2019, Ayala Land launched three new large-scale, integrated, mixed-use developments, bringing

**Bank of the Philippine Islands** continued to work towards its goals of improving its earnings capacity and shareholder returns by focusing on its core lending business and increasing efficiencies through technology. In 2019, the bank’s net earnings reached ₱28.8 billion, jumping 25 percent from 2018 on strong core banking business revenues and a steadily growing fee-based segment, supported by higher securities trading gains.

By 2023, BPI is targeting to double its net income to ₱57 billion and achieve a 15 percent return on equity. To achieve this, it is ramping up its retail, SME, and micro lending segments while remaining focused on strong asset quality through various initiative such as the creation of dedicated SME and microfinance groups and moderate branch expansion. Moreover, the bank is scaling up its fee-based business by shifting focus from trading to transaction-based services such as credit cards, asset management, payments, and insurance. Finally, BPI’s digitalization efforts are expected to achieve low-cost funding, increased operational efficiency, and higher engagement from the underserved and underserved markets.

In microfinance, BPI achieved its target of 300 BanKo branches, servicing more self-employed microentrepreneurs nationwide. Its digitalization efforts likewise continued to bear fruit, with digital penetration now at more than 20 percent between its retail and corporate clients.

**Globe** continued to benefit from high demand for data-related products and services. The 20 percent expansion in its net income to ₱22.3 billion was bolstered by data-driven customers across its mobile and broadband segments. It is worth noting that data-related services accounted for over 70 percent of Globe’s service revenues, which grew 12 percent to ₱149 billion during the year.

Globe continues to invest to enhance its network quality and improve customer experience. It spent ₱51 billion in capital expenditures to fast-track its network rollout, increasing its sites by 139 percent and its 3G and 4G base stations by 28 percent.

On the mobile money front, Globe’s GCash continues to promote financial inclusion and expand the mobile money ecosystem. At yearend, GCash had 20 million registered users, and over 75,000 QR merchants and partner billers. Further, GCash introduced innovations during the year to offer more financial services to the unbanked. One such innovation is GSave, a digital savings account opened directly from the GCash app. GSsave offers a competitive interest rate with no minimum initial deposit or maintaining balance requirement.

As it moves away from thermal energy, **AC Energy** registered net profits of ₱24.6 billion in 2019, lifted by contributions from its solar projects in Vietnam and gains from the partial divestment of its thermal assets. AC Energy increased its attributable energy output in 2019 by 25 percent to 3,500 gigawatt hours, of which 50 percent came from renewable sources. Given the increasing contribution of AC Energy to Ayala’s equity earnings over the past three years, we have started to classify AC Energy as one of our core business pillars together with Ayala Land, BPI, and Globe.

To support its renewable energy investments, AC Energy tapped the capital market through the issuance of two Green Bonds, raising US$610 million in combined proceeds. The first issuance, which raised US$410 million was the first Green Bond to be certified by the Climate Bond Initiative in Southeast Asia. AC Energy also issued the first US dollar denominated fixed-for-life Green Bond to be issued globally, raising US$400 million in proceeds.

As mentioned, the challenges in the East Zone concession weighed on Manila Water’s performance in 2019. The water crisis took a toll on Manila Water’s profitability, which declined 16 percent to ₱5.5 billion. Business performance was dampened by the impact of the MWSS penalty and a voluntary
one-time bill waiver program to assist severely affected customers. This was further affected when raw water allocation from Angat Dam hit its lowest in July. To mitigate this, Manila Water implemented network efficiency measures to maintain service availability at the ground floor level and be able to serve more than 7 million people across over 1.3 million households in the East Zone.

Manila Water likewise continued to work towards its goal of providing 32 percent wastewater coverage of the East Zone by 2021. Wastewater coverage currently stands at over 30 percent or equivalent to two million people served through nearly 400 kilometers of laid sewer network. This was only at three percent before Manila Water took over operations from MWSS in 1997.

AC Industrials faced a challenging year due to the difficulties in global manufacturing and the automotive industries. These challenges also included the impact of geopolitical tensions, such as the US-China trade conflict and prolonged uncertainty on Brexit. These macro headwinds together with the disruptive changes currently sweeping many key industries have created a challenging environment for worldwide manufacturing and trade.

In the electronics space, intensifying competition posed operational challenges to players like AC Industrials, particularly its anchor manufacturing arm, IM1, and new platforms Merlin Solar and MT Technologies. These challenges resulted in longer fulfillment times and higher material costs. Meanwhile, automotive sales likewise experienced weakness and the industry’s megatrends of connectivity, autonomy, sharing, and electrification continued to disrupt the industry. In this difficult environment, AC Industrials recorded a net loss of ₱2.4 billion in 2019.

During these trying times, we take comfort in the fact that AC Industrials retains specialized technical resources such as advance manufacturing engineering as well as proprietary technologies, including power electronics, camera and vision, smart energy, and connectivity, which all serve as the foundation for future growth.

Finally, we continue to support our long-term investments in infrastructure, healthcare, and education. AC Infra is building up its logistics and fulfillment arm, Entrego, which posted a compounded monthly growth of 14 percent in volume throughout the year. This growth was underpinned by the rising demands of the e-commerce and retail sectors for B-to-B and B-to-C logistics services. Entrego also launched an automated sorting center to drive operational efficiencies and processes.

AC Health acquired a 100 percent stake in Healthway, one of the leading clinic networks in the country. The addition of Healthway’s seven mall-based multi-specialty clinics and 41 corporate clinics expands AC Health’s clinic portfolio, which today includes 74 FamilyDOC primary care clinics and 10 corporate clinics. It also expanded its pharma portfolio with new investments into IE Medica, one of the major importers of pharmaceutical products in the country, and MedEthix, its affiliated distribution company.

AC Education’s merger with iPeople in 2019 has significantly broadened our education footprint. Our student population has grown from 38,500 before the merger to approximately 59,300 students. The merger has resulted in several synergies, including leveraging the various schools’ complementary strengths to improve student learning experience and producing greater operational efficiency.

As the Ayala group continued to be optimistic about the domestic macroeconomic environment, our combined capital expenditure reached ₱215 billion in 2019. At the parent level, our balance sheet remained strong with enough capacity to support our future investments and cover dividend and debt obligations. In 2019, we paid ₱6.30 per share in cash dividends, 20 percent higher than its 2018 level. We likewise took advantage of favorable market conditions to raise capital. This included the US$400 million in fixed-for-life senior perpetual notes with an annual coupon of 4.85 percent with no step-up, and the ₱15 billion in preferred shares.

In closing, at Ayala, we constantly strive to deliver a more holistic engagement with the communities we serve and make sure that we create a meaningful, lasting impact in conjunction with our economic aspirations. We remain committed to the UN Global Compact and its 10 principles, which are very much aligned with our own sustainability philosophy in the Ayala group. This desire to help bridge societal gaps has been embedded in our corporate culture and will continue to define our direction in the coming years. We are fortunate to have so many individuals in our institution who share this thinking and enable its execution across our many companies in the Ayala group.

Ayala owes its success to the commitment of our shared vision across the rest of the group’s management team and staff, the guidance and leadership of our Board of Directors, and the trust and confidence of our many stakeholders. We thank you all for your continued commitment and support.

FERNANDO ZOBEL DE AYALA
President and COO
BOARD OF DIRECTORS

JAIME AUGUSTO ZOBEL DE AYALA
Executive Director, Chairman, and Chief Executive Officer

KEIICHI MATSUNAGA
Non-executive Director

XAVIER P. LOINAZ
Lead Independent Director

ANTONIO JOSE U. PERIQUET
Independent Director

DELFIN L. LAZARO
Non-executive Director

FERNANDO ZOBEL DE AYALA
Executive Director, Vice Chairman, President and Chief Operating Officer

RAMON R. DEL ROSARIO, JR.
Independent Director

XAVIER P. LOINAZ
Lead Independent Director
JAIME AUGUSTO ZOBEL DE AYALA, Filipino, 60
Executive Director, Chairman, and Chief Executive Officer

Date of Appointment
Director of Ayala Corporation since May 1987

Length of Service (As of 31 December 2019) 32 years

Academic/Professional Qualification
• B.A. in Economics (Cum Laude) from Harvard College in 1981
• MBA at Harvard Graduate School of Business Administration in 1987
• Chairman and CEO of Ayala Corporation since April 2006

Present Directorship(s)/Position(s)
– outside Ayala Group:
• Director of LiveIt Investments, Ltd., AG Holdings Ltd. and Aegis Ltd.
• Chairman of American Express Bank, Inc. and Asiacom Philippines, Inc., Ayala Retirement Fund Holdings, Inc.

Other Non-Listed Companies/Organizations
• Director of Alabang Commercial Corporation, Hero Foundation, Inc.
• Chairman of Ayala Retirement Fund Holdings, Inc.
• Member of the Global Board of Adviser of the Council on Foreign Relations
• Co-Vice Chairman of the Makati Business Club

FERNANDO ZOBEL DE AYALA, Filipino, 59
Executive Director, Vice Chairman, President, and Chief Operating Officer

Date of Appointment
Director of Ayala Corporation since May 1994

Length of Service (As of 31 December 2019) 25 years

Academic/Professional Qualification
• B.A. Liberal Arts from Harvard College in 1982
• CIM from INSEAD, France in 1993
• President and Chief Operating Officer of Ayala Corporation since April 2006

Present Directorship(s)/Position(s)
– within Ayala Group:

Other Non-Listed Companies – within Ayala Group:
• Chairman of Ayala Retirement Fund Holdings, Inc., AC Industrial Technology Holdings, Inc., AC Ventures Holding Corp., AC Infrastructure Holdings Corporation and Asiacom Philippines, Inc.
• Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.

Other Non-Listed Companies/Organizations – outside Ayala Group:
• Member of various business and socio-civic organizations in the Philippines and abroad, including the JPMorgan International Council, JPMorgan Asia Pacific Council and Mitsubishi Corporation International Advisory Corporation
• Member of the Board of the Singapore Management University and Eisenhower Fellowships
• Member of various advisory boards of Harvard University, including the Global Advisory Council, HBS Board of Dean’s Advisors, and HBS Asia-Pacific Advisory Board (Chairman)
• Chairman Emeritus of the Asia Business Council and Chairman of Endeavor Philippines
• Member of the Global Board of Adviser of the Council on Foreign Relations
• Co-Vice Chairman of the Makati Business Club

DELFIN L. LAZARO, Filipino, 73
Non-Executive Director

Date of Appointment
Director of Ayala Corporation since January 2007

Length of Service (As of 31 December 2019) 13 years

Academic/Professional Qualification
• MBA (with Distinction) at Harvard Graduate School of Business in 1971
• Connected with Mitsubishi Corporation for over 30 years in various leadership positions

Present Directorship(s)/Position(s)
– outside Ayala Group:
• Director of Portico Land Corp.

Other Non-Listed Companies/Organizations – outside Ayala Group:
• General Manager of Mitsubishi Corporation Manila Branch
• Chairman of International Elevator & Equipment Inc.
• President of MC Diamond Realty Investment Phils., MC Oranbo Investment, MC Cavite Holdings, Inc., FMT Kalyaan, Inc., and Japanese Chamber of Commerce & Industry of the Philippines (JCCIP)
• Director of Century City Development II Corporation (CCDC II), Isuzu Philippines Corporation, Kepco Ilijan Corporation, and The Japanese Association Manila, Inc. (JAMI)

KEIICHI MATSUNAGA, Japanese, 55
NON-EXECUTIVE DIRECTOR

Date of Appointment
Director of Ayala Corporation since April 2017

Length of Service (As of 31 December 2019) 3 years

Academic/Professional Qualification
• Graduate from the Faculty of Law at Waseda University in 1988
• Connected with Mitsubishi Corporation for over 30 years in various leadership positions

Present Directorship(s)/Position(s)
– outside Ayala Group:
• Director of Portico Land Corp.

Other Non-Listed Companies/Organizations – outside Ayala Group:
• General Manager of Mitsubishi Corporation Manila Branch
• Chairman of International Elevator & Equipment Inc.
• President of MC Diamond Realty Investment Phils., MC Oranbo Investment, MC Cavite Holdings, Inc., FMT Kalyaan, Inc., and Japanese Chamber of Commerce & Industry of the Philippines (JCCIP)
• Director of Century City Development II Corporation (CCDC II), Isuzu Philippines Corporation, Kepco Ilijan Corporation, and The Japanese Association Manila, Inc. (JAMI)
AYALA CORPORATION

XAVIER P. LOINAZ, Filipino, 76
Lead Independent Director

Date of Appointment
Director of Ayala Corporation since April 2009
Lead Independent Director of Ayala Corporation since April 2017

Length of Service (As of 31 December 2019)
10 years as Director
7 years as Independent Director (reckoned from 2012, in compliance with SEC Memorandum Circular No. 19, Series of 2016)
3 years as Lead Independent Director

Academic/Professional Qualification
• AB Economics degree from Ateneo de Manila University in 1963
• MBA-Finance at Wharton School, University of Pennsylvania in 1965
• President of the Bank of the Philippine Islands from 1982 to 2004
• President of Bankers Association of the Philippines from 1989 to 1991

Present Directorship(s)/Position(s)
Other Publicly Listed Company – within Ayala Group:
• Independent Director of the Bank of the Philippine Islands
Other Non-Listed Companies/Organizations – outside Ayala Group:
• Trustee of E. Zobel Foundation
• Chairman of Alay Kapwa Kilusan Pangkalusugan and XPL Manitou Properties, Inc.
• Vice Chairman of XPL MTJL Properties, Inc.

RAMON R. DEL ROSARIO, JR., Filipino, 75
Independent Director

Date of Appointment
Director of Ayala Corporation since April 2010

Length of Service (As of 31 December 2019)
9 years as Director
7 years as Independent Director (reckoned from 2012, in compliance with SEC Memorandum Circular No. 19, Series of 2016)

Academic/Professional Qualification
• BSC-Accounting and AB Social Sciences (Magna cum Laude) from De La Salle College in 1967
• MBA at Harvard Business School in 1969
• Managed Phinma since 2002 and brings with him a wealth of experience in leading a diversified conglomerate

Present Directorship(s)/Position(s)
Other Publicly Listed Company
• President and Chief Executive Officer of Phinma Corporation
Other Non-Listed Companies/Organizations – outside Ayala Group:
• President and Chief Executive Officer of Philippine Investment Management, Inc.
• Chairman of Deutsche Regis Partners from 1999 to August 2010
• Awarded as Best Strategist from 2003 to 2010 and as Best Analyst in 2009 to 2010 by the Fund Managers Association of the Philippines
• Honorary Investment Adviser to the British Government from 2016 to 2017

Antonio Jose U. Periquet, Filipino, 58
Independent Director

Date of Appointment
Director of Ayala Corporation since September 2010

Length of Service (As of 31 December 2019)
9 years as Director
7 years as Independent Director (reckoned from 2012, in compliance with SEC Memorandum Circular No. 19, Series of 2016)

Academic/Professional Qualification
• AB Economics from Ateneo de Manila University in 1982
• Masters of Science in Economics at the Oxford University, UK in 1988
• MBA at University of Virginia, USA in 1990
• Director of DBP Insurance Brokerage from 2010 to 2012
• Chairman of Deutsche Regis Partners from 1999 to August 2010
• Awarded as Best Strategist from 2003 to 2010 and as Best Analyst in 2009 to 2010 by the Fund Managers Association of the Philippines
• Honorary Investment Adviser to the British Government from 2016 to 2017

Present Directorship(s)/Position(s)
Other Publicly Listed Company
• Independent Director of the Bank of the Philippine Islands
Other Publicly Listed Companies
• Independent Director of ABS-CBN Corporation, DMCI Holdings, The Max’s Group of Companies, Semirara Mining and Power Corporation and The Philippine Seven Corporation

Other Non-Listed Companies/Organizations – outside Ayala Group:
• Chairman of Campden Hill Group, Inc.
• Independent Director of Albizia ASEAN Tenggara Fund
• Trustee of Lyceum of the Philippines University
• Member of the Dean’s Global Advisory Council at the University of Virginia’s Darden School of Business

Present Directorship(s)/Position(s)
Other Publicly Listed Company – within Ayala Group:
• Chairman of XPL Manitou Properties, Inc.
Other Non-Listed Companies/Organizations
• Trustee of Lyceum of the Philippines University
• Member of the Dean’s Global Advisory Council at the University of Virginia’s Darden School of Business
Ayalá’s Board of Directors leads the company’s governance system by providing active management oversight, encouraging a culture of trust, openness, and constructive dissent, and ensuring individual accountability. In exercising its powers and duties, the Board always takes into consideration the best interest of the company, its shareholders, and other stakeholders. Annually, it leads the review of the company’s vision and mission, revisits and approves the group’s corporate strategy and performance objectives, and monitors its implementation. It oversees the business affairs and is accountable to the shareholders for the long-term performance of the company. It meets regularly and allocates time to discuss strategic issues with the Ayala Group Management Committee to gain insights into each specific business area. The Board’s roles and responsibilities are formalized in its Charter found in the company website.

### 2019 Board Accomplishments

1. The Board reviewed and affirmed the appropriateness of Ayala’s vision and mission statement.
2. The Board reviewed, monitored, and oversaw the implementation of corporate strategy.
3. The Board reviewed and ensured the adequacy of the company’s internal control mechanisms and risk management processes for good governance, and the proper implementation of the Code of Conduct and Ethics.
4. The Board reviewed and affirmed the true and fair representation of the annual financial statements, for fiscal year 2019.

### BOARD COMPOSITION

The structure, size, and composition of the Board are annually reviewed and monitored by the Corporate Governance and Nomination Committee ensuring an appropriate mix of non-executive, independent and executive directors. The current composition is sufficiently diverse in thinking, characterized by a combination of knowledge, experience, and expertise to guide management as it addresses issues, new challenges and market opportunities facing the company. Moreover, none of the directors have worked for Ayala’s external auditing firm within the three years immediately preceding the date of their election or appointment.

**Ayalá’s Board at a Glance**
- Number of Directors: 7 Directors
- Chairman: Jaime Augusto Zobel de Ayala
- Vice-Chairman: Fernando Zobel de Ayala
- Lead Independent Director: Xavier P. Loinaz
- Expertise/Background: economics, finance, accounting, business, contract, commercial, and international law, including engagements in social and environmental activities
- Director Term of Office: 1 year
- Percentage of non-executive and independent directors: 71 percent
- Independent directors owning more than 2 percent of outstanding capital stock: None

**Board Diversity Policy**

Ayala recognizes the value of having a Board composed of qualified and dedicated individuals with a diverse mix of expertise, experience, skills and backgrounds. As such, Ayala has adopted a board diversity policy that encourages the selection of an appropriate mix of competent directors. Diversity includes business experience, age, and gender. With respect to gender, the Board shall strive to be composed of at least 30 percent female directors or at least two (2) female directors, whichever is lower, by 2025.

**CHAIRMAN AND VICE CHAIRMAN**

The Chairman leads and drives the effectiveness of the Board, both inside and outside the boardroom by promoting active engagement and open discussion among the directors. The Chairman also provides guidance to the board through providing clear advice on strategy to steer the transformation of the business. In the absence of the Chairman, the Vice Chairman shall succeed the duties of the Chairman.

The responsibilities of the Chairman and the Board have been increasingly challenging due to the changing and evolving expectations by the various stakeholders of the company. The expectations are in the exercise of good corporate governance practices, implementation of effective risk management, and compliance with relevant laws and regulations.

The positions of Chairman of the Board and CEO are currently held by the same person. The company’s corporate governance principles, which include clear and well-understood roles and responsibilities, as well as a culture of open communication with the CEO and senior management, enable the Board to maintain independent reviews and quality discussions at meetings.

**NON-EXECUTIVE DIRECTORS AND INDEPENDENT DIRECTORS**

Non-executive directors (NEDs) and independent directors (IDs) make up more than 70 percent of the Board’s membership. The role of the NEDs and IDs is to exercise independent judgment, ensure the continuing soundness, effectiveness and adequacy of the company’s control environment, and act in the best interest of the company, the stockholders and the stakeholders considering transparency, accountability and fairness in all activities.

For its IDs, Ayala has set a term limit of nine years in accordance with the rules set by the SEC. As of 2019, none of the independent directors have served the company for more than nine years, reckoning from 2012, in compliance with SEC Memorandum Circular No. 19, series of 2016.

Periodic meetings are held by the NEDs and IDs without the presence of executive directors. In 2019, the NEDs and IDs had a meeting held on July 16, 2019 chaired by the Lead Independent Director, Xavier P. Loinaz. The CFO was invited as a resource person. Discussions centered on how the Code of Conduct and Ethics is being implemented and how compliance with it is being monitored, whistleblower reports involving certain companies within the group, the performance of the Chief Executive Officer and the need to periodically review the succession plans of the operating subsidiaries.

**LEAD INDEPENDENT DIRECTOR**

As mandated by the company’s Revised Corporate Governance Manual, a lead independent director is appointed to further ensure the exercise of independent judgment by the board, particularly since the Chairman is not independent of Management.

The Lead Independent Director’s role, among others, is to act as an intermediary between the Chairman of the Board and the other Directors, when needed; to convene and lead the periodic meetings of NEDs and IDs with the external auditor and heads of internal audit, compliance and risk management, as needed; and contribute to the performance evaluation of the Chairman of the Board.

### BOARD PERFORMANCE

The Board devotes ample time and attention to fulfill its duties and responsibilities. At the start of the year, the calendar of activities for the Board and Committees is established and approved. Each fiscal year, the Board meets at least six times, with the schedule of Board meetings determined before the start of each financial year. As stated in the Board Charter, the presence of at least two-thirds of the number of directors constitutes a quorum for the transaction of business.

The board meeting schedule is monitored by the Corporate Secretary to ensure that the materials are adequate and made available at least five working days in advance of the scheduled meeting to allow the Board enough time to prepare and make informed decisions. The Board agenda includes company’s and group’s operations and financial performance; updates on business, technological developments and the regulatory environment; and reports of the different Board Committees. These reports provide the Board with critical information on key issues, current trends, challenges and opportunities in the business and developments that may have a significant impact on the Ayala group of companies.

Discussions during Board meetings are open, with independent views given due consideration. In accordance with the company policy, Board members are required to abstain from participating in discussions on an agenda item in which they may have a conflict of interest.

The details of the Directors’ attendance and number of Board meetings held in 2019 are shown on the next page. All the Board members were present during the 2019 Annual Stockholders’ Meeting.
Board and Board Committee Membership

Stockholders, Board, Board Committee Meetings, and Directors’ Attendance For the Year Ended December 31, 2019

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<td>Antonio Jose U. Periquet</td>
<td></td>
</tr>
<tr>
<td>Independent Director</td>
<td></td>
</tr>
<tr>
<td>Keiichi Matsunaga</td>
<td></td>
</tr>
<tr>
<td>Non-Executive Director</td>
<td></td>
</tr>
</tbody>
</table>

Performance Assessment

Annually, the Board undergoes a formal assessment process to review and evaluate the performance of the Board, its Committees, and its individual members. The purpose of the assessment is to measure the effectiveness of the company’s governance practices and identify areas for improvement; and to adopt new methodologies towards further strengthening the company’s corporate governance standards. Once every three years, an independent consultant will be appointed to assist in the evaluation process of the Board. In 2019, AON was appointed as the independent consultant to assist in the board assessment exercise.

Each of the directors was requested to complete a self-assessment form which includes criteria such as: (1) structure of the Board, (2) shareholder benefits, (3) fulfillment of the Board’s key responsibilities, (4) oversight function, (5) effectiveness of the Board’s processes and meetings, (6) quality of the Board-Management relationship, (7) corporate ethics, and (8) performance evaluation.

The results of the self-assessment survey, including the comments of the directors, were compiled by the Chief Compliance Officer and reported during the Board meeting immediately following the completion of the survey.

Training of Directors

Ayala recognizes the value of providing relevant trainings to its directors and has set aside an annual budget to allow them to attend continuing professional development programs, applicable courses, conferences and seminars.

It is the policy of the company that all directors attend at least a four-hour annual continuing training program on corporate governance. Also, all new directors must undergo at the minimum an eight-hour orientation program on the company’s business and strategy, vision and mission, business strategy, Governance Codes and Policies, Articles, By-Laws, Corporate Governance Manual, Board and Committee Charters, SEC-mandated topics on governance matters and other subjects essential for the effective performance of their duties and responsibilities. Each year, the Chief Compliance Officer ensures all directors undergo the necessary trainings.

As a group-wide initiative, a Corporate Governance and Risk Management Summit has been held annually since 2014. The Summit serves as a venue for collaboration, promotes the importance of strengthening the company’s corporate governance structures, and acts as a continuing education program for the Board, CEOs, and senior management. For 2019, the first ever Integrated Corporate Governance, Risk Management and Sustainability Summit was held on August 9, 2019 in recognition of the Summit’s aim was to increase awareness that integrating sustainability in Ayala’s core strategies and governance framework allows for better identification, mitigation and management of risks and improvement of governance practices and procedures.

In 2019, all but one of the directors and senior management met the SEC requirement to undertake corporate governance (CG) training. This is through participation in the Integrated Corporate Governance, Risk Management and Sustainability Summit and attendance in other CG trainings administered by either the Good Governance Advocates & Practitioners of the Philippines (GGAPP) or SGV & Co.

For the past six years, Ayala has partnered with the Institute of Corporate Directors (ICD) and continuously supported its advocacy to promote professional directorship in line with global principles. For the year, Ayala has sponsored ICD’s programs such as the Distinguished Corporate Governance Speaker Series.

Director Compensation

The Personnel and Compensation Committee recommends to the Board remuneration packages for directors, ensuring that compensation is consistent with the company’s culture, strategy, and control environment, and aligned with the long-term interests of the company and its stakeholders. Total remuneration or changes thereto are approved by the stockholders during the annual stockholders’ meeting.

Ayala sponsored Institute of Corporate Directors’ Distinguished Corporate Governance Speaker Series
Executive Directors Remuneration
Ayala’s CEO and COO, Jaime Augusto Zobel de Ayala and Fernando Zobel de Ayala, respectively, as executive directors, do not receive remuneration for attending Board meetings nor the fixed retainer fee for Board of Directors.

Non-Executive and Independent Directors Remuneration
Only NEDs and IDs receive director fees. The existing remuneration framework for the NEDs and IDs adopted by the company consists of a fixed retainer fee and meeting fees. The fee structure is indicated in the table below.

BOARD COMMITTEES
The Board Committees are established to allow the Board to focus on specific functions, assist the Board in the optimal performance of its roles and responsibilities and to aid in promoting good governance. The rights and responsibilities of each Committee delegated by the Board are defined in the specific Committee Charters duly approved by the Board, all of which are available on the company website. Each Committee’s composition and attendance details can be found in the table on page 39.

For the highlights of the Committees’ activities in 2019, refer to the Committees’ Report to the Board of Directors on pages 206-212.

FEE STRUCTURE AND DIRECTOR REMUNERATION

<table>
<thead>
<tr>
<th>FEE STRUCTURE</th>
<th>Retainer fee</th>
<th>For board</th>
<th>For all committees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committee Chairman and Member</td>
<td>P3 million per annum</td>
<td>P0.2 million per meeting attended</td>
<td>P0.1 million per meeting attended</td>
</tr>
</tbody>
</table>

In 2019, the following NEDs and IDs received gross remuneration as follows:

<table>
<thead>
<tr>
<th>Non-executive and independent directors</th>
<th>Retainer fee</th>
<th>Meetings’ attendance fees</th>
<th>Gross Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ramon R. Del Rosario, Jr.</td>
<td>P3,000,000</td>
<td>P9,100,000</td>
<td>P6,100,000</td>
</tr>
<tr>
<td>Dennis L. Lazaro</td>
<td>P3,000,000</td>
<td>P9,500,000</td>
<td>P9,500,000</td>
</tr>
<tr>
<td>Xavier P. Loinaz</td>
<td>P3,000,000</td>
<td>P9,300,000</td>
<td>P9,300,000</td>
</tr>
<tr>
<td>Keiichi Matsunaga</td>
<td>P3,000,000</td>
<td>P9,500,000</td>
<td>P9,500,000</td>
</tr>
<tr>
<td>Antonio Jose U. Periquet</td>
<td>P3,000,000</td>
<td>P9,400,000</td>
<td>P9,400,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>P15,000,000</td>
<td>P33,800,000</td>
<td>P28,800,000</td>
</tr>
</tbody>
</table>

None of the NEDs and IDs receive compensation from Ayala for services other than those provided as a director. They are not entitled to stock options and performance bonuses from the company.

Executive Committee
The Executive Committee is mandated to exercise the powers and perform the duties of the Board within the authority granted to it. It acts by majority vote of all its members during the intervening period between scheduled Board meetings.

Finance Committee
The Finance Committee oversees, reviews, and evaluates the financial affairs of the company. The Committee discussed, deliberated on and approved various transactions in 2019.

Corporate Governance and Nomination Committee
The Corporate Governance and Nomination Committee is tasked with ensuring that good corporate governance principles and practices are complied with and observed by the company. This includes the adoption of an effective Board process in the nomination, election, or replacement of Board members and the review of the succession plans for members of the Board and senior executives. The Committee strives to ensure that the Board composition allows it to exercise effective decision-making powers by maintaining a suitable number of independent directors. The Committee also makes sure that the Board is comprised of individuals whose background, skills, experience and personal characteristics meet the needs of the company and is aligned with the company’s strategic direction, as evidenced by the board skills matrix found in the next page.

Annually and as necessary (i.e. upon vacancy of position or when additional directors are required), the Committee recommends to the Board qualified individuals for nomination and election as directors based on the established criteria to ensure sufficient diversity in the Board and aligned with the company’s vision, mission, strategic directions, its By-Laws, Revised Manual of Corporate Governance, and the rules of the SEC. For this purpose, the Committee may make use of professional search firms or other external sources of candidates to search for qualified candidates to the Board.

Audit Committee
The Audit Committee oversees matters relating to the financial statements and financial reporting process, external auditors, internal auditors, internal control, and compliance with applicable legal and regulatory requirements.

Risk Management and Related Party Transactions Committee
The Risk Management and Related Party Transactions Committee is responsible for oversight of the company’s enterprise risk management system. The Committee ensures that management maintains a sound risk management framework and internal control system to mitigate material risk exposures identified by the company. Another responsibility of the Committee is to review all material RPTs for endorsement to the Board to ensure that these are at arm’s length, the terms are fair, and they will inure to the best interest of the company, its subsidiaries or affiliates, and the shareholders.

Personnel and Compensation Committee
The Personnel and Compensation Committee is responsible for establishing a formal and transparent procedure for the development of a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, ensuring that compensation is consistent with the company’s culture, strategy, and control environment; and is aligned with the long-term interests of the company and its stakeholders, while remaining competitive against the market. The Committee is guided by the objective of ensuring that the level of compensation should fairly pay for the work required, considering the company’s size and scope.

BOARD SKILLS MATRIX
Directors as of December 31, 2019

<table>
<thead>
<tr>
<th>Industry Knowledge/ Experience</th>
<th>JAZA</th>
<th>FZA</th>
<th>DLL</th>
<th>XPL</th>
<th>KM</th>
<th>RRR</th>
<th>AUP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Experience – Conglomerate</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Industry Experience – Other Business Holdings</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Understanding of Business Environment</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Experience, Skills, Expertise</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Accounting</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Business Management (CEO, CFO)</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Legal/Regulatory</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>International Expertise</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Finance</td>
<td>✔</td>
<td>✔</td>
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<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Economics</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Engineering</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Investment Banking</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Strategic Planning</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Board Tenure</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Years</td>
<td>32</td>
<td>25</td>
<td>13</td>
<td>7*</td>
<td>3</td>
<td>7*</td>
<td>7*</td>
</tr>
<tr>
<td>Age</td>
<td>60</td>
<td>59</td>
<td>73</td>
<td>76</td>
<td>55</td>
<td>75</td>
<td>58</td>
</tr>
</tbody>
</table>

*Reckoned from 2012, in compliance with SEC Memorandum Circular No. 19, Series of 2016
MANAGEMENT COMMITTEE

JOHN ERIC T. FRANCIA
Managing Director, President and CEO, AC Energy, Inc.

RUEL T. MARANAN
Managing Director, President, Ayala Foundation

BERNARD VINCENT O. DY
Senior Managing Director, President and CEO, Ayala Land, Inc.

JAIME AUGUSTO ZOBEL DE AYALA
Chairman and Chief Executive Officer

ALFREDO I. AYALA
Managing Director, Chief Operating Officer, iPeople, Inc.

ARTHUR R. TAN
Senior Managing Director, CEO of Integrated Micro-Electronics, Inc. and President and CEO, AC Industrials Technology Holdings, Inc.

FERNANDO ZOBEL DE AYALA
President and Chief Operating Officer

JOHN PHILIP S. ORBETA
Managing Director, Chief Human Resources Officer and Group Head, Corporate Resources

ERNEST LAWRENCE L. CU
President and CEO, Globe Telecom, Inc.

JOSE TEODORO K. LIMCAOCO
Senior Managing Director, Chief Finance Officer, Chief Risk Officer and Chief Sustainability Officer, Finance Group Head and President of AC Ventures Holding Corp

PAOLO MAXIMO F. BORROMEO
Managing Director, Group Head, Corporate Strategy and Development President and CEO, Ayala Healthcare Holdings Inc.

SOLOMON M. HERMOSURA
Managing Director, Chief Legal Officer, Corporate Secretary, Chief Compliance Officer, Data Protection Officer, and Group Head, Corporate Governance

CEZAR P. CONSING
Senior Managing Director, President and Chief Executive Officer, Bank of the Philippine Islands

JOSE RENE GREGORY D. ALMENDRAS
Senior Managing Director, President and CEO, AC Infrastructure Holdings Corporation and Manila Water Company, Inc.

MANAGEMENT has created committees composed of key executives who meet regularly to discuss business performance and issues critical to the growth of the company, and to facilitate the flow of strategic and operational information among the company’s decision-makers. This ensures that decision-making is always made in the best interest of the organization.

Initiatives which are reviewed and endorsed by management-level committees are discussed at length with the appropriate Board-level Committees for approval and consequently, for endorsement to the full Board for ratification.

AYALA GROUP MANAGEMENT COMMITTEE
The Ayala Group Management Committee is composed of the Chairman and CEO, the President and COO, the five Ayala Corporation Group Heads, and the CEOs of the Ayala group companies. The Committee oversees the group strategic plan and ensures the alignment of individual business unit priorities to the group-wide direction. It meets regularly to review business performance, discuss group-wide issues and events, and identify areas of possible synergy and collaboration. The full profiles of the Ayala Group Management Committee members can be found on pages 244-247.

INVESTMENT COMMITTEE
The Investment Committee (IC) is composed of the Chairman and CEO, the President and COO, and the Group Heads. The Committee approves corporate, administrative, and organizational matters that pertain exclusively to the company, as well as group-wide affairs when relevant.

The IC reviews, provides direction, and gives preliminary approval for initiatives that may originate from the company or its subsidiaries specifically requiring funding from the company. Once a project clears the IC, it is endorsed for approval to the appropriate Board Committee and to the full Board.
CREATING SHARED VALUE

OUR VISION
To be the most relevant, innovative, and enduring Philippine-based business group, enabling shared value and prosperity for the many stakeholders we serve

OUR MISSION
To ensure long-term profitability as we create value and forge synergies and alliances with entities who share our philosophies and values

OUR CORE VALUES
• Integrity
• Long-term Vision
• Empowering Leadership
• Commitment to National Development

OUR PURPOSE
To improve lives through resilient businesses and risk-calculated investments that have a meaningful and lasting impact on the country’s economic and social landscape

OUR PROMISE
Reinventing businesses, Transforming communities

GLOBAL STANDARDS

GLOBAL PARTNERSHIPS
Ayala sits in the Board of the UN Global Compact Network Philippines and supports the Global Compact and its 10 Principles.

SUSTAINABILITY BLUEPRINT PRINCIPLES
1. Outside-in
2. Bold leadership
3. Impact at scale
4. Focus
5. Public-private partnership

SUSTAINABILITY STATEMENT
Our transformation path that leads to a meaningful and lasting impact on the country’s economic and social landscape aligns with the SDGs and navigates within the focus areas of marginalization, untapped potential, and irresponsible growth

KEY DRIVERS
1. Micro and Macro Economics
2. Megatrends
3. Leading Sustainability Practices

MATERIALITY AND SUSTAINABILITY REPORTING FRAMEWORK p.87-88

RISK MANAGEMENT p.67-74

OUR BUSINESS MODEL p.61-62
Ayala addresses structural and societal gaps in the Philippines by building businesses and transforming its industry-leading subsidiaries. Our long-term value creation is driven by our strategies with Sustainability at our core.


Financial
A. Financial Management Strategy
• Strategic Business Development
• Capital Allocation
• Portfolio Management
• Balance Sheet Management

B. Non-Financial Management Strategy
• Human Resource Development
• Corporate Governance
• Stakeholder Management
• Risk Management
• Brand Management

Fundamental Risks
• Political and Regulatory
• Brand and Reputation
• Governance and Controls
• Talent
• Business Resiliency
• Information Security and Cyber

Other Key Risks
• Portfolio Management
• Competition
• Partnerships and Alliances
• Innovation and Technology
• Synergy
• Capital Markets
• Funding

Earnings that are growing, consistent, and risk-adjusted
Maintained market leadership and strengthened expertise in our businesses
A competent workforce of more than 72,000 direct employees across our businesses
Partner of choice, with our businesses having maintained strong partnerships with over 40 leading local and global companies

Intellectual

Human

Social and Relationship

Access & Inclusivity
Productivity & Competitiveness
Responsible Growth & Innovation

Marginalization
Untapped Potential
Irresponsible Growth

Earnings that are growing, consistent, and risk-adjusted
Maintained market leadership and strengthened expertise in our businesses
A competent workforce of more than 72,000 direct employees across our businesses
Partner of choice, with our businesses having maintained strong partnerships with over 40 leading local and global companies

Sustainability Blueprint discussion p.105-124

Ayala is the first Philippine company to become a member of WBCSD and support its goal of transitioning to a sustainable world.
### MARKET OUTLOOK

#### Ayala Corporation 2019 Integrated Report

<table>
<thead>
<tr>
<th>Objective</th>
<th>2019 Priorities</th>
<th>2019 Performance</th>
<th>2020 Priorities</th>
<th>The Value We Create for Our Stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Core Value Drivers</strong></td>
<td></td>
<td></td>
<td></td>
<td>Quality homes and venues for business and leisure that support communities, create jobs, protect the environment, and boost economic activity</td>
</tr>
</tbody>
</table>

#### Ayala Land

- **44.5% Leading and most diversified property developer in the country with the largest landbank**

  - **Objective:** Continue build-up of infrastructure projects
  - **2019 Priorities:**
    - Increase recurring income contribution to achieve a more balanced portfolio
    - Launch an optimal mix of horizontal and vertical projects for sale
  - **2019 Performance:**
    - **Stakeholders:**
      - Deliver on target pipeline
      - Launch projects attuned to market demand

#### BPI

- **48.6% Pioneering financial institution, one of the most profitable banks in the Philippines**

  - **Objective:** Continuous increase in fixed-line penetration and monetize
  - **2019 Priorities:**
    - Increase loans by:
      - 20 percent or more for SME loans
      - 15-19 percent for consumer loans
      - 50 percent for microfinance loans
  - **2019 Performance:**
    - **Stakeholders:**
      - Grow deposits by 10% / CASA ratio by 70 percent or more
      - Build 10-15 new BPI branches; 100 new BanKo branches

#### Globe

- **Surveyor of the Filipino digital lifestyle supported by a robust telecom infrastructure**

  - **Objective:** Build the network of choice
  - **2019 Priorities:**
    - Network rollout
    - Increase household penetration / habituate and monetize
    - Develop new ICT capabilities / new and profitable revenue streams
    - Develop an agile workforce
  - **2019 Performance:**
    - **Stakeholders:**
      - Connect household to internet through wireless home broadband
      - Launch 5G technology

#### AC Energy

- **100% Fast growing regional energy platform with investments in renewable and conventional power assets and development, operations, and retail supply capabilities**

  - **Objective:** Expand in high growth regional markets
  - **2019 Priorities:**
    - Expand in high growth regional markets
    - Leverage both internal development capabilities and strategic partnerships
    - Actively recycle capital
  - **2019 Performance:**
    - **Stakeholders:**
      - Commissioned solar projects in Vietnam
      - Acquired additional stake in local solar wind plants
      - Awarded two power supply contracts with Meralco

---

**Notes:**
- **Detailed Financials and Strategies:**
  - **P.131-132**
  - **P.137-138**
  - **P.342-344**
  - **P.149-150**

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**AYALA CORPORATION 2019 INTEGRATED REPORT**

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**2019 INTEGRATED REPORT**
### PORTFOLIO INVESTMENTS

#### MANILA WATER
- **51.4% Regional player in water infrastructure services and development**
  - p.155-156
  - **Key Infrastructure Projects:**
    - Water shortage will continue to be a challenge, aggravated by climate change and increase in population and density.
    - Wastewater treatment becomes increasingly important.

#### ACIndustrials
- **100% Industrial technologies investments focused on electronics manufacturing, vehicle retail, and enabling technologies**
  - p.161-162
  - **Key Infrastructure Projects:**
    - Tougher operating conditions due to intensifying trade conflicts.
    - Increasing digitization and connectivity leading to higher demand for electronic devices.
    - Shortages of materials and more demanding customer cycle times.
    - Philippines will remain a valued destination to many automotive manufacturers.
    - Key technology transformation such as autonomy, sharing, and smart technology will shift industry profitability.

#### ACInfra
- **100% Portfolio of key infrastructure projects and public-private partnerships (PPPs) in the country**
  - p.167-168
  - **Key Infrastructure Projects:**
    - Increased PH public infrastructure spending.
    - Expecting growth in efficient and reliable logistics.
    - Growing preference for more convenient and cashless modes of financial transactions.

### MARKET OUTLOOK

<table>
<thead>
<tr>
<th>PORTFOLIO INVESTMENTS</th>
<th>CAPITALS</th>
<th>STRATEGY</th>
<th>HOW WE CREATE VALUE (BUSINESS ACTIVITIES)</th>
<th>2019 PRIORITIES</th>
<th>2019 PERFORMANCE</th>
<th>2020 PRIORITIES</th>
<th>THE VALUE WE CREATE FOR OUR STAKEHOLDERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>MANILA WATER</td>
<td>Financial Manufactured Human Natural Social and Relationship</td>
<td>Advocate water security and sustainability</td>
<td>Water utility operations</td>
<td>Operationalize the Cardona Water Treatment Plant</td>
<td>Operationalization of used water treatment plants</td>
<td>Operationalized the Cardona Water Treatment Plant</td>
<td>Ensure equitable distribution of water supply augmentation projects</td>
</tr>
<tr>
<td>ACIndustrials</td>
<td>Financial Manufactured Intellectual Human Natural Social and Relationship</td>
<td>Create and grow larger-scale operations</td>
<td>Portfolio management</td>
<td>Support IMI expansion</td>
<td>IMI operations remain stable</td>
<td>IMI operations remain stable ending at over US$ 1 billion</td>
<td>Support growth of IMI’s core businesses</td>
</tr>
<tr>
<td>ACInfra</td>
<td>Financial Manufactured Intellectual Human Natural Social and Relationship</td>
<td>Ensure high levels of efficiency for operating companies</td>
<td>Project development</td>
<td>Increase annual daily traffic in MCX</td>
<td>Increase annual daily traffic in MCX</td>
<td>Increase MCX daily traffic to 38,000</td>
<td>Resilient infrastructure to facilitate movement of people, and support faster and reliable movement of goods.</td>
</tr>
</tbody>
</table>
Ayala Foundation

The conglomerate’s social development arm with key program areas in education, youth leadership, sustainable livelihood, and the promotion of arts and culture

- Philippine civil society organizations remained stable despite challenges on legal environment, advocacy, and public image
- Strengthen alignment with conglomerate
- Focus on stronger community engagement
- Make an impact on the country’s development goals and in national pride
- Improve efficiency of internal processes and build a strong talent pool
- Measure impact using SROI framework
- Education programs
- Arts and culture
- Youth leadership
- Sustainable livelihood
- Employee engagement
- Align with Ayala group especially in volunteerism and CSR
- Strengthen community programs
- Continue conversations on nation building
- Train employees as community development advocates
- Integrate SROI measurement in projects

Capital

- Strengthen Intellectual Human Social and relationship
- Natural
- Manufactured
- Financial
- ACVentures

100% Holding company for Ayala’s investments in real estate, as well as opportunities in disruptive sectors and emerging business models

- Young and tech-savvy population
- ASEAN internet economy to reach $300 billion by 2025
- PH with second largest internet user base
- Myanmar liberalizing its economy
- Enable new opportunities for the Ayala group
- Gear up tech businesses for scale and profitability
- Strengthen AG Holdings’ offshore investments
- Explore new disruptive trends, businesses, and relationships
- Enable adjacencies and synergies that complement the strategies of current businesses
- Look out for disruptive trends and their investment opportunities
- Strengthen partnerships, explore opportunities in real estate sector
- Setup ACTIVE fund
- Gained exposure in Myanmar
- Attained positive margins for Zalora
- Entered into the Cartera 3V with BPI and Indiara
- Deploy first investment from the ACTIVE fund
- Engage with Yoma group and identify co-investment opportunities
- Launch Cartera platform
- Expand Zalora and Mynt
- Continue to explore opportunities in real estate

The value we create for our stakeholders

Market outlook

- Capital
- Strategy
- How we create value (business activities)
- 2019 priorities
- 2019 performance
- 2020 priorities

Sustainable livelihood, and the promotion of arts and culture

- Clearer national policy on cancer care and primary care coverage will help stabilize business environment
- Decreased clinics visits out of fear of exposure to COVID-19
- Shortage of medicines (i.e. preventive) and supplies from increased demand and disruption of global supply chains
- Outlook remains cautious and general slowing in overall growth of the industry is anticipated

Social Infrastructure

- Improve enrollment process
- Provide access to needs of students for learning
- Ensure quality education
- Maximize opportunities for synergy across the schools

- Marketing, sales, and expansion
- Content and curriculum development
- Career and placement services
- Talent development

- Continue enrollment growth
- Improve employability results
- Over 59,300 students vs about 35,000 before merger
- About 24,000 (41 percent) scholars and government subsidy beneficiaries
- Continue school recruitment
- Improve employability rate and starting average salary
- Identify areas for synergy and innovation across schools

- Look for disruptive trends and their investment opportunities
- Strengthen partnerships, explore opportunities in real estate sector
- Setup ACTIVE fund
- Gained exposure in Myanmar
- Attained positive margins for Zalora
- Entered into the Cartera 3V with BPI and Indiara
- Deploy first investment from the ACTIVE fund
- Engage with Yoma group and identify co-investment opportunities
- Launch Cartera platform
- Expand Zalora and Mynt
- Continue to explore opportunities in real estate

- Young and tech-savvy population
- ASEAN internet economy to reach $300 billion by 2025
- PH with second largest internet user base
- Myanmar liberalizing its economy
- Enable new opportunities for the Ayala group
- Gear up tech businesses for scale and profitability
- Strengthen AG Holdings’ offshore investments
- Explore new disruptive trends, businesses, and relationships
- Enable adjacencies and synergies that complement the strategies of current businesses
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Ayala addresses structural and societal gaps in the Philippines by building impactful businesses and transforming its industry-leading subsidiaries. Our long-term value creation is driven by strategic business development, a robust capital allocation process, active portfolio, and balance sheet management, with sustainability at our core.

We have a strong track record of building impactful businesses and steering their strategic transformation as industry-leading players. We identify opportunities in sectors that are either in nascent stages or are undergoing disruption to create strong franchises. We explore new sectors, geographies, and expert partners to develop new business models where we can innovate and unlock our unique advantage.

Our strategy execution is driven by four elements: Our strategic business development agenda continues to refine our existing business strategies and to identify new opportunities by leveraging our financial, intellectual, human, and social and relationship capital. Our robust capital allocation process utilizes quantitative and qualitative criteria and a multi-step management approach to fund new or existing businesses. We employ active portfolio management and continue to rebalance our holdings to crystallize value. Finally, our active balance sheet management is the engine that allows us to stay nimble and drives our capacity to grow.

These four are done in the context of key global, regional, and local trends that we believe will impact markets, sectors, and businesses in which we choose to invest and operate.

Our management approach and constant reinvention has cemented our business leadership over the past 185 years. We are addressing the societal gaps through the company’s investment portfolios in healthcare, education, and infrastructure.

Our financial management strategy is rooted in discipline and a conscious alignment to the vision of Ayala to be the most relevant, innovative, and enduring business group. Using the five vision pillars as a guide, management gains a better understanding of how decisions on capital allocation, portfolio management, business development, and balance sheet management impact the overall strategy, allowing the company to be agile and ensure its longevity.

<table>
<thead>
<tr>
<th>5 Vision Pillars</th>
<th>Financial Strength</th>
<th>Geographic Expansion</th>
<th>Stakeholder Engagement</th>
<th>Business Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Business Development</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Capital Allocation</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Portfolio Management</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Balance Sheet Management</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

STRATEGIC BUSINESS DEVELOPMENT
In Ayala, we constantly look for new investment areas, identify opportunities, and assess emerging markets and economic trends. This process includes a thorough analysis of the performance of a business and weighing this against the competition, the business landscape, and the approved budget plan. The objective is to refine capital allocation depending on performance, and if needed, suggest changes to the business plans or strategies.

In November 2019, we invested US$237.5 million in Myanmar through a 20 percent ownership stake in the Yoma Group. Myanmar is among the ASEAN’s fastest growing economies but remains underpenetrated. This long-term investment in Myanmar supports our belief in the country’s growth potential and the prospects of the region in general. We partnered with the Pun family’s Yoma Group because they are a conglomerate of high regard and with values that align with ours.

All investment proposals that progress beyond the Corporate Strategy and Finance groups are presented to the Investment Committee. The Investment Committee is composed of Ayala’s key senior officers and may invite other senior group executives to provide insight. The Investment Committee then reviews the business plan and the strategy for execution. A thorough discussion on risks is carried out and responsible persons are identified to execute the business plan. If the Investment Committee approves the proposed investment, it is then endorsed to the Finance Committee of the Board.

CAPITAL ALLOCATION
In practice, investment decisions are weighed against whether they can deliver significant value over time. We follow a rigorous process that evaluates opportunities and tests for business and financial viability. Management provides the needed capital to the approved business plan and designates a responsible management team to carry out the implementation. Business performance is reviewed on a regular basis and our gating process involves many groups within the company, including Corporate Strategy and Development; Finance; a management-led Investment Committee; the Board’s Finance Committee; and the Board of Directors.

PORTFOLIO MANAGEMENT
Our portfolio consists of companies in various stages of development. Our core businesses Ayala Land, BPI, Globe, and AC Energy are capital self-sufficient and have access to various sources of funding, while our emerging businesses rely on equity infusion from Ayala. As the emerging companies grow and become more profitable, they are able to access other avenues of funding. For its part, Ayala provides the critical support beyond equity capital including strategy, treasury, corporate finance, audit, legal, and human resources.

The Management Investment Committee and the Board’s Finance Committee review the performance of each business unit through a portfolio strategy cycle throughout the year. This starts with a Group CEO session to align on our outlook, then a portfolio review process to study our existing assets set against the current macroeconomic backdrop, regular deep dives on specific business units, and a review process to assess performance against annual targets. This robust process provides management the platform to assess whether to allocate more capital to a business or rebalance our holdings to solidify value.

BALANCE SHEET MANAGEMENT
Over the years, Ayala has built a portfolio of core businesses that served as sources for our operating
expenses, interest obligations, and dividend expectations while enabling us to raise capital to fund new enterprises.

Our balance sheet is the engine that drives our capacity to grow. As such, we ensure that it remains strong with significant debt capacity and a wide spread out maturity profile that gives us the flexibility to fund future growth opportunities. This is augmented by an optimal foreign exchange and interest rate mix and a healthy cashflow adequacy ratio.

Ayala’s loan to value ratio, which compares our net debt to the market value of our investments, is a good measure of our relative indebtedness and our capacity to take on or service our obligations. At the end of 2019, our loan to value ratio decreased to 6.5 percent from 11.8 percent in 2018. The decrease was largely attributed to the maturity of our US$300 million exchangeable bond in April 2019. The dividends Ayala received from AC Energy’s sale of thermal assets were also used to repay US$380 million from our bilateral facilities.

Our current loan to value ratio (LTV) remains low and indicates that for every ₱6.50 of debt we carry, we have ₱100 of assets behind it. The LTV does not include the impact of our fixed-for-life perpetual bonds as these are perpetual securities and do not have to be repaid. Gross debt increased to ₱105.8 billion, offset by an end-2019 cash balance, which brought net debt to ₱83.2 billion. At the parent level, net debt to equity ratio went down to 0.63 to 1.

We continue to manage our obligations to ensure that we are not overly exposed to market liquidity, foreign exchange, and interest rate risks. Our average cost of debt rose slightly to 5.4 percent per annum following a period of rising interest rates in the first half of 2019. At year end, our debt maturities are well-spread out and in compliance with our internal policy of not having maturities exceeding 20 percent of total debt annually.

Our fixed to floating rate mix of 91%/9 reflects our strategy of capitalizing on lower interest rates during the latter part of 2019 and puts Ayala in a favorable position in a rising rate environment. Peso obligations are 62 percent of our total obligations and our US dollar denominated obligations are more than offset by US dollar cash and long-term foreign currency investments.

Related to our investments on new growth ventures, we are confident in the long-term value creation of the company. In May 2019, we purchased 3.8 million of our common shares from Mitsubishi Corporation for ₱3.2 billion. On December 5, 2019, the Board approved a new buyback program and allocated ₱10 billion for the purchase of Ayala Corporation shares. We purchased 673,000 of our common shares for ₱545 million as of year end, reflecting our confidence amid challenging market conditions.

Our sound debt management practice allows us flexibility in our investment decisions. Our strategy as regards to debt is to raise debt opportunistically in the public markets and rely on strong and transparent banking relationships in the loan markets. In October 2019, the drop in interest rates provided an opportunity for Ayala to return to the international capital markets. We raised US$400 million from the issuance of a second fixed-for-life perpetual bond at a coupon of 4.85 percent. The offering was the second fixed-for-life notes issuance in Asia Pacific for 2019 and the lowest yielding of its kind out of Southeast Asia.

In November 2019, we tapped the domestic capital markets and raised ₱15 billion from our preferred shares issuance. Pricing was 60 basis points over the 5-year Bloomberg Valuation (BVAL) benchmark with a final computed rate of 4.8214 percent - the tightest for a preferred shares issuance. The offering was also the largest domestic fund-raising exercise done by Ayala in recent years, receiving the highest participation from the PSE trading participants in recent preferred share offers.

Our strong credit is shown in our capital raising and supported by wide access to bank loans. We maintain committed lines from both local and foreign banks that ensure we have sources of funds available when needed.

Our debt policies ensure that we can comfortably service our interest and operating expenses, meet maturing obligations, and have the confidence to face or take advantage of market downturns. The policies include:

1. Maintaining a pre-defined cash flow adequacy ratio, to ensure cash we receive at Ayala is sufficient to meet all our cash obligations arising from expenses, interest, and dividends.
2. Maintaining a maximum loan to value ratio, which measures the ratio of our net debt to the total value of our assets. Tracking this ratio daily provides management and the Board a measure as to how much of our value is funded by debt.
3. Maintaining a maximum amount of debt due each year where our debt maturities are spread out across many years, to avoid concentration in a single year. This ensures that an external event that might affect refinancing in any given year does not cause significant problems.
4. Hedging is done if non-peso debt is used to fund peso investments. For prudence, foreign currency denominated debt is used to finance foreign-currency denominated investments.

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Type</th>
<th>Amount</th>
<th>Coupon</th>
<th>Issuance</th>
<th>Maturity</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala</td>
<td>Preferred shares Pref B Series 1 (ACPB 1)</td>
<td>₱10.0bn</td>
<td>5.2500%</td>
<td>November 15, 2013</td>
<td>Perpetual</td>
<td>10th year repricing: 5-year BVAL + 15bps</td>
</tr>
<tr>
<td></td>
<td>Preferred shares Pref B Series 2 (ACPB2)</td>
<td>₱15.0bn</td>
<td>4.8214%</td>
<td>November 29, 2019</td>
<td>Perpetual</td>
<td>5th year repricing: 10-year BVAL + 300bps</td>
</tr>
<tr>
<td></td>
<td>Voting Preferred Shares (non-listed)</td>
<td>₱200.00bn</td>
<td>3.6950%</td>
<td>May 20, 2010</td>
<td>Perpetual</td>
<td>Every 3rd year repricing: 3-year BVAL</td>
</tr>
<tr>
<td></td>
<td>10-year Putable Bond, Fixed Coupon</td>
<td>₱9.9bn</td>
<td>6.8000%</td>
<td>May 12, 2011</td>
<td>May 12, 2021</td>
<td>First put option: May 12, 2016 (up to 20% of outstanding)</td>
</tr>
<tr>
<td></td>
<td>15-year Callable Bond, Fixed Coupon</td>
<td>₱10.0bn</td>
<td>6.8750%</td>
<td>May 11, 2012</td>
<td>May 11, 2027</td>
<td>Second put option: May 12, 2019 (up to 50% of outstanding)</td>
</tr>
<tr>
<td></td>
<td>7-year Callable Bond, Fixed Coupon</td>
<td>₱10.0bn</td>
<td>3.9200%</td>
<td>July 7, 2016</td>
<td>July 7, 2023</td>
<td>Callable on January 7, 2022 (at 100.250%)</td>
</tr>
<tr>
<td></td>
<td>8-year Callable Bond, Fixed Coupon</td>
<td>₱10.0bn</td>
<td>4.8200%</td>
<td>February 10, 2017</td>
<td>February 10, 2025</td>
<td>Callable on August 10, 2023 (at 100.250%)</td>
</tr>
<tr>
<td></td>
<td>Perpetual Bond, Fixed Coupon</td>
<td>US$400.0Mn</td>
<td>5.1250%</td>
<td>September 13, 2017</td>
<td>Perpetual</td>
<td>Callable on September 13, 2022 (at 100.250%)</td>
</tr>
<tr>
<td></td>
<td>Perpetual Bond, Fixed Coupon</td>
<td>US$400.0Mn</td>
<td>4.8500%</td>
<td>October 30, 2019</td>
<td>Perpetual</td>
<td>Callable on October 30, 2024 (at 100.250%)</td>
</tr>
</tbody>
</table>
drop to the target range of the government as early as the first quarter of the year and several rate cuts were implemented by the central bank, sentiment slowly deteriorated as internal and external headwinds weighed down GDP growth, which ended at 5.9 percent and below the government’s full year target of 6 percent to 6.5 percent. In particular, a delay in passage of the national budget hampered government spending in the first part of the year.

The PSEi was flatter throughout 2019 given these factors and registered a low-single digit growth by the end of the year. Ayala’s share price tracked the index’s movement for the most part, exhibiting alternating upswings and downswings for the first seven months during which it traded at an average of ₱910, near its start-of-the-year levels of ₱906. Amongst the most notable events that affected Ayala’s share price in that period happened in the first month of 2019 when the company was trading at its peak of nearly ₱1,000. In mid-January, Mitsubishi Corporation, the company’s second largest shareholder, sold AC shares worth ₱11.7 billion at ₱900 per share. Ayala’s volatile share price continued in February when MSCI announced that it would rebalance, in three tranches, towards China A shares. This effectively reduced weights of other component markets in the MSCI including the Philippines. The Ayala group also saw unfavorable sentiment due to the water supply shortage in March, which affected Manila Water and the temporary outage of banking services of BPI due to its system upgrade in April. Further, by the time first half earnings were reported in August, concerns on IMT’s worse than expected losses and Ayala Land’s residential sales performance became an added concern for investors, exacerbating the outlook for the parent company. The market also perceived AC Energy’s divestment gains from its sell down of some thermal plants a one-off and a reduction of the power company’s ability to generate core earnings.

By September, despite the strong results of BPI, Globe, and Ayala Land, Ayala started to lag versus the index, which sustained its flatter trajectory. As investors started to digest mid-year earnings, the company’s share price started to move downwards but it was not until November, around the same time the Yoma transaction was announced, that Ayala saw the biggest drop in value at the ₱850 level. The buy-in into the Myanmar-based company had mixed feedback from the investment community, leading to more uncertainty towards the group. In December, this was further amplified when the government threatened to revoke the contracts of the incumbent water concessionaires on the grounds of onerous provision in the deals, effectively also dampening sentiment in the country. While these were happening, concerns on the novel coronavirus was starting to emerge, establishing the storyline for perhaps the biggest global headwind for the incoming year. The PSEi ended 2019 at 7,815.26, up roughly 4.35 percent while Ayala’s share price tallied at ₱785.50, down 13.3 percent.

**DIVIDENDS**

Ayala’s policy is to provide a regular fixed semi-annual cash dividend to common shares. For voting preferred shares, the dividend rate is 5.77 percent per annum. For non-voting Preferred B Series 1 and Series 2 shares, the dividends are given at 5.25 percent and 4.82 percent per annum, respectively. It is the company’s policy to treat all shareholders equally, ensuring payment of dividends in an equitable and timely manner—within 30 days after being declared and finally cleared.

In 2019, we declared total dividends per common share of ₱8.30, 20 percent higher compared to the previous year. We understand that our shareholders view our dividends as a regular source of both income and capital returns and strive to maintain consistent distributions from year to year. Moving forward, we will continue to revisit potential sustainable increases in the regular dividend rate, with the continued capacity to make new or additional investments as the primary consideration.

**NON-FINANCIAL MANAGEMENT STRATEGY**

The other component that defines the way we do business is our commitment to sustainability. Our non-financial management strategy revolves on human resource development with the belief that our employees are our primary customers and their welfare is our priority, corporate governance which makes sure that we comply with policies and regulations required of responsible companies, stakeholder management where we operate with the welfare of our stakeholders in mind, risk management which gives us the balance and cautions us as we keep our balance sheet strong, and brand management where our mindset is that everything we do affects our brand and reputation.

With these, Ayala annually looks at environmental, social, and governance performance as aligned with its Sustainability Reporting Framework. Moreover, Ayala also monitors how it creates shared value and ensures that it significantly contributes to the UN Sustainable Development Goals through the commitments set in the Ayala Sustainability Blueprint.

As our financial management strategy helps us be financially strong to grow and expand, our non-financial management strategy helps us ensure that we remain relevant despite the fast-changing business and social climates. Both strategies are given equal importance in Ayala and drives the group to be continually resilient and innovative.

More discussion on non-financial matters can be found in the succeeding pages within the Our Value Creation section.
# Our Business Model

## Value We Draw From

<table>
<thead>
<tr>
<th>Financial Capital</th>
<th>Intellectural Capital</th>
<th>Human Capital</th>
<th>Social and Relationship Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong financial position including:</td>
<td>Deep expertise of Philippine ecosystem and key industries</td>
<td>Best-in-class talent across departments and disciplines</td>
<td>Strong relationships with a vast network of business partners, investors, communities, academe, and other relevant entities</td>
</tr>
<tr>
<td>Reliable operational cash flow</td>
<td>Corporate culture focused on lifelong learning</td>
<td>Diversity of talent, including global perspective and mindset</td>
<td>Strong, trusted Ayala brand</td>
</tr>
<tr>
<td>Affordable, reliable access to debt supported by a robust capital allocation process</td>
<td>Robust governance and risk approach</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Financial Management Strategy

- **Strategic Business Development**
  - We continue to explore new sectors, geographies, and expert partners to develop new business models that will drive our growth.
  - We identify partnership opportunities among our business units and create an environment for collaborative innovation.

- **Capital Allocation**
  - Using quantitative and qualitative criteria and a multi-step management approach, we allocate financial resources to businesses we believe provide the best risk-adjusted stakeholder returns over the long term.

- **Portfolio Management**
  - We carefully evaluate the performance of our subsidiaries vis-à-vis market behavior to guide decisions on investments or divestments in a timely manner.

- **Balance Sheet Management**
  - We maintain a healthy balance sheet with significant debt capacity and a well spread out maturity profile, which gives us the flexibility to fund future growth opportunities. This is augmented by an optimal foreign exchange and interest rate mix and a healthy cashflow adequacy ratio.

### Non-Financial Management Strategy

- **Human Resource Development**
  - We continue to build competencies to support the growing requirements of our businesses.

- **Corporate Governance**
  - We continually improve our policies and monitor our practices to ensure we are at par with the best standards of corporate governance.

- **Stakeholder Management**
  - We continue to listen to our stakeholders and keep them informed on matters important to their decision-making.

- **Risk Management**
  - We continue to elevate risk management as an essential consideration in every decision, activity, and initiative of the company.

- **Brand Management**
  - We continue to build and protect our brand by ensuring we deliver on our promise, and effectively communicate what we stand for as a company.

## Value We Create in 2019

- Earnings that are growing, consistent, and risk-adjusted
- Net Income of ₯335.3 billion
- Return on Common Equity of 11.9 percent
- Reliable dividends and total shareholder returns
- Market capitalization of ₯492.3 billion at end-2019, the third largest among conglomerates

## Targets for 2020

- Strong, diversified portfolio earnings and returns amid economic cycles
- Net Income: ₯50 billion
- Return on Common Equity: 15 percent
- Market Capitalization rank: 1st or 2nd

- Loan to value ratio decreased to 6.5 percent from the 11.8 percent in 2018
- Average cost of debt at 5.4 percent per annum, but ensured to be well-spaced
- Issuance of the second opportunistic US$400 million fixed-for-life (FFL) bond; matched long-term funding for strategic investments
- Call and Re-issuance of ₯15 billion Preferred shares at record spread level

- Maintained market leadership and strengthened expertise in our businesses, including: - Ayala Land in integrated mixed-used master planned communities - BPI as a trusted financial services provider, focused on financial inclusion - Globe in wireless market and as a purveyor of the Filipino digital lifestyle - AC Energy as a regional player in energy development and power generation

- A competitive workforce of more than 72,000 direct employees across our businesses
- Good quality of life for employees and their families
- Developing future Ayala leaders
- Management excellence as evidenced by award-winning teams across Finance, Governance, Strategy, and Strategic Human Resources

- Partner of choice, with our businesses having maintained strong partnerships with over 40 leading companies in the Philippines and from across the globe
- Satisfied shareholders and stakeholders
- Strong and recommended Ayala brand

- Continue to be the employer of choice for a highly engaged employee base
- Maintain an empowering and motivating environment that allows people to effectively leverage their knowledge, relationships, and expertise to drive value
- Prepare workforce for potential disruption from increasing adoption of digital technology in business

- Continue to strengthen Ayala’s Balance Sheet; optimum funding in a volatile market environment, manage financing cost at 5.4 percent or even lower
- Maintain a high level of Liquidity of at least ₯20 billion, to support budgeted allocation and new investment opportunities
- Explore opportunities for yield enhancement, and increased focus on Asset and Liability Management and credit management

- Positively disrupt, transform the industries, and impact the markets we serve

- Strong and recommended Ayala brand
- Sustain ongoing relationships with existing business partners while keeping our doors open for new ventures and partnerships
- Ayala remains a strong and trusted brand
## OUR OUTLOOK

Ayala defines its strategy in the context of key global, regional, and local trends that we believe will impact markets, sectors, and businesses in which we choose to invest and operate. We monitor the evolving macro-political environment and adapt our strategy posture and investment decisions to ensure we remain in the best position to leverage and mitigate the impact of these factors.

### RISING CONSUMER CLASS

**Description**
The Philippines continues to be a consumption-driven economy. With tailwinds from lower inflation and interest rates, and with an increasing number of Filipinos entering the labor force, we expect consumption to remain strong as we look ahead into the next decade. Our demographic dividend of a young and large population is further augmented by continued strong remittances, expansion of industries, and rising average incomes. Alongside these is the growth of small and medium-sized enterprises, which help spur economic activity within their own communities. These factors fuel a growing base of urbanized, middle-income, and affluent consumers who will continue to unlock demand for products and services.

**How our strategy addresses this**
We continue to prioritize the Philippines with most of our businesses positioned to both contribute to and grow alongside the country’s development. Our core business units continue to cater to the banking, telecom, real estate, and utility needs of the growing consumer class. Furthermore, each of these core units continues to explore ways addressing the needs and demands of a broader market – such as expansion of microfinance services of BPI through BanKo, and providing a broad array of residential options, including dormitory-style living of Ayala Land. As a group, we are also evaluating ways to better serve and support small and medium enterprises across our network and supply chains.

### GROWING IMPORTANCE OF ESG

**Description**
We believe that to create sustainable and long-term value, private enterprises must continue to strive for deeper engagement with society to address various environmental, social, and governance issues we face today. These issues include marginalization, large untapped potential of our human capital, climate change, and irresponsible growth leading to lasting environmental damage. In response to such issues, we see a trend towards more inclusive businesses models, practices to reduce carbon footprint, and industries that promote sustainable use of resources, such as renewable energy. We also see more professional investment management firms increasing their focus on socially responsible investing strategies.

**How our strategy addresses this**
We are increasingly deliberate about our contributions to the United Nations Sustainable Development Goals, which we first outlined in our Sustainability Blueprint: Bridging the Filipino to 2030. As a group, we have identified three journeys where our businesses together aim to make tangible and lasting impact: access and inclusivity, productivity and competitiveness, and responsible growth and innovation. Each business unit has committed to actionable and measurable initiatives, and we continue to push for group-wide synergies across initiatives such as in waste management and climate action. We advocate carbon reduction across multiple businesses and are focused on measuring our impact by increasing our efforts on SROI and institutionalizing the SDGs as a performance metric for our leaders.

### DIGITAL TRANSFORMATION

**Description**
Increasing access to technology has driven a shift in the demands and lifestyles of consumers, which requires new innovations in both product and service delivery. To fulfill these ever-evolving demands, new ecosystems – such as e-commerce, fintech, and on-demand logistics – have taken shape and continue to mature. We expect competitive landscapes to continue to evolve as technology-enabled challengers enter traditional industries to deliver new products and services in innovative ways.

**How our strategy addresses this**
Over the years, we have built a culture of innovation across the group. We continue to empower our business units to embark on their own digital transformation journeys while remaining cognizant that the pace and scale of transformation varies. As we explore new business models and find ways to integrate digital tools into our businesses, we place greater emphasis on those that will allow us to serve our customers better, and those which help reduce costs and frictions within the organization. A key component of this digital journey is continuously upskilling our talent pool, and a core capability we have started to build is in the field of data analytics with the establishment of a center of excellence to drive data initiatives across the group.

### STRUCTURAL REFORMS

**Description**
Shifts in laws and regulations affect our businesses in varying degrees. We have witnessed substantial structural reforms take place over the last few years across the tax system, healthcare, education, and labor, as well as pockets of legislation that have improved ease of doing business. We expect these reforms to continue to facilitate job creation and more inclusive growth across the country.

**How our strategy addresses this**
Through collaborative relationships with policymakers, the academy, and partner organizations, our Public Policy team continues to provide support to the Ayala group on the legal and regulatory aspects of business operations. Consistent with Ayala’s vision to increase shared value among its stakeholders, the Public Policy unit participated in policy discussions on key reforms – such as corporate tax reform, retail trade liberalization, and other industry reforms, among others – which contribute to the overall economic growth and development of the country. The team, along with our Regulatory Council, serves as our platform to collaborate, exchange insights and proactively help senior management stay abreast of new laws and changing government policies, and manage risks arising from the continuously evolving policy environment.

### GROWTH POTENTIAL ACROSS THE REGION

**Description**
Despite the onslaught of global economic headwinds, there exists pockets of growth outside our borders. Several countries in Southeast Asia have been resilient amid this more challenging environment and continue to benefit from factors such as the diversification of trade and opening up of local industries.

**How our strategy addresses this**
Ayala and our various business units have pursued strategic expansion across the region, particularly when industry-specific opportunities for growth are present. For instance, AC Energy has taken its expertise in renewable energy to Vietnam, Indonesia, and Australia where the industry structure is shifting towards a more sustainable energy regime. The previous year also marked a milestone in Ayala’s international expansion, with the investment of US$237.5 million to acquire a 20 percent stake in both Yoma Strategic Holdings and First Myanmar Investment, holding companies of the Yoma Group, one of Myanmar’s leading multi-business groups. The transaction was the largest foreign direct investment from the Philippines into Myanmar, and represents a strategic opportunity for Ayala to apply its institutional experience to create value in a rapidly developing economy.

### THREAT OF COVID-19

**Description**
Countries around the world are bracing themselves for the unprecedented health, social, and economic impact of COVID-19. While the full impact on economic and market outlook remain uncertain, we believe there will be opportunities to help society stay resilient and eventually transition to a new normal.

**How our strategy addresses this**
Ayala Corporation is focused on maintaining a healthy balance sheet to weather looming economic headwinds. We face this growing threat with a strong liquidity position and ability to take advantage of market opportunities. Further, we are prepared with scenario-based business continuity plans to ensure the health and safety of our employees, to continue to serve our customers, to work with our communities and suppliers, to collaborate with government, and to maintain the trust of our investors. Finally, we are proactive in helping address the health, social, and economic needs of the country in line with our shared values of nation-building.
OUR VISION PILLARS
There are five pillars that guide our decisions on financial management and non-financial management strategies. We carefully track our execution against these pillars with Key Performance Indicators outlined below.

FINANCIAL STRENGTH
Build a strong, growing, and diversified portfolio that can withstand and take advantage of economic cycles

2019 Performance
- Increased earnings capacity and quality, and in addition, pursued value realization consistent with our strategy
- Diversified returns through exposure to various industries

2019 Key Performance Indicators
- Net income grew to ₱35.3 billion
- Sustained double-digit ROCE of 11.9 percent
- 7YR TSR of 52 percent vs PSEI 7YR TSR of 34.5 percent

2020 Targets
- ₱50 billion NIAT
- 15 percent ROCE
- Outperform PSE TSR

REINVENTION AND GROWTH
Positively disrupt, transform, and impact the markets we serve

2019 Performance
- Higher earnings contribution of emerging businesses, driven by AC Energy which continues to grow its renewable energy portfolio

2019 Key Performance Indicators
- Equity earnings contribution of emerging businesses at 38 percent
- Invested ₱30.1 billion in new growth platforms

2020 Targets
- 20 percent of Equity Earnings from emerging businesses

BUSINESS LEADERSHIP
Create and support clear industry-leading businesses that show sustainable growth potential

2019 Performance
- Recognized leadership across functions that support our businesses

2019 Key Performance Indicators
- Sustained market leadership of core business units
- Ayala Land continues to hold the largest landbank and maintains its top ranking in the residential market
- BPI remains among the top three banks in terms of assets and loan portfolio
- Globe maintains its market share leadership in consumer mobile
- Best CEO Award by the Asset – Jaime Augusto Zobel de Ayala
- Best IR Team Award by the Asset – Ayala Corporation
- Continued recognition in Sustainability and ESG
- Ayala Corporation - Platinum Award, Excellence in Environmental, Social, and Governance by the Asset
- Ayala CFO awarded as one of the Most Influential Doers and Shakers in Purposeful Organizations
- Ayala Head of Group Risk Management and Sustainability recognized by CSR Works as one of the 27 Superwomen in Sustainability in Asia and by EcoBusiness as an A-lister in Asia Pacific’s list of most impactful sustainability executives

2020 Targets
- Committed to creating industry-leading businesses with sustainable growth potential

STAKEHOLDER EMPOWERMENT
Align our strategy to the national development agenda, partner with respected local and global institutions, and attract and nurture the best talent

2019 Performance
- Forged partnerships with strong institutions that can further our growth ambitions
- Further strengthened the integration of Sustainability and Risk Management to company strategy by aligning with Corporate Governance and including them as part of the Board Agenda
- Forged partnership with a leading global Sustainability group
- Continued commitment to the Ayala Sustainability Blueprint

2019 Key Performance Indicators
- Completed AC Education merger with iPeople
- Held the first Integrated Corporate Governance, Risk Management, and Sustainability Summit in the Philippines
- The first local company invited to become a member of the World Business Council on Sustainable Development – a global CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world
- SDG Champions across the group committed to attain the targets declared in the Ayala Sustainability Blueprint
- The Ayala Sustainability Blueprint was featured as a benchmark in how businesses are integrating the SDGs into their reporting processes, this was included in “Action Platform Reporting on the SDGs” developed by GRI and Global Compact

2020 Targets
- Define shared value targets for all business units (UN SDG)
- Broad stakeholder recognition

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RISK MANAGEMENT

Designed to inspire integrated thinking, Ayala’s risk management framework is based on Deloitte’s concept of the Risk Intelligent Enterprise, which integrates nine principles related to responsibilities of the board, senior management, and business unit leaders. This framework supports the broader principles of ISO 31000 risk management standard, such as integration, structured and comprehensive, inclusive, and human and culture factors.

Risk Governance

Oversight for the operationalization of the Ayala’s risk management framework is entrusted to the Board of Directors through the Risk Management and Related Party Transactions Committee, which provides transparency and visibility into the corporate and the group’s risk management practices.

A RISK INTELLIGENT ENTERPRISE

Nine Fundamental Principles of a Risk Intelligent Enterprise

1. Common risk definition
2. Common risk framework
3. Key roles, responsibilities, and authority
4. Governing bodies’ oversight
5. Common risk management infrastructure
6. Executive management responsibility
7. Objective assurance and monitoring
8. Business units responsibility
9. Support of pervasive functions

AAYALA CORPORATION’S RISK GOVERNANCE FRAMEWORK

Board of Directors
- Risk Management and Related Party Transactions Committee
- Management Committees
- Ayala Corporation Management Committee
- Investment Committee
- Chief Risk Officer
- Group Risk Management & Sustainability Unit
- Ayala Group ERM Council
- Top Risk Reporting by Business Units
- Governance
- People
- Process
- Technology

Governance
- Risk Infrastructure and Management
- Management Committees
- Ayala Corporation Management Committee
- Investment Committee
- Chief Risk Officer
- Group Risk Management & Sustainability Unit
- Ayala Group ERM Council
- Top Risk Reporting by Business Units

Risk Ownership
- Business Functions
- Transactional Risk Management
- Corporate Strategy and Development
- Corporate Governance
- Corporate Resources
- Public Affairs
- Corporate Governance Finance

Common Risk Infrastructure and Management
- People
- Process
- Technology

Risk Assessment
- Identify Risks
- Analyze & Evaluate Risks
- Integrate Risks
- Respond to Risks
- Operations/Infrastructure
- Design, Implementation & Test Controls
- Compliance
- Reporting

Risk Oversight
- Mandate & Commitment of Top Management
- Oversight for the operationalization of the Ayala’s risk management framework is entrusted to the Board of Directors through the Risk Management and Related Party Transactions Committee, which provides transparency and visibility into the corporate and the group’s risk management practices.

Risk Governance

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The Chief Risk Officer (CRO), being Ayala’s risk management advocate, reports to the Committee any improvement in the design, implementation, and maintenance of the enterprise risk management roadmap. The Group Risk Management and Sustainability Unit supports the CRO by conducting activities that will enhance the risk-aware culture and improve the risk management program in the organization. It also convenes the Ayala Group Enterprise Risk Management (ERM) Council, composed of risk officers of Ayala business units, as a platform for sharing best practices on risk management. Business unit leaders are risk owners who are responsible for managing the risks they face in the day-to-day operations within the established risk governance framework. The Internal Audit Unit assesses the effectiveness of the risk mitigation measures proposed by the risk owners and provides an independent assurance of the adequacy, effectiveness, and efficiency of the risk management process.

Risk Infrastructure and Management Strategy

Ayala has a seven-year roadmap that communicates its journey of embedding a robust risk management process in support of achieving its business objectives and becoming a resilient organization. Several programs at the corporate and group-wide level were undertaken over the period of six years (2013 to 2019). These programs cover people, process, and technology.

People

In Ayala, risk is everybody’s business. We continuously equip our risk owners and their team members with ways how to identify, assess, evaluate, and manage risks that they face in their daily operations. We also conduct a risk culture survey every three years (2015 and 2018) to check if we are on track in strengthening the risk-aware culture in the organization.

Process

Ayala’s risk management practices transcend mere compliance. The shift was driven by the mindset that understands the interconnectedness and interdependency of risks that require collaborative risk mitigation strategies. Silos were broken down through risk assessment methodologies, such as the black swan approach, risk interaction mapping, bow-tie analysis, and risk sensing.

From 2016 onwards, Ayala intensified its risk management program by capitalizing on activities that linked risk management with business strategy, further strengthening the practice at all levels of the organization. In 2018, Ayala focused on the value proposition of risk management by assessing the effectiveness of its risk management program and streamlining opportunities for positive impact. This started the conversation on integrating risk management and sustainability.

Ayala conducts annual risk assessments attended by senior leaders, risk owners, and risk designates.
Continuing risk management and sustainability integration

In the 2019 enterprise-wide risk assessment workshop, Ayala deliberately incorporated sustainability in risk identification and evaluation, considering the sustainability megatrends introduced to the corporation’s top and middle management from the previous year.

With a deeper understanding of the megatrends, participants identified emerging risks, such as, for instance, more typhoons and floods, presumably caused by climate change, which could interrupt business operations. Hence, climate change became a Business Resiliency risk driver.

Following this perspective, Green Financing became a mitigating measure for Funding risk. Opportunities these megatrends present across the group were also identified. For example, Green Financing, especially for business units involved in renewable energy or social enterprise, can be an additional source of funds.

To support our risk management process, other programs were also implemented, such as: the development of a common risk language that facilitates aggregating, consolidating, and reporting risks at the group level; risk maturity index assessment that benchmarks the corporation and the Ayala companies’ risk management practice with global standards every three years; risk tolerance study that aids in understanding Ayala’s capacity to absorb potential losses; and risk appetite workshop that articulates the level of risks that Ayala is prepared to accept in pursuit of its objectives.

Expanding risk appetite definition

In 2017, the Board approved the management recommended risk appetite which enumerates non-negotiable risks and sets limits for each of the drivers of four impact areas – financial, people, compliance, and reputational. In 2019, the senior management team revisited Ayala’s risk appetite which resulted in the addition of environmental impact area, capturing the Ayala group’s positive and negative impact to the environment and in broadening of the people impact by including our positive and negative impact to the community where we operate.

Technology

The Group Risk Management and Sustainability Unit continues to be innovative in the tools and methodologies it uses. It is currently exploring the utilization of a risk management information system in housing its risk universe and monitoring the corresponding mitigation plans.

With Information Security and Cyber risk as one of the top risks, the Learning and Organization Development Unit, in collaboration with the Information and Communications Technology Unit, sends out a monthly online course on cyber security that is mandated to be completed by all employees since December 2018. This is an initiative to strengthen the awareness of employees on information and cyber security threats and equip them with knowledge on how to respond to it.

Strengthening Ayala group’s risk financing strategy

Strategies in managing risks include avoidance, acceptance, mitigation, and/ or transfer of risk based on the company’s risk appetite. Companies usually employ a combination of risk strategies—mitigation and transfer. In Ayala group, the effectiveness of our risk management strategies is incorporated in the annual risk assessment process where risk owners perform their self-assessment. To provide independence, the Internal Audit reviews, on a regular basis, critical processes that mitigate top risks. Every three years, Ayala engages a third party to support our risk management process, other programs were also implemented, such as: the development of a common risk language that facilitates aggregating, consolidating, and reporting risks at the group level; risk maturity index assessment that benchmarks the corporation and the Ayala companies’ risk management practice with global standards every three years; risk tolerance study that aids in understanding Ayala’s capacity to absorb potential losses; and risk appetite workshop that articulates the level of risks that Ayala is prepared to accept in pursuit of its objectives.

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The renewal of Ayala’s optimized program for property damage and business interruption cover in the second half of 2019 was challenging, as markets were prompted to a “return to profitability” mindset. The commercial insurers started taking hits from catastrophic events—claims started to increase affecting its bottom line. Adapting to the market situation, we restructured our cover to minimize the impact while still maintaining our improved wordings and coverage achieved during the first placement.

On renewal of the optimized political violence cover, Ayala through AON negotiated for a risk management bursary—for threat and blast assessments available to business units. These studies can improve security management and potentially lower risk exposures relating to political violence.

Following the roadmap, other insurance lines are being reviewed. The review requires collection, aggregation, and consolidation of data and walk-through workshops with operating personnel to understand processes, risk exposure, and existing controls. In 2019, the Ayala group’s fine arts insurance policy was optimized. This complemented the property insurance program by providing a specific and a broad ‘nail to nail’ coverage for works of art and other collections owned by or loaned to the group.

In collaboration with Ayala group’s Human Resources teams, the group travel program, which provides employee protection during official travels was placed. Comprehensive coverage bespoke for the group was designed, which ensured consistent application and minimized potential gaps by having a program for frequent travelers as well as a ready comprehensive program for ad hoc travelers.

### Risk correlation

Since 2018, various risk studies were implemented to aid management in understanding risk exposures and adequacy of cover. These studies are on a rolling three-year schedule so that all assets and scenarios can be covered and updated accordingly.

- **Natural Catastrophe modeling** – to understand exposure for typhoon or earthquake events
- **Risk Engineering surveys** – to assess probable maximum loss scenarios and to improve risks mitigation following best practice recommendations
- **Asset valuations** – to assess adequacy of insurable values
- **Business interruption workshops** – to assess potential financial impact of work stoppage due to accidental damages and incidents

### Self-insured risk valuation

Before risk transfer strategy can be implemented, the company’s risk retention capability is also evaluated by stress testing the balance sheet, understanding the frequency of loss events, and consolidating total cost of insurance premiums and related expenses. To further strengthen the risk financing strategy, Ayala is exploring the possibility of establishing a captive vehicle through a feasibility study focused on property damage and business interruption, the premium of which comprised 80 percent of the total cost of insurable risk.

With a clear risk financing strategy, Ayala can manage uncertainty, maintain liquidity, and improve total cost of risk.

### Reprioritizing risks

Participants, risk owners and risk designates, in the annual risk assessment exercise prioritized Ayala’s risks according to the impact they have on people, finance, reputation, compliance, and environment.

Aside from the likelihood and impact scores, the risk owners and risk designates also revisited the drivers of each risk category and discussed the potential implications of these risks to the corporation should it happen. More importantly, they updated their risk response plans to better mitigate the identified implications.

The next few pages detail the risk drivers, potential impacts, and response plans for the top five risks as of the last risk assessment workshop.

### Risk Financing Strategy Roadmap

<table>
<thead>
<tr>
<th>Year</th>
<th>Focus Area</th>
<th>Initiatives</th>
<th>Risk Correlation</th>
<th>Self-Insured Risk Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>Property Damage</td>
<td>• Portfolio Optimization</td>
<td>• Risk Engineering Surveys (yearly)</td>
<td>• Determine feasibility and viability of a Captive</td>
</tr>
<tr>
<td>2017</td>
<td>Political Violence</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>Motor</td>
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<td></td>
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<tr>
<td>2019</td>
<td>Directors &amp; Officers Liability</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2020</td>
<td>Public and Products Liability</td>
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<tr>
<td>2021</td>
<td>Specie</td>
<td></td>
<td></td>
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<tr>
<td>2022</td>
<td>Group Travel</td>
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<td></td>
</tr>
</tbody>
</table>

### Risk Score

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Impact Criteria Parameters</th>
<th>Overall Impact</th>
<th>Likelihood</th>
<th>Risk Score</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Brand and Reputation Risk</td>
<td>0 5 5 5 4 5 5 25</td>
<td>4</td>
<td>4</td>
<td>4</td>
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<tr>
<td>2 Political and Regulatory Risk</td>
<td>0 2 4 5 2 5 4 20</td>
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<td>10</td>
<td>10</td>
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<tr>
<td>3 Business Resiliency Risk</td>
<td>3 4 3 3 2 4 4 16</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>4 Information Security and Cyber Risk</td>
<td>1 2 3 5 2 5 2 10</td>
<td>10</td>
<td>10</td>
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<td></td>
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<tr>
<td>5 Innovation and Technology Risk</td>
<td>0 2 3 1 3 3 3 9</td>
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<td></td>
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<tr>
<td>6 Portfolio Management Risk</td>
<td>3 1 3 3 2 3 3 9</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>7 Partnership and Alliance Risk</td>
<td>0 1 3 4 3 4 2 8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td></td>
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<tr>
<td>8 Funding Risk</td>
<td>0 1 3 2 1 3 2.5 7.5</td>
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</tr>
<tr>
<td>9 Capital Markets Risk</td>
<td>0 3 3 1 3 2 2 6</td>
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</tr>
<tr>
<td>10 Capital Markets Risk</td>
<td>0 1 3 3 2 3 3 1</td>
<td>1</td>
<td>1</td>
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</tr>
</tbody>
</table>

*Risk score was arrived at by multiplying the overall impact grade by the likelihood score
AYALA CORPORATION 2019 INTEGRATED REPORT

**Risk description**
The inability to maintain our stature as a company of choice, which may result in significant difficulty in creating and/or maximizing value for stakeholders

**Drivers**
- Media, including social media platforms
- Stakeholder relations
- Corporate branding awareness
- Crisis management
- Operational failure of Business Unit
- Brand apathy

**Implications for value creation**
- Increased customer complaints
- Reputational damage
- Adverse financial impact

**Risk response and mitigating measures**
- Set up a social media plan that will include a quarterly analysis of social trends/sentiment and continuous monitoring of social media pages
- Develop a Stakeholder Plan, including a stakeholder mapping and engagement initiatives to address stakeholder issues
- Conduct brand identity refresh every three years
- Collaborate with community partners on areas of sustainable livelihood, environmental protection, children and women’s health, among others
- Improve skills of crisis communications teams across the group

**Political and Regulatory**
The lack of ability to anticipate changes in the political and regulatory landscapes that may affect the Group’s capacity to shield profitability and brand value

**Drivers**
- Political instability, including improper use of political power
- Regulatory compliance
- Market-distorting political moves and policies
- Political agenda driven by social media
- Spread of fake news

**Implications for value creation**
- Misalignment of business models due to change in regulations
- Reputational damage due to non-compliance
- Loss of franchise, license, or goodwill
- Slow adaptability to changes affecting profitability/reputation

**Risk response and mitigating measures**
- Analyse government platforms and agenda and establish social media intelligence
- The Ayala Regulatory Council regularly identifies and monitors new policy issues across sectors and industries and makes recommendations to the Ayala Group Management Committee on how to address regulatory issues
- The Corporate Services Compliance Unit under AG Legal handles regulatory compliance
- Set aside political connections of key employees in formulating business strategy

**Business Resiliency**
Being unable to restore normal operations following natural/manmade disasters and/or failure of business continuity contingency processes and systems, which may cause significant revenue loss and impact customer trust

**Drivers**
- Climate change
- Scope of business continuity planning
- Inadequacy or ineffectiveness of crisis communications, training and testing
- Recovery implementation

**Implications for value creation**
- Delayed business recovery
- Project suspension
- Business closure for extended duration
- Reputational damage
- Environmental hazards
- Loss of lives

**Risk response and mitigating measures**
- Review and test the adequacy and effectiveness of crisis management and IT disaster recovery plans on a regular basis
- Assess the effectiveness of business continuity plans through tabletop testing or simulation exercise every two years
- Distribute go-bags, CPR kits, and other paraphernalia that will help all employees to recover from any disaster
- Invest in a comprehensive insurance program and periodically review the adequacy of insurance coversages
- Collaborate with other Ayala businesses on how to share resources for faster recovery

**Information Security and Cyber**
Failure to safeguard confidentiality, integrity, and availability of critical information that may result in financial losses and damaged reputation

**Drivers**
- Damage to IT architecture and infrastructure
- Lack of data security and protection policies
- Sufficiency of IT governance
- Effectiveness of IT Disaster Recovery Plan
- Insufficient forward planning and cyber risk assessment
- Lack of employee awareness on IT security

**Implications for value creation**
- System downtime
- Reputational damage
- Criminal prosecutions and fines
- Leakage of critical information
- Loss of stakeholder trust

**Risk response and mitigating measures**
- Continue information and cyber security training to increase awareness of employees on IT risks
- Perform vulnerability tests on both new and existing hardware/software assets
- Review the adequacy of the IT Disaster Recovery Plan for critical infrastructure and applications
- Continuously strengthen both architecture-level and application-level controls, as well as access controls to limit access to information systems and servers
- Regularly review information security measures employed by third-party contractors

**Innovation and Technology**
The lack of ability to remain relevant and cope with rapid changes, which may significantly impact business viability and reputation of our Company and Group

**Drivers**
- Disruptive technologies
- Innovation trends monitoring
- Innovation culture

**Implications for value creation**
- Unmatched/mismatched talent
- Reputational damage
- Technology obsolescence
- Loss of competitive advantage
- Loss of market share
- Lower profit

**Risk response and mitigating measures**
- Set up an aggressive strategy to enter/catch up with other market/sectors and help business units adopt suitable technology trends, systems capability, and talent development
- Conduct sector analysis to identify potential disruptive opportunities and monitor innovation trends that may have an impact on the operations of the business units
- Run future- and design-thinking sessions with different business units
- Perform disruptive change assessment on selected business units, as necessary
- Review business models to ensure alignment with technology and innovation changes

**Portfolio Management**
The inability to align portfolio management strategy with business objectives may result in the failure to provide the right balance of risk and return

**Drivers**
- Changing business and regulatory landscapes
- Effectiveness of diversification strategy
- Accuracy of pre-investment valuation
- New business development capability
- Adequacy of post-investment monitoring

**Implications for value creation**
- Inability to achieve targeted net income
- Loss of relevance in the market/industry
- Reputational damage
- Lower dividends from business units

**Risk response and mitigating measures**
- Regularly monitor business units’ performance and assess how far they are from set targets
- There is an early spotting of opportunities both within existing and emerging businesses, as well as new sectors
- AC Ventures continuously monitors disruptive technology and emerging trends that can be turned into investment opportunities
- Maintain relationship with existing partners and proactively identify and build network with potential business partners and investors
- Periodically review the thought process, including criteria and procedures for divestment
Focus on climate action through TCFD

Climate change is a defining issue of our time. The United Nations exorts the world to act with urgency because it touches all aspects of life—environmental, societal, economic, political, regulatory, and technological. Its effect on the global economy is potentially devastating. This effect varies from one country to another. Studies show that impact is higher than the global average in Southeast Asia, one of the most complex seismic zones in the world.

The Philippines, being one of the Southeast Asian nations, is thus highly vulnerable. It stands to lose six percent of its GDP annually by 2100 if no action is taken on climate-related issues, according to a study by the Asian Development Bank. The country is expected to face an increase in extreme weather events, rising sea levels, rising temperatures, and severe rainfall. Moreover, its level of vulnerability is aggravated by its geographical location, which has high exposure to tropical cyclones and earthquakes.

The Ayala group recognizes that climate change poses risks across its business units and has long since been an advocate of environmental stewardship, ensuring that its companies and subsidiaries operate responsibly.

The Ayala group recognizes the implications of climate change:

1. Governments and businesses will have challenges in securing resources domestically and internationally;
2. Changes in food, water, and energy patterns could lead to increased conflict over resources and eventually to violent tension;
3. As disputes over resources heighten, national survival will be more critical and will undoubtedly lead to potential regional or international confrontations over water, oil, fishing, and other mineral rights;
4. The lack of resources and increasing climate change impacts could force existing industries to be revolutionized or could pave the way for new ones. These changes will be accelerated by innovation and technology, and nations must ensure that the workforce is not displaced; and
5. There will be increased levels of regulations, both directly on environmental changes and indirectly through taxation and similar types of incentives/disenincentives.

With these climate change implications in mind, Ayala promotes a risk-aware culture and recognizes the climate-related risks classified by the Task Force for Climate-related Financial Disclosures (TCFD) into two types:

**Transition Risks**
- Policy and Legal Risk
- Technology Risk
- Market Risk
- Reputation Risk

**Physical Risks**
- Acute Risk
- Chronic Risk

Transition risks are controlled and have lower economic damage, but pose aggressive change. Their initial impact may or may not be severe, but it definitely increases over time. Ayala believes that such risks can be turned into opportunities if preemptive action is taken.

With the results of the Natural Catastrophe modeling undertaken out of the risk management bursary in May 2019, Ayala was able to determine the potential financial impact of such calamities to its businesses. The modeling used common return periods of 250 years for earthquake and 200 years for typhoon, considered top historical events like typhoon Haiyan, and included worst case scenarios. The results yielded the following:

- For an earthquake: 250-year Ayala group modeling loss is about US$991 million
- For a typhoon: 200-year Ayala group modeling loss is about US$278 million

Climate change has been identified as a risk driver of Business Resiliency Risk, one of the top five risks of Ayala Corporation in the last three years. The importance given by Ayala’s business units to the environment and their awareness of the impact of climate change is notable.

In responding to the call for a more effective climate-related financial reporting, Ayala set off its voluntary disclosures guided by the Task Force for Climate-related Financial Disclosures standards. Focus was given to four key pillars—governance, strategy, risk management, and metrics and targets—with 31 widely adoptable recommendations that consider the physical and transition risks associated with climate change.

Results of the initial phase taken by Ayala show its strength in its GHG emissions disclosures. It has eight disclosure areas that are present and needs significant enhancing, and two disclosure areas for development.

To obtain these results, Ayala’s performance was assessed against the four key pillars and their disclosures. The process included public resource reviews, management-level interviews, and a gap assessment.

<table>
<thead>
<tr>
<th>Governance</th>
<th>Strategy</th>
<th>Risk Management</th>
<th>Metrics &amp; Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclose the organization’s governance around climate-related risks and opportunities.</td>
<td>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is available.</td>
<td>Disclose how the organization identifies, assesses, and manages climate-related risks.</td>
<td>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</td>
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**Recommended Disclosures**
- **a)** Describe the Board’s oversight of climate-related risks and opportunities
- **b)** Describe Management’s role in assessing and managing climate-related risks and opportunities
- **c)** Describe the potential impact of different scenarios (e.g., 2°C scenario, on businesses, strategy, and financial planning)
- **d)** Describe how these processes are integrated into the organization’s overall risk management
- **e)** Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets

- **Governance Strategy Risk Management Metrics & Targets**

- **Disclosures are present but need slight enhancing**
- **Disclosures are present but need significant enhancing to include Climate Focus**
- **Disclosures are not present and need to be developed**
Ayalas current approach
- Ayala Board leads the governance system
- The Board and Management review, evaluate, and improve governance structures, systems, and procedures
- The Board meets six times a year with relevant Board Committees to gain insights and review, and ensure proper implementation of internal control mechanisms and risk management process for good governance
- The Board discusses key risks and updates on business resilience, sustainability, and the UN SDGs
- CRO meets the RMRPT Committee semi-annually or as often as required
- The CRO is supported by the Group Risk Management and Sustainability Unit that leads the Enterprise Risk Management (ERM) and Sustainability Councils, composed of representatives across the Ayala group who are risk management or sustainability experts

What Ayala is trying to achieve
- To educate the Board, and have a Board Committee specifically assigned to oversee climate-related risks and opportunities
- For the CRO, through the Risk Management and Sustainability Unit to assess and manage group-related issues, following a defined reporting timeline

Ayalas current approach
- The Ayala Sustainability Blueprint, launched in 2018, identifies business units as SDG champions, committing to specific targets across three identified journeys
- Ayala institutionalized the SDGs as a non-financial performance category under the CEO scorecard to promote sustainable business practices and support long-term profitability

What Ayala is trying to achieve
- To review the Sustainability Blueprint every two to three years to ensure relevance in the fast changing business and societal climate
- To chart targets on a time horizon, ensuring proper metrics for their achievement
- To conduct further studies to determine risks and opportunities, ensuring they are prioritized based on a time-horizon (these will eventually increase disclosures related to potential financial impacts)
- To conduct a scenario analysis (i.e. 1.5°C and 2°C climate) to observe and evaluate the impact of these different climates on businesses, strategies, and financial planning

Ayalas current approach
- Ayala’s risk management strategy includes strengthening its resilience and adaptive capacity to climate-related hazards and natural disasters across all its sites, ensuring minimal casualties
- In championing SDG Goal 13: Climate Action, Ayala has developed a three-step strategy: Mitigation > Adaptation > Innovation
- Ayala monitors its group-wide consumption and use of natural resources to manage its own environmental impact, ensuring it stays true to its commitment on environmental stewardship, aligned with its SDG 12 targets
- The Group ensures that the long-term outcomes of its initiatives contribute to global warming abatement, biodiversity protection, and life preservation

What Ayala is trying to achieve
- For Ayala’s risk management framework to further elaborate how to enhance resilience and adaptive capacity to climate-related hazards
- For the risk management framework to include an assessment of the size and scope of climate-related risks the Ayala business units face
- To design a framework that outlines processes on managing climate-related risks (*Including increasing capability of officers on risk management, crisis management, and sustainability, among others)
- To formulate a strategy to integrate climate risk adaptation and mitigation measures

Ayalas current approach
- The company’s integrated reports provide extensive and detailed information on water, energy, emissions, non-hazardous and hazardous waste, and biodiversity.
- Ayala has been disclosing group-wide GHG Emissions Scope 1, Scope 2, and Scope 3 following global standards. Currently, the computation for GHG Emissions is based on equity ownership and the GHG Protocol Corporate Accounting and Reporting Standard.
- The Ayala Sustainability Blueprint’s third journey, Responsible Growth and Innovation, highlights environmental stewardship.

What Ayala is trying to achieve
- To quantify the risk exposure and impact of climate efforts
- To set targets for its GHG Emissions, enabling the effective management of sustainability performance and climate-related risks and opportunities
- To have science-based targets and align them with the third journey in the Ayala Sustainability Blueprint

Ayala extends its efforts to bring all its business units on board and united in going beyond the bottom line. As it sets its eyes on the goal to draft report-ready documentation, Ayala commits to be a TCFD Supporter, ensuring that our declarations come with tangible results with a meaningful impact.
AYALA CORPORATION

STAKEHOLDER ENGAGEMENT

Investors and Shareholders

HOW WE ENGAGE
Primarily through its Investor Relations team, Ayala encourages active participation and regular dialogues with all investors and other external stakeholders through numerous channels:

- One-on-one meetings
- Teleconferences and videoconferences
- Email communications
- Live and call results briefings
- Regulatory disclosures
- Company websites
- Integrated Report
- Investor Conferences
- Deal and non-deal roadshows
- Annual stockholders’ meeting
- Investor perceptions audit

STOCKHOLDER MEETING AND VOTING PROCEDURES
Stockholders are informed at least 28 days before the scheduled date of meeting. The notice of regular or special meetings contains the agenda and sets the date, time, and place for validating proxies, which must be done at least five business days prior to the annual stockholders’ meeting. Each outstanding common and voting preferred shares of our authorized capital stock are entitled to vote.

In support of greater transparency and improved shareholder involvement, the company provides multiple voting options such as appointing a proxy, voting in-person, or through electronic voting in absentia. There is a secure, easy-to-use Electronic Voting in Absentia System accessible to all stockholders, allowing stockholders to exercise their right if unable to attend the Annual Stockholders’ Meeting. Equal effect is given to votes whether cast in person or in absentia. The company also provides non-controlling or minority shareholders the right to nominate candidates for board of directors.

Ayala addresses the concerns of its stakeholders through regular dialogues

KEY CONCERNS RAISED
- Softness in share price
- Susceptibility to regulatory challenges given exposure to multiple industries

OUR STRATEGIC RESPONSE
- Support value creation for investors through the company’s most recent share buy-back program of ₱10 billion, which commenced in December 2019
- Active engagement with the investing public through conferences and non-deal roadshows
- Spearhead group-wide investor relations events to provide a top-down view of the conglomerate and enable each business unit to sufficiently address specific concerns
- Conduct special analyst and investor briefings to announce key developments and address issues on prevailing situations as they arise

Employees

ENGAGEMENT STRATEGY
- Ensure that employees know they are our primary customers
- Guarantee a healthy and safe work environment
- Operate on the conviction that engaged employees perform to their utmost potential
- Provide strong support to our workforce through different channels

REWARDS AND RECOGNITION
- Ayala provides market-competitive executive compensation and benefits, which are aligned with corporate goals, annual targets, and long-term strategic plans.
- It also adopts a performance-based variable compensation scheme using the Key Result Area scorecard accomplishments as metrics.
- For senior executives and key talents, Ayala offers a long-term incentive program. From the three percent of the company’s authorized capital stock allocated by the stockholders, the Board approved the grant under the stock ownership program to eligible executives in April 2019. The basis for the grant is consistent outstanding performance record over a period of three years.
- The grant price is based on the rounded-off volume weighted average prices of the stock at the Philippine Stock Exchange over the last five-day trading from April 17 to 25, 2019.

THE NEW AND IMPROVED AYALA CLINIC
- To provide quality health services to its employees, the Ayala Clinic underwent renovations to improve its facilities, enabling it to provide basic laboratory test services. Inaugurated on July 1, 2019, the new clinic on the 25th floor of Tower One in Makati is managed by FamilyDOC@Work. This joint project of Ayala, ALL, and AC Health also extends its services to employees of AC Infrastructure, AC Industrial, Ayala Group Club Inc., AG Legal, and Sonoma.
- The partnership delivers better service and guarantees availability of doctors and nurses during office hours. Recognizing the importance of mental wellness, a psychologist is available every 2nd and 4th Friday for consultations and mental health awareness programs are promoted. Moreover, the clinic now implements full digitization of medical records through Electronic Member Record (EMR). The system logs check-up, test, and prescribed medication records, making them available via mobile app that can be accessed by doctors in all FamilyDOC clinics nationwide.

CASHLESS TRANSACTIONS
- As part of the Ayala Group Synergy efforts, Ayala Corporation partnered with Mynt and introduced GCash e-wallet to Ayala employees. To jumpstart the employee experience, some employee incentives—traditionally credited to bank accounts or gift cards—were credited to GCash. Other Ayala companies followed suit in introducing GCash to their employees.

PLANNING FORWARD
- To help employees plan for the future, Ayala created a Multi-Employer Retirement Plan for AC Cluster, a Defined Contribution Retirement Plan aimed to improve retention strategy of small and start-up Ayala companies. AC Health and Ayala Group Club Inc. are the pioneer member companies.
Government Agencies and Regulators

**ENGAGEMENT STRATEGY**
- Provide channels so that concerns of regulators, as well as our own, are heard
- Help create and maintain a fair and transparent regulatory environment

**KEY CONCERNS RAISED**
- Continuous compliance with laws and regulations, especially the Data Privacy Laws
- Contribution to policy directions on areas of national interest (e.g., inclusive growth, healthy competition)
- Proposed measures on tax, labor, health, water, and education

**OUR STRATEGIC RESPONSE**
- Constant discussion with national government agencies
- Updating of company policies and rules to keep abreast with the changing policies and regulations, aligning the procedures and reporting, and eventually publishing these in the company website
- Annual training of the company officers and employees (mandatory for both old and new employees) on the Data Privacy Law
- Continuous legal gap assessment
- Participation in policy dialogues and consultations

**PROGRAMS/ACTIVITIES FOR THE STAKEHOLDERS**
- Policy research initiatives through partnership with the academe—intended to provide evidence-based
- The Liveable City Playbook is an initiative that helps further SDGs 16 and 17, work of LGUs toward realizing these possibilities.
- Many local governments have raised the living standards of the communities they serve. However, implementing critical, long-term projects for
- THE LIVEABLE CITY PLAYBOOK

In collaboration with experts and other stakeholders, Ayala created the Liveable City Playbook, a practical resource for imagining tailored solutions for issues in specific localities, enhancing local competitiveness, and strengthening the capacity of local government units (LGUs) to provide public goods and services to their constituents. Drawing from global and local good practices, the five-volume series tackles issues identified by local leaders and experts as critical elements for development today. Each brief presents issues and opportunities, and illustrates effective solutions local leaders from the Philippines and around the world have successfully deployed.

E-Government (volume 2) discusses how LGUs can leverage information and communication technology to enhance public services and encourage citizen participation.

Financing (volume 3) reviews the LGU project cycle and provides data on financing options as well as other sources of support for project planning and implementation.

Basic Services (volume 4) highlights the LGUs’ role in delivering basic services such as water and sanitation, health, and solid waste management.

Mobility (volume 5) seeks to improve mobility of people and goods and increase accessibility of public services through effective land use policy, sound transport infrastructure, and proper spatial integration.

Resilience (volume 5) puts forth best practices from which LGUs may model their own system to effectively respond to natural calamities, climate change, and long-term stresses.

Many local governments have raised the living standards of the communities they serve. However, implementing critical, long-term projects for sustainable development remains a challenge due to limited resources and support. There is vast untapped potential for local governments to enhance economic growth, encourage innovation and development, and build tourism hotspots. The Liveable City Playbook series supports the work of LGUs toward realizing these possibilities.

*The private sector plays a key role in the realization of the SDGs. The Liveable City Playbook is an initiative that helps further the SDGs 16 and 17, especially in building effective, accountable, and inclusive institutions at all levels; and in evaluating its broader effect on environmental and human issues; in promoting and encouraging effective private, civil society, and public partnerships; and creating a benchmark for judging the SDGs overall contribution to global development.
## Customers

**Engagement strategy**
- Understand customer concerns in the areas of quality of service, convenience, affordability, and reliability
- Respond to issues with urgency

*Engagement strategy differs per company and is relative to the business industry.*

### HOW WE ENGAGE
- Face-to-face interactions through front line services
- Email, website, mobile phones, social media, customer portals, and other technology platforms
- Periodic surveys
- Whenever applicable, designate a dedicated account officer
- Consultation and/or FGDs
- Engagement with local government units such as monthly meeting with barangays (particularly for Manila Water)
- Caravans and displays in different areas with promos
- Flyers, newsletters, and other marketing collaterals
- Loyalty and appreciation programs

### COMPANY | KEY CONCERNS RAISED | HOW EACH KEY CONCERN WAS ADDRESSED
---|---|---
**AYALA LAND** | Processing of documents for residential buyers | Established buyers’ portal that allows buyers to monitor status of their documents and a sales information system that provides consolidated customer information

**DIFFICULTIES with property management**
- Processes for residential owners

APMC’s OHome is an online platform that residential owners can use to conduct their day-to-day tasks and management requirements easier

**Customers look for an enhanced customer experience**
- Conducted continuous communication and feedback gathering from end-users through regular satisfaction surveys, loyalty and appreciation programs, e-newsletters, and social media posts

Launched Zhing app to provide shoppers with incentives and special rewards when shopping at Ayala Malls

**BPI**
- Undispensed ATM withdrawal

Conducted periodic maintenance of the machines and replaced older machines to address hardware concerns

**AYLANC**
- Uncredited Cash Accept Machines (CAM) Deposit

Implemented regular machine and systems maintenance. Reminded clients about use of undamaged bills

**GLOBE**
- Increasing demand for data/internet use

Continued network rollout (>2X site build) and upgrades

**Network downtime while upgrading**
- Mitigated impact of downtime from network upgrades through proactive recovery

**Concerns on unsalted load charges**
- Implemented the Silence Means No policy for all video-as-service or content subscriptions

**Concerns on loss/inaccessible rewards**
- Addressed system issues and seeded rewards unsent due to system issues

**MCX**
- Service quality complaints on unavailability of parts and timeline management

Expanded the portfolio of products and services offered to wholesale customers

**AC ENERGY**
- Multiple Red/Yellow Alerts in the Luzon Grid

Cascaded in real-time advisories from distribution utility to our contactable customers via emails, SMS, and calls

**Seeking updates on regulatory issues specifically about lowering of threshold in Retail Competition and Open Access**
- Conducted a regular account update or business review with each of our contactable customers, providing them with relevant information and keeping them abreast of power industry related topics

**MANILA WATER**
- Water security and water supply reliability

Organized regular coordination meetings with the regulators, government agencies, and potential private sector partners on new water resources

**Raw water and drinking water quality**
- Provided real-time update to customers via social media, face-to-face interaction, and press briefings

**Raw water and drinking water quality**
- Tested water samples regularly

**Improvements in customer policies, communications, and billing**
- Performed door-to-door visits and responded via service hotline to explain and update on new developments such as billing and water interruptions

**Wastewater services delivery (sewer connections, septic tank, desludging)**
- Broadcasted regular desludging activities in coordination with leaders and communities

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AYALA CORPORATION 2019 INTEGRATED REPORT

AYALA actively engages with customers to understand their concerns

### COMPANY | KEY CONCERNS RAISED | HOW EACH KEY CONCERN WAS ADDRESSED
---|---|---
**AC MOTORS**
- Service quality complaints on unavailability of parts and timeline management

Sent regular updates concerning part availability and service timeline

**Product quality and warranty complaints**
- Implemented quality control and directly coordinated with manufacturers for warranty complaints

**Limited Products and Services**
- Identified expansion areas for its dealership network and product line-up

**IMI**
- Logistical delays and lack of coordination

Increased capacity by improving overall equipment effectiveness and automation of Advance Shipping Notice (ASN) generation in SAP system upon invoice release

**Concerns over recurring complaints**
- Shared lessons learned and best practices across its groups

**Readiness to implement ISO 26362 for Functional Safety (Automotive Customers)**
- Established the Product Safety Board (PSB) to deploy all Functional Safety system requirements

**AC INFRA**
- Quality of logistics and transportation services

LMRC and Entrego maintained a customer-centric feedback mechanism to address queries and complaints

- Lack of coordination with customers in delivery services (Entrego)

**LMRC**
- Lack of coordination with customers in delivery services (Entrego)

**Limiting the impact of disruption from construction activities**

**Safety concerns along MCX**
- MCX coordinated with community officials to increase surveillance of the road’s perimeter

**BPI**
- Logistical delays and lack of coordination

**Concerns on processes and policies**
- Streamlined its processes and implemented an online enrollment system in select schools to lessen waiting time

**Uncertainties in revenue collection**
- Conducted continuous communication and feedback gathering from end-users through regular satisfaction surveys, loyalty and appreciation programs

**Funds for construction projects**
- Addressed system issues and seeded rewards unsent due to system issues

**GLOBE**
- Logistical delays and lack of coordination

**GLOBE**
- Customers look for a meaningful drugstore

**Improved customer welfare (Generika)**
- Conducted patient counseling with the use of the Gamot Guide in order to educate them on proper intake of medicines, possible side effects, and contraindication of their medicines

**Quality of facilities and lack of space**
- Constructed new buildings and spaces and implemented upgrades to existing facilities across its different campuses

**Quality of service**
- Streamlined its processes and implemented an online enrollment system in select schools to lessen waiting time

**Quality of products**
- Expanded the portfolio of products and services offered to wholesale customers

**Quality of service**
- Conducted patient counseling with the use of the Gamot Guide in order to educate them on proper intake of medicines, possible side effects, and contraindication of their medicines

**IMI**
- Logistical delays and lack of coordination

**Customer Concerns**
- Streamlined its processes and implemented an online enrollment system in select schools to lessen waiting time

**AC HEALTH**
- Value of Services and Products

### COMPANY | KEY CONCERNS RAISED | HOW EACH KEY CONCERN WAS ADDRESSED
---|---|---
**AC MOTORS**
- Limited Products and Services

**AC INFRA**
- Quality of logistics and transportation services

LMRC and Entrego maintained a customer-centric feedback mechanism to address queries and complaints

**AC HEALTH**
- Value of Services and Products

AIDE held seminars on basic health, new born care, and elderly care for its medical professionals

**FamilyDOC**
- FamilyDOC sourced its medicine directly from principals

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AYALA CORPORATION 2019 INTEGRATED REPORT

### COMPANY | KEY CONCERNS RAISED | HOW EACH KEY CONCERN WAS ADDRESSED
---|---|---
**AC MOTORS**
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**IMI**
- Logistical delays and lack of coordination

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AYALA CORPORATION 2019 INTEGRATED REPORT
Communities

**How We Engage**
- Face-to-face meetings, school visits, workshops, lectures, mentoring sessions, and trainings with stakeholders
- Online communication—Facebook (FB) messenger chat groups with stakeholders, FB page closed group, emails, phone calls, online reference service, online library of digitized materials, social media, website
- Community events and activities—program/project launch, book launch, film screenings, exhibitions, lectures, concerts, project showcase, alumni gathering, volunteer engagement, and others

**Engagement Strategy**
- Keep a strong relationship with the communities by understanding their needs and appreciating their contribution to society

**Key Concerns Raised**
- Domestic/personal/professional concerns affecting participation in and implementation of projects (e.g., some youth groups fell behind in their project implementation due to competing responsibilities at home, in school, at work; young mothers had to bring their children during sessions)
- Need for livelihood training and parenting workshops for young mothers (for Sari-Saring Aralan participants)
- External environment affecting community projects of LeadCom participants (e.g., drought has affected the projects of youth leaders in one municipality)
- Program enhancement (e.g., educational assistance and employment opportunities for out of school youth [OSY])
- Due to renovations, the Ayala Museum and the physical library (FHL) are inaccessible

**Our Strategic Response**
- More frequent LeadCom teach visits, communication, and contact with youth groups in coordination with LGU champions
- To help young mothers and students focus on learning sessions, AFI developed literacy, art, and play sessions for children and young siblings of participants
- AFI raised funds to support OSY in its Sari-Saring Aralan education pathway and partnered with industries to accept OSY for work immersion
- FH set up its Online Request/Reference Service program that accepts requests for its digitized materials and for reproduction of library materials, strengthened its travelling exhibits and other programs through unified Ayala Museum On-the-Go branding, and launched online channels such as Ayala Museum Youtube channel

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**Other Stakeholders**

**Media**

**How We Engage**
- Media conferences and briefings
- News advisories, fact sheets available through the corporate website
- Emails and phone calls
- Social gatherings
- Informal media huddles
- One-on-one meetings
- Sponsorship of media-initiated events aligned with our principles and advocacies

**Engagement Strategy**
- Optimize the use of various media channels to reach more stakeholders
- Make sure of the accuracy and clarity of disseminated information materials

**Key Concerns Raised**
- Follow-through questions are typically based on the press releases issued
- Questions asked that are based on the cases of the business units or Ayala

**Our Strategic Response**
- Answer as the questions arise
- Connect them to the business unit’s corporate communications team. For Ayala, they are directed to the relevant department/s

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**Industry Associations**

**Engagement Strategy**
- Participate in industry activities relevant to our business units

**How We Engage**
- Membership
- Special events such as conference, forums
- Webinar
- Face-to-face meetings

**Key Concerns Raised**
- Continuing support and long-term relationship with key stakeholders
- For speaking engagements, they request presence and content contribution
- Request for feedback/insight on their research or publications

**Our Strategic Response**
- Evaluate sponsorship requests which includes an alignment of interests and values
- Provide the speaker or attend the event
- Contribute to the discussion/give additional content for consideration

Ayala conducts regular dialogues to address concerns of its stakeholders.
OUR MATERIALITY APPROACH: WHAT MATTERS MOST

As a response to the rapidly shifting business and ESG landscape, Ayala reviewed its 360° Sustainability Reporting Framework in the context of emerging trends and urgent issues that affect its stakeholders.

Materiality is one of the content elements of integrated reporting and Ayala continuously strives to keep it up to date to ensure its relevance. These were aligned with GRI Standards, SASB industry-specific topics and disclosures, and the 10 Principles of the UN Global Compact. Our exposure to WBCSD for business transformation helped further integrate our business units’ SDG targets with our sustainability agenda to bridge the societal gaps identified in the three journeys defined in the Ayala Sustainability Blueprint.

OUR MATERIALITY PROCESS

We identified material topics from the previous ones outlined in the 360° Sustainability Reporting Framework, and from various sources such as media reporting, internal data, peer review by WBCSD and ESG rating institutions, SASB sector-specific regulations and standards, and sector specific regulations. This process also includes research on emerging trends and urgent issues that affect its stakeholders.

Moreover, we gathered information on the impact and importance of each material topic, which allowed us to gain a comprehensive understanding of their relevance to Ayala’s businesses and stakeholders.

Our material topics were then validated by evaluating indicators to be monitored and reported on through thematic workshops with management representatives across the group. Five group-wide workshops were conducted on the following themes: economic, environment, human resources, supply chain, and customer management.

The validated material topics and key indicators were then prioritized based on the strategic importance to the business, to the stakeholders, and the social, environmental, and economic impact in the value chain.

THE RESULTS

After a rigid process of identification, gathering information, validation, and prioritization, the material topics were categorized. We analyzed the results, and found that certain topics interconnect, while some had a significant impact on their own. The material topics were clustered according to their significant relevance for Ayala and its business units. The results of the materiality process were presented to and approved by the Board.

The five material themes are as follows:

1. Climate change and biodiversity
   - Factors that are significant to our commitment to reduce GHG emissions, protect biodiversity in and around areas where our businesses operate, and increase our contribution to climate resilience through climate-related investments

2. Resource efficiency and waste management
   - Factors to monitor efficient use of natural capital such as energy, water, and other materials necessary for delivery of products and services, and to manage waste

3. Workplace experience and future of work
   - Concerns that influence the well-being of our employees as well as how our businesses promote human rights principles

4. Customer experience and protection
   - Factors that push for customer empowerment and protection of their privacy

5. Equitable business practices
   - Beyond economic value creation and distribution, this theme also includes business ethics, community engagement, and supply chain sustainability, ensuring suppliers adhere to the same standards upheld across the Ayala group.

As best practice, these materiality themes and material topics will be reviewed every two to three years where it is possible to have similar material topics, with an increased or decreased number of indicators.

THE AYALA SUSTAINABILITY REPORTING FRAMEWORK

The Ayala Sustainability Reporting Framework shown below is the end product of a comprehensive materiality process. It reflects sustainability metrics on which we base our performance, cognizant that creating shared value and becoming a responsible organization goes beyond mere compliance. It shows the successful integration of the five themes and material topics across SASB, GRI, the three journeys of the Ayala Sustainability Blueprint, and the 10 Principles of Global Compact, while keeping the group’s focal business areas.

For a detailed list on the material topics, the Materiality Index can be viewed on pages 227-230.

Materiality Process Diagram

Ayala’s material topics are defined by the following three criteria:

1. It is common among majority of the Ayala companies;
2. It has a significant impact to the brand and reputation of Ayala Corporation; or
3. It has a significant importance to key stakeholders of the company.

Material Themes

GRI + SASB

Journey

GRI Standards

Value Creation Areas

SASB

Climate change and biodiversity

Resource efficiency and waste management

Equitable business practices

Customer experience and protection

Workplace experience and future of work

Climate change and biodiversity

Equitable business practices

Resource efficiency and waste management

Customer experience and protection

Workplace experience and future of work

It shows the successful integration of the five themes and material topics across SASB, GRI, the three journeys of the Ayala Sustainability Blueprint, and the 10 Principles of Global Compact, while keeping the group’s focal business areas. For a detailed list on the material topics, the Materiality Index can be viewed on pages 227-230.
### SHARPER FOCUS ON ESG

Results from our 2019 materiality review gave us fresh points of reference in determining our Environment, Social, and Governance (ESG) impact with focus on five key themes: (1) Climate Change and Biodiversity, (2) Resource Efficiency and Waste Management, (3) Workplace Experience and Future of Work, (4) Customer Experience and Protection, and (5) Equitable Business Practices.

We identified metrics to measure the progress of our work for each theme. Using our new Sustainability Reporting Framework, we present the progress we have made in each theme, set against the backdrop of global trends, risks, and opportunities, as well as the strategies we used in pursuing our aspirations.

#### CLIMATE CHANGE AND BIODIVERSITY

**Climate Change**

The Philippines ranks fourth among countries most affected by climate impact in the past 20 years, based on 2018 studies referenced by the 2020 Global Climate Risk Index published by Germanwatch.

As a business leader that invariably supports national efforts in climate action, Ayala considers climate change as one of its priority sustainability issues. Closely monitoring its carbon footprint, the holding company actively responds to this issue by mobilizing its business units across three strategies: Mitigation, Adaptation, and Innovation. Ayala’s first strategy is centered on the group’s capabilities to reduce carbon emissions. Ayala promotes climate adaptation by strengthening the resilience of its assets and adjacent ecosystems. It harnesses the collective innovative strengths of its businesses to develop and implement projects that address climate change.

Ayala’s group-wide scope 1 emissions in 2019 reached about 1 million tonnes CO₂e, a decrease of 38 percent from 2018 because of AC Energy’s divestment of its thermal assets and interruptions on SLTEC’s operations. Ayala’s 2019 scope 2 emissions from electricity consumption was approximately 0.44 million tonnes CO₂e, a 2.6 percent increase from 2018 due to the expansion in several of Ayala’s business units.

More information on Ayala’s response to SDG 13 - Climate Action can be found on pages 123-124.

Below are highlighted initiatives of Ayala companies on climate change.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>HIGHLIGHTED INITIATIVES</th>
<th>CLIMATE STRATEGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Land</td>
<td>• Implemented passive cooling and sustainable architecture design at the planning and</td>
<td>Mitigation</td>
</tr>
<tr>
<td></td>
<td>construction level to minimize carbon emissions, crucial to the company’s carbon</td>
<td>Adaptation</td>
</tr>
<tr>
<td></td>
<td>neutrality target</td>
<td>Innovation</td>
</tr>
<tr>
<td></td>
<td>• Stored up to 80,345 tonnes of CO₂e by protecting 586 hectares of carbon sinks across</td>
<td></td>
</tr>
<tr>
<td></td>
<td>the country through its carbon forest initiative</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Avoided about 121,951 tonnes of CO₂e by shifting to renewable energy use</td>
<td></td>
</tr>
<tr>
<td>BPI</td>
<td>• Established Green Finance Framework, which sets guidelines for the issuance of green</td>
<td>Mitigation</td>
</tr>
<tr>
<td></td>
<td>bonds and loans to fund projects with positive environmental impacts</td>
<td>Adaptation</td>
</tr>
<tr>
<td></td>
<td>• Issued two landmark green bonds, allocated to eligible green projects (CHF 100</td>
<td>Innovation</td>
</tr>
<tr>
<td></td>
<td>Million green bond - issued in August 2019; and US$300 million green bond - issued in</td>
<td></td>
</tr>
<tr>
<td></td>
<td>September 2019)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Disbursed P10.14 billion for energy efficiency, renewable energy, and climate resilience</td>
<td></td>
</tr>
<tr>
<td></td>
<td>projects under its Sustainable Energy Financing (SEF) program; and P2.17 billion for</td>
<td></td>
</tr>
<tr>
<td></td>
<td>large renewable energy projects under its Structured Finance Division (SFD)</td>
<td></td>
</tr>
<tr>
<td>Globe</td>
<td>• Achieved carbon neutrality for select corporate offices through its partnership with AC</td>
<td>Mitigation</td>
</tr>
<tr>
<td></td>
<td>Energy</td>
<td>Adaptation</td>
</tr>
<tr>
<td></td>
<td>• Encourages its employees to limit the use of motorized vehicles for business commute</td>
<td>Innovation</td>
</tr>
<tr>
<td></td>
<td>through web-based mobile applications and digital workshops</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Has programs that encourage customers to join reforestation efforts: Globe Rewards,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>which raised P2 million for the Hinleiban Foundation; and GCash Forest, which engaged</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.7 million customers in cashless transactions for tree planting</td>
<td></td>
</tr>
<tr>
<td>AC Energy</td>
<td>• Added 153 MW of renewable energy to its portfolio in 2019, bringing its total</td>
<td>Mitigation</td>
</tr>
<tr>
<td></td>
<td>attributable RE capacity to 856 MW</td>
<td>Adaptation</td>
</tr>
<tr>
<td></td>
<td>• Generated 1758 GWh from renewable assets in 2019, bringing its RE output to 50</td>
<td>Innovation</td>
</tr>
<tr>
<td></td>
<td>percent of its total energy output</td>
<td></td>
</tr>
<tr>
<td>Manila Water</td>
<td>• Conducted resiliency assessment and business impact studies of its Manila and Laguna</td>
<td>Mitigation</td>
</tr>
<tr>
<td></td>
<td>facilities</td>
<td>Adaptation</td>
</tr>
<tr>
<td></td>
<td>• Retrofitted its facilities to better withstand earthquakes</td>
<td>Innovation</td>
</tr>
<tr>
<td></td>
<td>• Built new assets in strategic locations that are not exposed to flood hazards</td>
<td></td>
</tr>
<tr>
<td>IMI</td>
<td>• Generated 10.8 MW of renewable energy, equivalent to around 10 tonnes of CO₂e</td>
<td>Mitigation</td>
</tr>
<tr>
<td></td>
<td>reduction through its Solar Pilot Project Initiative using Merlin® Solar’s patented</td>
<td>Adaptation</td>
</tr>
<tr>
<td></td>
<td>technology in its Laguna site</td>
<td>Innovation</td>
</tr>
<tr>
<td>AC Motors</td>
<td>• Offers fuel and eco-efficient automotive models</td>
<td>Mitigation</td>
</tr>
<tr>
<td></td>
<td>• Encourages customers to avail of regular maintenance for their vehicles to ensure</td>
<td>Adaptation</td>
</tr>
<tr>
<td></td>
<td>optimal engine performance and reduce environmental footprint</td>
<td>Innovation</td>
</tr>
<tr>
<td>LRMC</td>
<td>• Deployed bike racks and bike lanes across designated LRT stations and roads through</td>
<td>Mitigation</td>
</tr>
<tr>
<td></td>
<td>its Bikeways Project</td>
<td>Adaptation</td>
</tr>
<tr>
<td>iPeople</td>
<td>• Promotes environment and sustainable development (ESD) as part of its curriculum in</td>
<td>Mitigation</td>
</tr>
<tr>
<td></td>
<td>Mapua, and includes courses on environmental protection and conservation</td>
<td>Adaptation</td>
</tr>
<tr>
<td></td>
<td>• Established the Sustainable Development Research Office (SDRO) in 2011, which was</td>
<td>Innovation</td>
</tr>
<tr>
<td></td>
<td>renamed the Resiliency and Sustainable Development Center (RSDC) in 2019 – a</td>
<td></td>
</tr>
<tr>
<td></td>
<td>platform to develop research projects to solve environmental and societal problems</td>
<td></td>
</tr>
</tbody>
</table>
Below are highlighted initiatives of Ayala companies on biodiversity.

### Biodiversity

Some of Ayala’s business units operate in areas with rich biodiversity. A United Nations Environment Programme (UNEP) report identifies land use change and climate change as critical pressures on biodiversity. Biodiversity loss can lead to the collapse of ecosystem services, which threatens agricultural productivity, livelihoods, and local flora and fauna species. Thus, integral to the group’s commitment to sustainability is responsible operations and environmental management in these locations.

Ayala’s mindful of its energy and water consumption, commitment to resource efficiency is vital. Shifts in climate patterns will increasingly threaten the world where energy demand is projected to grow by 60 percent in the next two decades. Furthermore, rapid urbanization and development coupled with changes in climate patterns will increasingly threaten the region’s water security. Being a key player, Ayala’s commitment to resource efficiency is vital.

Ayala constantly monitors its energy and water consumption as key inputs to its operations. In 2019, group-wide consumption of electricity increased while its water consumption decreased. The conglomerate continues to implement energy and water efficiency programs across the group to promote responsible resource consumption.

**Ayala Land**

Through regular biodiversity studies in select sites that integrate findings in its development plans, a total of 57 IUCN Red List species were identified, monitored, and protected.

**Globe**

The company spearheaded a program on marine biodiversity conservation empowering micro, small, and medium enterprises to protect marine life by adapting sustainable approaches to business operations.

**AC Energy**

The energy platform’s Environmental and Social Management System promotes sustainable business operations by conducting biodiversity studies and assessments to ensure environmental responsibility in its projects. These are: agro-forestry programs in Pagudpud and marine and sea turtle sanctuaries in Bangui.

**Manila Water**

The company maintains its watershed management projects such as the reforestation of Umiray, Ipo, La Mesa, Upper Marikina, Nabaoy, and Luyang watersheds along with Adopt-a-Watershed programs for Ipo watershed and Clark Water.

**Project Kasibulan**

Project Kasibulan embodies Ayala’s commitment to building and managing sustainable ecosystems and communities.

As Project Kasibulan contributed to reforestation efforts and promoted volunteerism among employees across the group, its focus also widened to include the economic welfare of communities as a critical aspect of biodiversity protection.

As it grows and develops into a Reducing Emissions from Deforestation and Forest Degradation (REDD+) initiative, Project Kasibulan adopts the Payments for Ecosystem Services (PES) scheme as a means to incentivize communities for the protection and enhancement of the environment. This allows for a long-term sustainable program that integrates biodiversity protection with economic growth in building the adaptive capacity of both local communities and ecosystems in response to climate change.

The 2019 results and updates can be found on pages 123-124 under Ayala’s commitment to SDG 13.

#### RESOURCES EFFICIENCY AND WASTE MANAGEMENT

**Resource Efficiency**

Southeast Asia is one of the most dynamic regions in the world where energy demand is projected to grow by 60 percent in the next two decades. Furthermore, rapid urbanization and development coupled with shifts in climate patterns will increasingly threaten the region’s water security. Being a key player, Ayala’s commitment to resource efficiency is vital.

Ayala constantly monitors its energy and water consumption as key inputs to its operations. In 2019, group-wide consumption of electricity increased while its water consumption decreased. The conglomerate continues to implement energy and water efficiency programs across the group to promote responsible resource consumption.

**Globe**

Through the implementation of LED lighting, optimization of operating hours of selected equipment, and upgrading of air conditioning help the company efficiently manage resources.

**Manila Water**

Its paperless billing operations have led to savings of 655 tons of paper or about 15,717 trees.

**BPI**

The bank continues to improve its energy efficiency by installing LED lighting and inverter-type air-conditioners across its branches.

2019 saw the full implementation of the BPI Credit Cards electronic statement of accounts (eSOA) project. Through this, the bank saved 12.09 million pages of paper or approximately 1,452 trees.

**Globe**

The company’s cell sites’ energy efficiency increased by deploying 6,948 Green Network Solutions.

**MVC**

MWC also reduced its enterprise-wide NRW to 9 percent, which aligns with the SDG 6 target of increasing water-use efficiency.

**IMI Global**

Energy programs such as installation of LED lighting, optimization of operating hours of selected equipment, and upgrading of air conditioning help the company efficiently manage resources.

**LRMC**

Using regenerative energy (turning deceleration of trains to stored energy) has led to a reduction of 36,000 kWh in energy consumption in train operations.

**iPeople**

APEC, UNC, and Mapusa installed LED lighting. Mapusa retrofitted pipelines and set up rainwater catchment systems.

Each school has an energy conservation policy where lights and appliances are turned off when there are no classes or activities.
Waste Management
East Asia and the Pacific regions are responsible for 23 percent of total waste generated worldwide. Ayala, whose businesses operate in these regions, is in a unique position to contribute to national efforts in waste management. The Ayala Sustainability Council, a platform for sharing best practices, helps cascade programs on waste management and resource efficiency across the group. One of these is Ayala’s reduce, recycle, and recover program. Embedded within Ayala’s environmental policies is its mandate to promote waste management efforts among its people and to seek effective ways to manage waste. Subsidiaries incorporate waste management into their due diligence process and environmental initiatives. The group also observes proper protocol for the transport, treatment, storage, and disposal of hazardous waste. In 2019, the group generated 48,632 tonnes of non-hazardous waste. Ayala commits to improve its performance in managing its material footprint. Progress on this is on page 122.

Below are highlighted initiatives of Ayala Companies on waste management.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>HIGHLIGHTED INITIATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Land</td>
<td>Waste management programs are implemented in select commercial properties and estates. As a result, Ayala Land diverted around eight million kilograms of total waste from landfills including 32,000 kilograms of plastic. There are also clean and dry plastic drop-off booths that serve as educational venues for proper waste management among visitors to its estates. In collaboration with Green Antz Builders, Ayala Land launched a pilot Eco Hub at the 74-hectare Arca South Estate in Taguig. The facility collects discarded plastic materials and recycles them into eco bricks, eco paviers and eco cast.</td>
</tr>
<tr>
<td>Globe</td>
<td>Through a mobile recycling program called Project 1 Phone, Globe has recovered and diverted 355,000 kilograms of electronic waste from landfills. Moreover, proceeds of this program will be used to help build classrooms in the Philippines.</td>
</tr>
<tr>
<td>AC Energy</td>
<td>The company’s thermal plants recycle its coal ash through partnerships with cement manufacturing companies. In 2019 recycling rate was at 92.35 percent.</td>
</tr>
<tr>
<td>IMI</td>
<td>The reduce-reuse-recycle program for the management of non-hazardous waste is followed across IMI sites. Globally, it has recycled 2.5 million kg of its non-hazardous waste.</td>
</tr>
<tr>
<td>AC Motors</td>
<td>Treated wastewater is reused in its facilities with sewage treatment facilities.</td>
</tr>
<tr>
<td>AC Infra</td>
<td>Monthly waste generation is tracked as LRMC actively promotes waste reduction, composting of biodegradables, PET bottle recycling, and eliminating single-use plastics. These efforts resulted in 85 tonnes of waste diverted from landfills.</td>
</tr>
<tr>
<td>iPeople</td>
<td>Mapusa has shifted to paperless transactions, and renovated its storage facilities to house waste and hazardous materials.</td>
</tr>
</tbody>
</table>

Waste Management: 1 What a Waste 2.0: A Global Snapshot of Solid Waste Management to 2050, World Bank, 2018

Employee engagement
Ayala’s Human Resources Council led by Ayala Corporation’s Chief Human Resource Officer, fosters and harnesses synergy to improve human resource services across the group. It also shares best practices to adapt and ride the wave of developments shaping human capital.

In order to continue to be the employer of choice, Ayala acknowledges trends such as the growing number of millennials in the workforce (projected to reach 75 percent by 2025), emphasis on workplace experience, and flexible working arrangement, among others. The council studies their impact into its businesses and adapts to the changing expectations of the new workforce.

The Willis Towers Watson’s framework measures engagement in three areas—Energy, Enablement, and Engagement. This cycle, the Ayala group’s Sustainable Engagement (SE) score is at 87 percent, one point lower than in 2017.

Within the workforce of Ayala, 86 percent consider themselves Energized. Energized employees find a sense of personal accomplishment in their work and in working with others in their team. As a result, they tend to have good individual, interpersonal, and emotional well-being at work.

Among Ayala employees, 80 percent are Enabled and believe that resources and tools are for them to do their job effectively with fewer obstacles.

Meanwhile, 95 percent consider themselves Engaged. More than Energized and Enabled, Engaged employees work more than what is required to ensure success. They have a firm belief in our goals and are proud to be part of the conglomerate. A key finding indicates that Ayala group employees strongly associate with their respective brands and goals.

Key Engagement Drivers
Across the Ayala Group, the following are the strongest influencers to the Sustainable Engagement score:

- **Empowerment**
  A good 89 percent of employees acknowledge they have sufficient authority to do their job well (two points higher than the 2017 performance). About 95 percent believe their work contributes to the company’s business objectives which give them a sense of personal accomplishment.

Our efforts to keep employees informed on important matters affecting the organization keep them empowered. In addition, 80 percent of employees appreciate that Ayala provides a climate where people can challenge and improve traditional ways of doing things (four points higher than the 2017 score). About 82 percent claim their supervisors are receptive to suggestions for change (four points higher in 2017).
Employees also feel empowered as 78 percent see they have ample opportunities to improve their skills and grow in the company (three points higher than in 2017). The adequate recognition and non-monetary rewards provided for good performance also drive empowerment. Ayala scored 75 percent in this aspect, which is six percent points higher than the Philippine norm. About 76 percent believe their job performance is evaluated fairly, while 73 percent claim the performance review helped them improve their job performance (score is one point higher than 2017 in both areas). Employees believe the Ayala group did a good job in promoting the most competent people.

- **Operating Efficiency**
  The group acknowledges that an efficient and streamlined process enables employees. About 90 percent of our employees recognize continual efforts toward process efficiency. They also see the value of the use of appropriate technology to improve internal operating efficiency. About 80 percent say sufficient effort is being made to make processes more streamlined and cost effective. These interventions help remove obstacles and allow employees to do their jobs effectively.

- **Leadership**
  High confidence in senior management decisions keeps employees highly engaged. Ayala scored higher than the Philippine norm on this metric. In addition, 82 percent consider management decisions to be consistent with Ayala values (see page 5).

  The high performance on this aspect is due to several factors. Primarily, 85 percent are convinced their management is interested in the well-being of the employees. Secondly, 91 percent believe their respective companies operate with integrity in its external dealings with customers and suppliers, among others. In fact, 79 percent of employees say internal processes are geared toward providing the best possible service to external clients.

  Results also show that employees have high regard for the standards of integrity across the organization, such that the majority are willing to report instances of dishonest or unethical practices to appropriate levels of authority without fear of repraisal.

  Finally, the workforce appreciates the way feedback and recognition are provided. About 80 percent declare they get regular feedback on their performance from their supervisors and 83 percent say their supervisor gives recognition for a job well done.

- **Working Relationships**
  Good working relationships make teams more effective and energized. A healthy exchange of ideas is crucial for achieving the team’s deliverables. Fundamental to maintaining good working relations is how each employee feels respected. A good 88 percent of employees say they are treated with respect regardless of their role. Employees find good allies in the people within and outside their teams in achieving their deliverables and in managing stress levels.

  Below are some initiatives of Ayala companies on employee engagement informed by the results of the 2017 employee engagement survey. Responses to key concerns of employees in Ayala Corporation are available on page 80.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>HIGHLIGHTED INITIATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Land</td>
<td>A holistic approach is in place for Ayala Land’s Wellness Campaign, which aims to look after the mental and physical health, nutrition, and volunteer involvement of its employees.</td>
</tr>
<tr>
<td>BPI</td>
<td>The bank integrated its product and channel teams that focus on specific customer segments. This ensures clarity of roles and fosters collaboration among the employees.</td>
</tr>
<tr>
<td>Globe</td>
<td>The company shifted to a No-Bell-Curve Performance Evaluation for all its employees. It also gives its employees one day of Volunteer Time-Off to pursue their personal advocacy every year.</td>
</tr>
<tr>
<td>IMI</td>
<td>Aside from making sure its employees are aware of their total compensation package, including company cost on non-monetized benefits, IMI also conducts financial wellness programs for them.</td>
</tr>
<tr>
<td>AC Infra</td>
<td>LRMC conducts focus group discussions with the CEO and senior management where employees can relay concerns and issues at work, and where management cascades initiatives to establish a culture of excellence.</td>
</tr>
<tr>
<td></td>
<td>Entrego established clubs for employees sharing the same interests and passion, and a committee that draws up monthly activities.</td>
</tr>
<tr>
<td></td>
<td>AF Payments conducts regular “Kamustahan with CEO” sessions to discuss key issues and progress. It also mounts company-wide team building sports activities.</td>
</tr>
<tr>
<td>AC Health</td>
<td>Generika has launched GeneriKares, a holistic approach to employee engagement that includes wellness programs, employee recognition, sports fest, and social responsibility initiatives.</td>
</tr>
<tr>
<td></td>
<td>MedGrocer conducts a monthly pulse and bi-monthly townhalls to present latest and upcoming developments and to understand employee concerns.</td>
</tr>
<tr>
<td></td>
<td>AIDE conducts appraisals and provides awards and recognition monthly.</td>
</tr>
<tr>
<td>iPeople</td>
<td>Schools conduct regular consultation with different employee groups such as the negotiated increase in benefits for employees in Mapua. Service awards are also given to its employees for their loyalty and dedication.</td>
</tr>
</tbody>
</table>

**Enhanced Workplace Experience**

Ayala companies continue to improve processes, initiatives, and programs in human resources – from recruitment, training and development, provision of relevant work tools, among others. Below are some highlighted initiatives on how the Ayala group enhances workplace experience.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>HIGHLIGHTED INITIATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Land</td>
<td>Various digital initiatives helped improve employee services. The company also started an idea generation program to harness employees’ innovativeness and creativity in delivering services to employees through a simplified, efficient, and sustainable approach.</td>
</tr>
<tr>
<td>BPI</td>
<td>Capabilities on information systems were improved significantly. A mobile app where employees can view their pay slips, absences, and leaves on the go was also introduced. Moreover, the bank launched its flexible benefit program and flexible work arrangement for eligible employees.</td>
</tr>
<tr>
<td>Globe</td>
<td>Digitization enhances employee service. The company’s Employee Virtual Assistance System facilitates management of employees’ travel and expense spending, among others. A flexible benefit program and flexible work arrangement for eligible employees are also offered.</td>
</tr>
<tr>
<td>Manila Water</td>
<td>Employees have the option to work from its Work Hubs a few times a week.</td>
</tr>
<tr>
<td>IMI</td>
<td>IMI has adopted a Teleworking Policy enabled by modern technology and as a response to changing workforce expectations.</td>
</tr>
<tr>
<td>AC Infra</td>
<td>Work from home arrangements are available for certain LRMC employees. The company also runs health and wellness programs.</td>
</tr>
<tr>
<td></td>
<td>Huddle rooms, quiet rooms, and open offices make Entrego’s workplace unique and appealing.</td>
</tr>
<tr>
<td></td>
<td>AF Payments offers flexible working arrangements on an as-needed basis.</td>
</tr>
<tr>
<td>AC Health</td>
<td>Generika and MedGrocer optimize the use of technology tools to promote collaboration and engage the millennial workforce.</td>
</tr>
<tr>
<td></td>
<td>AIDE employees are allowed to work remotely or work with flexible schedules.</td>
</tr>
</tbody>
</table>
Ayala ensures safety in the workplace guided by its policies on child and forced labor, occupational health and safety, and hazard management. Ayala does not employ children and does not encourage forced labor across its operations. Furthermore, companies observe strict compliance with relevant rules and regulations on occupational health and safety. We strive to ensure a safe and healthy working environment for our employees. We work with our suppliers to ensure that they, too, adhere to the same standards.

Below are occupational health and safety statistics for a few Ayala companies participating in labor intensive sectors in 2019:

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>Total number of non-disabling injuries for employees</th>
<th>Total number of disabling injuries for employees</th>
<th>Total number of fatalities (employees)</th>
<th>Safe manhours (employees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Land</td>
<td>268</td>
<td>3</td>
<td>3</td>
<td>188,135,950.00</td>
</tr>
<tr>
<td>Globe</td>
<td>87</td>
<td>0</td>
<td>0</td>
<td>15,376,609.00</td>
</tr>
<tr>
<td>IMI</td>
<td>64</td>
<td>9</td>
<td>0</td>
<td>44,669,530.00</td>
</tr>
<tr>
<td>AC Energy</td>
<td>19</td>
<td>1</td>
<td>0</td>
<td>3,281,795.86</td>
</tr>
<tr>
<td>AC Infra</td>
<td>50</td>
<td>2</td>
<td>0</td>
<td>2,030,361.00</td>
</tr>
<tr>
<td>Manila Water</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>3,822,578.50</td>
</tr>
</tbody>
</table>

Below are some initiatives on how our business units create an inclusive workplace.

**Inclusive Workplace**

Provided with equal opportunities, a diverse workforce opens companies to innovative ideas that improve the value creation process. The Ayala group provides equal opportunities and strictly enforces its Recruitment, Compensation, and Retrenchment Policy, which does not discriminate on the basis of gender, sexual orientation, political affiliation, among others.

The total number of direct employees across the Ayala group increased to 72,013 in 2019, with male-to-female ratio of 1:1.33. Ayala companies have a young workforce, where 41 percent are under 30 years old and 51 percent are between the ages of 30 and 50.

Below are some initiatives on how our business units create an inclusive workplace.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>HIGHLIGHTED INITIATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Land</td>
<td>Ayala Land implements its anti-discrimination policy and there were no reports of discrimination this year.</td>
</tr>
<tr>
<td>Globe</td>
<td>Inclusivity and diversity in the workplace for 2020 is a priority. The company created the Pride@Globe Workplace Group for the LGBTQ+ community. This was followed by a Diversity Policy where dependents of legally married same-sex couples can avail of the same company benefits with the rest of the employee force.</td>
</tr>
<tr>
<td>Manila Water</td>
<td>There is a good mix of female and male leaders in the company. There are venues in the company where employees share and learn from the water crisis experience.</td>
</tr>
<tr>
<td>IMI</td>
<td>IMI’s Global Hiring Policy ensures a fair, non-discriminatory, and equitable hiring process. With the very tight global talent market, IMI is revisiting requirements for educational attainment for its applicants.</td>
</tr>
<tr>
<td>AC Infra</td>
<td>LRMC promotes Gender and Development (G&amp;D) principles from hiring to career development.</td>
</tr>
<tr>
<td>AF Payments</td>
<td>AF Payments implements a policy against discrimination, harassment, and bullying of any kind.</td>
</tr>
</tbody>
</table>

**Talent Development and Future of Work**

Ayala companies offer various training programs, e-learning platforms, and support in pursuing post-graduate degrees to develop the employees full potential – professionally and personally.

In 2019, Ayala companies provided more than 3.8 million hours worth of training for its employees, averaging about 60 hours of formal training per employee.

Ayala recognizes that digitalization will propel its businesses to the future. This requires acquisition of new skill sets for its employees. The conglomerate formed a group of data analytics professionals in support of digital transformation.

The following are highlighted initiatives of Ayala companies on talent development.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>HIGHLIGHTED INITIATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Land</td>
<td>To harness creative ideas that will help improve the business and help build a sense of fulfillment among employees, Ayala Land launched its Innovation Challenge.</td>
</tr>
<tr>
<td>BPI</td>
<td>Through various classroom training sessions, BPI provided more opportunities on leadership development for frontline leaders and management trainees. Executive coaching and strategy-aligned programs were also offered to all high potential and high performing senior officers. Moreover, a new set of leadership competencies was included in the company’s Performance Management System.</td>
</tr>
<tr>
<td>Globe</td>
<td>Learning requirements of its employees are managed through Globe University. In 2019, it highlighted these courses: 5G Overview, Network Functions Virtualization (NFV) Fundamentals, Cloud, Data Science, and Agile. Its Data Scientists Program trained 39 fresh graduates from different universities.</td>
</tr>
<tr>
<td>Manila Water</td>
<td>Manila Water’s key talent development programs include Leadership Excellence and Development, Manila Water Institute of Technology, and Cadetship Program.</td>
</tr>
<tr>
<td>AC Infra</td>
<td>LRMC implements a Leadership and Competency Development Programs. It also benchmarks with other rail industries for best practices.</td>
</tr>
<tr>
<td>AC Health</td>
<td>Generika launched PharmAcademy, a comprehensive learning curriculum that provides technical training programs for its personnel such as licensed pharmacists. PharmAcademy also offers behavioral and business skills training for pharmacy assistants and supports employees and franchisees within the Generika network.</td>
</tr>
<tr>
<td>IPeople</td>
<td>Schools under IPeople give incentives for research publication and research opportunities for faculty members. In addition, upskilling teachers with outcomes-based education, blended learning, and constructivist approaches are conducted.</td>
</tr>
</tbody>
</table>

**CUSTOMER EXPERIENCE AND PROTECTION**

Several global trends shape customer behavior and expectations across industries. Knowing how to optimize opportunities, these trends play a vital role in the success of businesses. These include the following:

- Emphasis on customer experience – closing the gap between client expectations and a company’s capacity to meet them; knowing that consumers are willing to pay more to save time and for a good customer service; consumers will expect the same level of service, regardless of industry.
Below are some of Ayala companies’ programs to improve customer experience.

Customer Experience
Ayala develops channels to meaningfully engage with customers in order to deeply understand and effectively respond to their needs, ensuring a frictionless customer experience. Always putting customers first, Ayala considers these trends in drawing up innovative approaches to increase customer value, improve customer experience, and empower consumers including those with limited access to basic goods and services.

Below are some of Ayala companies’ programs to improve customer experience.

### COMPANY HIGHLIGHTED INITIATIVES

**Ayala Land**
To help develop programs attuned to customer needs, Ayala Land established a platform which facilitates improved analytics. This sales information platform is constantly refined and enhanced.

**BPI**
The Customer Assistance Program ensures that all feedback from customers and potential customers are well-handled within the bank’s consumer protection policies. The bank continuously conducts information and education campaigns through its Financial Consumer Protection Program.

**Globe**
With a deeper understanding of customer needs and challenges, Globe reimagines end-to-end processes and delivers relevant omni-channel enabling capabilities for a frictionless customer experience. The company empowers its frontliners to serve customers better by focusing on more value-adding tasks and elevating the quality of their interactions with customers.

**Manila Water**
As a response to water availability issues, Manila Water now provides additional water supply by producing 100 million liters per day of potable water from Cardona Water Treatment Plant.

**AC Motors**
Customers have more choices as a wide array of automotive models are available. After sales support includes sending periodic maintenance reminders to ensure that their vehicles remain in good condition.

**AC Infra**
LRMC developed a mobile application, BioMNL, which provides information on crowd volume and train arrival time. The company continues to improve its facilities such as the replacement of tracks in the heritage line and expansion of the EDSA Station.

**AF Payments**
Entrego continuously improves and develops its customer service channels including enhanced training for its frontliners.

**AC Health**
Generika provides its customers with a printed instruction, Gamot Guide, on responsible medicine intake, proper storage, and side effects of certain medicines. Customers may also avail of MedPadala, an electronic gift certificate, which they can send to their loved ones to ensure that money is spent on medicines. MedGrocer integrates patient counselling in medicine delivery. The company also partners with health management organizations and pharmaceutical companies for medicine subsidies. AIDE continues to develop its app for a seamless experience. It also partners with more medical service providers, health maintenance organizations, and insurance companies.

**iPeople**
To ensure holistic growth and formation, all schools offer additional institutional co-curricular activities. Mapua University and Malayan Colleges implement online application and exams for prospective students.

### Results of customer satisfaction surveys for the last three years:

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>METRIC</th>
<th>DESCRIPTION</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Land</td>
<td>CSAT</td>
<td>Percent of tenants satisfied with property management services</td>
<td>92%</td>
<td>86%</td>
<td>89%</td>
</tr>
<tr>
<td>Globe</td>
<td>Net Promoter Score</td>
<td>A measure of how likely customers recommend its service to others (−100% means everybody are detractors while +100% means everybody are promoters)</td>
<td>27%</td>
<td>38%</td>
<td>27%</td>
</tr>
<tr>
<td>Manila Water</td>
<td>Service complaints resolution</td>
<td>Percent of service-related complaint resolved</td>
<td>96%</td>
<td>99%</td>
<td>99%</td>
</tr>
<tr>
<td></td>
<td>Billing complaints resolution</td>
<td>Percent of billing-related complaint resolved</td>
<td>95%</td>
<td>99%</td>
<td>98%</td>
</tr>
<tr>
<td>IMI Philippines</td>
<td>CSAT</td>
<td>Scoring guideline that cover specific customer requirements such as Quality, Cost, Delivery, and Responsiveness that are defined and agreed with customers</td>
<td>4.66</td>
<td>4.60</td>
<td>4.60</td>
</tr>
<tr>
<td>Honda</td>
<td>CSAT (sales)</td>
<td>Percent of customers who are satisfied with new vehicle sales</td>
<td>97%</td>
<td>96%</td>
<td>96%</td>
</tr>
<tr>
<td></td>
<td>CSAT (services)</td>
<td>Percent of customers who are satisfied with vehicle service provided</td>
<td>84%</td>
<td>90%</td>
<td>93%</td>
</tr>
<tr>
<td>Isuzu</td>
<td>CSAT (sales)</td>
<td>Percent of customers who are satisfied with new vehicle sales</td>
<td>88%</td>
<td>89%</td>
<td>90%</td>
</tr>
<tr>
<td></td>
<td>CSAT (services)</td>
<td>Percent of customers who are satisfied with vehicle service provided</td>
<td>96%</td>
<td>87%</td>
<td>89%</td>
</tr>
<tr>
<td>Volkswagen</td>
<td>CSAT (sales)</td>
<td>Percent of customers who are satisfied with new vehicle sales</td>
<td>89%</td>
<td>89%</td>
<td>85%</td>
</tr>
<tr>
<td></td>
<td>CSAT (services)</td>
<td>Percent of customers who are satisfied with vehicle service provided</td>
<td>89%</td>
<td>83%</td>
<td>88%</td>
</tr>
<tr>
<td>Generika</td>
<td>CSAT (internal)</td>
<td>Percent of customers who are satisfied with Generika’s services based on internal measurement</td>
<td>63%</td>
<td>82%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>CSAT (external)</td>
<td>Percent of customers who are satisfied with Generika’s services based on third party measurement</td>
<td>90%</td>
<td>80%</td>
<td>-</td>
</tr>
<tr>
<td>MedGrocer</td>
<td>CSAT (internal)</td>
<td>Percent of customers who are satisfied with MedGrocer’s services based on internal measurement</td>
<td>90%</td>
<td>94%</td>
<td>98%</td>
</tr>
<tr>
<td></td>
<td>CSAT (external)</td>
<td>Percent of customers who are satisfied with MedGrocer’s services based on third party measurement</td>
<td>-</td>
<td>92%</td>
<td>87%</td>
</tr>
<tr>
<td>FamilyDOC</td>
<td>Net promoter score</td>
<td>A measure of how likely customers recommend its service to others (−100% means everybody are detractors while +100% means everybody are promoters)</td>
<td>80%</td>
<td>56%</td>
<td>34%</td>
</tr>
<tr>
<td>LRMC</td>
<td>Customer complaint resolution rate</td>
<td>Percent of complaints resolved</td>
<td>-</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Ayala companies monitor customer satisfaction using relevant metrics to their industry. Following are the results of customer satisfaction surveys for the last three years:
Customer Protection
Ayala ensures the safety of its customers within its facilities by deploying well-trained security personnel in their vicinity and by training our employees on emergency drills.

Beyond safety from physical threats, Ayala also puts importance on protecting the fundamental right to privacy of its customers in compliance with the Data Privacy Act. Data privacy trainings are conducted for all employees annually.

Some of the other initiatives of Ayala companies on customer protection include:

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>HIGHLIGHTED INITIATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Land</td>
<td>Goals for the company’s digital transformation: To create a better, faster, and relevant online experience for its customers aligned with the Data Privacy Act.</td>
</tr>
<tr>
<td>BPI</td>
<td>The bank conducts Privacy Impact Assessment on new and existing processes, systems, projects, and products. Appropriate data processing safeguards are implemented consistent with the bank’s risk strategy to maintain data confidentiality, integrity, and availability.</td>
</tr>
<tr>
<td>Globe</td>
<td>The company expanded the size of its cyber security team, adopted world-class standards, and ran in-depth Privacy Impact Assessments with external partners as customer protection initiatives. Its Advanced Security Operations Center continues to deliver cyber security-related services for both the company and the network of its customers.</td>
</tr>
<tr>
<td>IMI</td>
<td>The EMS company conducted data penetration testing and information security audits.</td>
</tr>
<tr>
<td>AC Infra</td>
<td>With regard to security within its facilities, the company has installed x-rays to ease inspection and CCTV and roving guards for added security. AF Payments promotes transparency by clearly stating in its Terms and Conditions what the data gathered will be used for.</td>
</tr>
<tr>
<td>AC Health</td>
<td>Generika conducts a Privacy Impact Assessment prior to the launch of selected projects. The company also launched the e-learning module for the Data Privacy Act, which was cascaded to the Head Office, warehouse, and store personnel.</td>
</tr>
<tr>
<td>MedGrocer</td>
<td>Engages its medicine suppliers for Privacy Impact Assessments.</td>
</tr>
<tr>
<td>AIDE</td>
<td>Set up data protection protocols, both technological and physical, to avoid data breaches.</td>
</tr>
</tbody>
</table>

Customer Empowerment

Ayala provides options and resources to customers to give them more control over their purchases and the kind of experience they want to have. This includes providing assistance to vulnerable groups for better access to our products and services and offering more options for a sustainable lifestyle.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>HIGHLIGHTED INITIATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Land</td>
<td>Ayala Land has a digital platform which enables residential customers to keep track of their property transactions. Specific to Ayala Malls, the Zing App provides customers incentives and special rewards and personalized experience to explore the mall. Likewise, Ayala Malls continues to provide priority shopping experience to persons with disabilities, senior citizens, and pregnant women through dedicated facilities such as wheelchair service, dedicated parking slots, and priority lanes, among others.</td>
</tr>
<tr>
<td>BPI</td>
<td>The bank offers a wide range of innovative financial products including options for low-income and underserved segments. For its corporate clients, the company promotes investments in industries that strengthen urban and countryside development and that adopt cleaner, low carbon, and resource-efficient technologies.</td>
</tr>
<tr>
<td>Globe</td>
<td>Through Amazon Connect, Globe transforms hotline experience and better equips customers to resolve their concerns and inquiries. Its chatbot and virtual assistants, Gie and Thea, are now embedded in all digital channels. Its GlobeOne and GlobeAtHome mobile applications empower customers to manage their accounts. Globe Community allows its customer community to exchange learning and get help from each other.</td>
</tr>
</tbody>
</table>

EQUITABLE BUSINESS PRACTICES

Ayala contributes to economic growth through its diverse businesses. The Philippine government is firm in its goal to reduce the number of Filipinos who cannot afford basic necessities by 11 percent by 2022, using as a point of reference the 16.6 percent poverty incidence in 2018.

Recognizing the influence of businesses to the country’s economic performance, Ayala aims to contribute to SDG 1 (No poverty) and SDG 8 (Decent work and economic growth) by creating economic values that improve lives, especially for the underserved and unserved. Moreover, Ayala observes fair and ethical practices in its business activities.

Economic Value Distribution

Ayala contributes to economic growth through distribution of economic value among various stakeholders. In 2019, the total economic value generated by the Ayala group increased by 8.5 percent to about ₱560 billion. This growth was driven by significant increases in revenue of ALI, BPI, and Globe, and divestment gains from AC Energy and AC Education.

Of this total value generated, 76 percent was distributed to stakeholders while only 24 percent was retained by the companies. About 41 percent was used to pay suppliers to cover operating costs, 10 percent to employees, 15 percent to providers of capital, and 10 percent to government and community investments.

At the parent company, total economic value generated increased by five percent to ₱309.6 billion and total economic value distributed to stakeholders also increased by six percent to ₱318.9 billion.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>HIGHLIGHTED INITIATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Infra</td>
<td>LBMC gives priority to PWDs, pregnant women, children, and the elderly by dedicating the first light rail vehicle in each train set, assigning a different queuing line, providing wheelchair area inside the train, and ensuring operational elevators and escalators. With the beep™ Card Expiry Extension Program, AF Payments gives its cardholders the option of extending the validity of their cards by another year thereby reducing the need to purchase a new card and dispose of the old.</td>
</tr>
<tr>
<td>Globe</td>
<td>The company expanded the size of its cyber security team, adopted world-class standards, and ran in-depth Privacy Impact Assessments with external partners as customer protection initiatives. Its Advanced Security Operations Center continues to deliver cyber security-related services for both the company and the network of its customers.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GROUPWIDE ECONOMIC PERFORMANCE</th>
<th>IN MILLION PESOS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>Operating cost</td>
<td>462,700.15</td>
</tr>
<tr>
<td>Employee wages and benefits</td>
<td>46%</td>
</tr>
<tr>
<td>Payments to providers of capital</td>
<td>10%</td>
</tr>
<tr>
<td>Payments to government</td>
<td>15%</td>
</tr>
<tr>
<td>Payments to communities</td>
<td>17%</td>
</tr>
<tr>
<td>Economic value retained</td>
<td>19%</td>
</tr>
<tr>
<td>Economic value generated</td>
<td>33%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PARENT COMPANY ECONOMIC PERFORMANCE</th>
<th>IN MILLION PESOS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>Operating cost</td>
<td>209,656.56</td>
</tr>
<tr>
<td>Employee wages and benefits</td>
<td>55%</td>
</tr>
<tr>
<td>Payments to providers of capital</td>
<td>5%</td>
</tr>
<tr>
<td>Payments to government</td>
<td>4%</td>
</tr>
<tr>
<td>Payments to communities</td>
<td>6%</td>
</tr>
<tr>
<td>Economic value retained</td>
<td>8%</td>
</tr>
<tr>
<td>Economic value generated</td>
<td>15%</td>
</tr>
</tbody>
</table>
Sustainable Procurement Practices
Ayala companies encourage their suppliers to comply with quality standards and ethical practices. Our business units have their respective supply chain policies and code of conduct that require suppliers to undergo an accreditation process to examine their legitimacy, technical competence, financial capability, service quality, and, in some cases, their sustainability performance. In particular, Ayala Land, Manila Water, and IMI use environmental and social criteria for their supplier accreditation process.

Below are examples of our business units’ initiatives.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>HIGHLIGHTED INITIATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Land</td>
<td>The ISO 20400:2017 guidelines for Sustainable Procurement is the benchmark for Ayala Land’s supply chain policies and processes to align with sustainability standards. It is currently drawing up a Sustainable Procurement Roadmap to enable vendors to adhere to sustainability standards of the company and provide additional requirements.</td>
</tr>
<tr>
<td>Globe</td>
<td>In 2019, a Supplier Self-Assessment Survey was launched via their procurement systems. To further extend sustainability to its supply chain, the company plans to conduct external audits for its critical suppliers in the next few years.</td>
</tr>
<tr>
<td>AC Energy</td>
<td>Capacity building is incorporated into the company’s supply contracts with critical vendors. Across the areas where it operates, the company establishes strategic partnerships with local suppliers and service providers.</td>
</tr>
<tr>
<td>Manila Water</td>
<td>Regular audits for critical vendors, which include a review of environmental and social risks, are conducted. The company also enables local job creation through its strict adherence to the engagement of local companies for major capital expenditure projects.</td>
</tr>
<tr>
<td>IMI</td>
<td>The global EMS company complies with and requires suppliers to adhere to the Responsible Business Alliance Code of Conduct.</td>
</tr>
<tr>
<td>AC Health</td>
<td>Genertika products are Food and Drug Administration (FDA) compliant and fit for human consumption. They also conduct audits of manufacturing facilities and review processes of new suppliers. They further monitor validity of Certificates of Product Registration and constantly communicate with suppliers of House Brand products for any products due for renewal.</td>
</tr>
<tr>
<td>iPeople</td>
<td>Mapua Schools improved their centralized online system to streamline procurement and financial processes. The company is working on integrating its other schools specifically NTC, UNC, and APEC Schools to the centralized financial system.</td>
</tr>
</tbody>
</table>

Some Ayala companies are more deliberate in their commitment to support local economic growth, cognizant that supporting local suppliers improves economic activity. The following table shows the percentage of procurement budget spent on Philippine-based suppliers by these Ayala companies.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PERCENT LOCAL SPENDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manila Water</td>
<td>100%</td>
</tr>
<tr>
<td>AC Energy</td>
<td>99%</td>
</tr>
<tr>
<td>AC Infra</td>
<td>87%</td>
</tr>
<tr>
<td>HKX</td>
<td>81%</td>
</tr>
<tr>
<td>Globe</td>
<td>59%</td>
</tr>
</tbody>
</table>

Ayala encourages its supply chain to adapt ethical and responsible practices. Volunteerism is encouraged across the Ayala group.

Community Engagement
Ayala builds trust among the people in areas where its businesses operate by creating value that benefits all and managing the impacts its operations may have.

Each business unit has community engagement programs that help build capabilities not only among beneficiaries but also project partners including LGUs. Most programs encourage and support volunteerism among employees.

Ayala nourishes the spirit of volunteerism among its employees. Its biggest volunteer-driven initiative in celebration of its 185th year is a combination of activities spanning environmental causes, donation drives, and outreach programs. When it was launched, a target of 185,000 hours was committed. This was eventually surpassed with more than 600,000 volunteer hours through the combined efforts of employees across the group.

Below are some initiatives on community engagement by the Ayala group.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>HIGHLIGHTED INITIATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Land</td>
<td>• Alay sa Komunidad Program in Aliviera turned over four classrooms to relocated Brgy. Sapang Uwak Elementary schools.</td>
</tr>
<tr>
<td></td>
<td>• From Hook to Hooks teaches guests traditional bottomline fishing. Through the program, partner fishermen in El Nido received a total of ₱2.9 million to fund their activities and projects such as a community library and environmental education for kids.</td>
</tr>
<tr>
<td></td>
<td>• Through the Corporate Vegetable Program, 25 rice farmers in El Nido and Narra, Palawan were re-trained and re-skilled in fruits and vegetables farming.</td>
</tr>
<tr>
<td>BPI</td>
<td>• Palengete Caravan provided 53 sessions of entrepreneurial financial literacy workshops for self-employed, micro-entrepreneurs.</td>
</tr>
<tr>
<td></td>
<td>• Sulong, a financial education and entrepreneurship module for migrant workers and their families in Hong Kong and Singapore, reached a total of 4,213 Overseas Filipino workers and 12,532 family members in 2019.</td>
</tr>
<tr>
<td></td>
<td>• Tech-Voc Program conducts training programs that combine valuable technical-vocational skills with entrepreneurial and management skills. In 2019, 16 trainings were conducted across 10 communities with a total of 497 community members.</td>
</tr>
</tbody>
</table>
| Globe   | Key community engagement strategies
|         | • Creating proofs of concept on the use of technology to address social issues in specific communities |
|         | • Supporting government programs |
|         | • Monitoring social return on investment (SROI) of community programs |
|         | Programs with high SROI
|         | • Developing modules to foster a safe, inclusive, and collaborative online environment, assisting LGUs on marine conservation and rehabilitation, and supporting advocacy of its subscribers through Globe Rewards. |
|         | • Through its Marine Biodiversity program, Globe introduced underwater mapping to select LGUs to access information that can be used to develop targeted plans on marine biodiversity rehabilitation and conservation in four coastal communities and major tourist destinations in Bohol, Siargao, and Palawan. |
|         | • Globe provides access to all subscribers to contribute to the advocacy by donating their Globe Rewards points using their mobile application. Some partner organizations include Save Philippine Seas, Philippines Animal Welfare Society, Philippine General Hospital Medical Foundation, and Hineleban Foundation. |
| AC Energy | As part of AC Energy’s flagship sustainability program, the Conservation Estate reiterates the company’s adherence to the Ayala group philosophy of creating value not just for its businesses, but for the environment and communities where they operate. The program completed its pilot phase and is in the process of scaling up. |
| Manila Water | The company runs an Integrated Water, Sanitation, and Hygiene program, which is a participatory intervention that will result in access to clean and potable water and improvement in sanitation facilities and hygiene practices in the communities. In 2019, it adopted two new communities, Sitio Moncayo in Malalacat City, Pampanga, and Barangay Sapang Uwak in Pilar, Pampanga, reaching more than 2,000 residents. |
|         | Other flagship community programs include infrastructure programs for drinking and sanitation facilities in public institutions and low-income communities. |

Buoyed by the knowledge that we have maintained strong foundations across the five materiality themes we focused on in our 2019 assessment presented by emerging trends, we are confident that we can deliver more to our stakeholders.
THE AYALA SUSTAINABILITY BLUEPRINT

Bridging Gaps, Improving Lives

We commit to improve the lives of Filipinos in a meaningful and lasting way. We do this following clearly defined pathways—access and inclusivity, productivity and competitiveness, responsible growth and innovation—towards 2030 mapped in the Ayala Sustainability Blueprint.

We align our desire to bridge societal gaps with the UN Sustainable Development Goals with the blueprint as a guide, valuing potential, reinventing businesses, and transforming communities.

With this Integrated Report, we recognize the business units, our champions, and their respective SDG targets as we continue to address marginalization, untapped potential, and irresponsible growth issues. We review each champion’s strategies every two to three years to ensure relevance considering game-changing technologies and innovations, evolving needs, and complex situations in today’s customer-centered business world.

Building on the gains of being leaders in the field, incubating businesses that make up a resilient portfolio, and strengthening a risk-aware culture will accelerate our growth into a future-ready Ayala Corporation.

Sixteen percent of Filipinos are considered poor and not able to meet their basic needs despite a growing Philippine economy.

Poverty unreasonably limits the ability of people to contribute to a stable economy and society, which is necessary to sustain our growth as a business and the development of our community.

Through Ayala Foundation, we work to address extreme poverty especially in communities surrounding our areas of operations. We employ a holistic approach in designing and implementing our programs, from capacity building for our beneficiaries, to making products of value, and to finding them the markets to realize economic gains of their efforts.

Ayala Foundation became the first organization to receive a Social Value Certificate, following a stringent two-year examination process. This proves that their approach to deliver social value meets international standards.

Below are three highlight programs that have been effective in poverty alleviation:

**El Nido Community Development Program**

This was designed to enable communities to better participate and access opportunities in the booming economy of El Nido, Palawan.

We partnered with businesses, local government, and community folk to implement nine livelihood projects including vegetable farming, tricycle operations, traditional weaving, and cashew nuts and cocoa production.

We worked with educational institutions to provide senior high school students on-the-job training opportunities in the hospitality industry to boost their employability upon graduation. We also held job fairs to make it easier for job seekers to access employment opportunities in our properties in El Nido. During disaster emergencies, such as the flood in 2018, we supported affected families by providing relief packages, medical assistance, and repair kits.

We assessed the effectiveness of our interventions using the Social Return on Investment (SROI) methodology. Our finding showed that the economic value created for our beneficiaries is 26 times more than the funds we spent on the projects.

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3 Philippine Statistics Authority, 2018
MDC Greens Ornamental Farm
This project targeted families relocated to Calauan, Laguna who were victims of Typhoon Ondoy in 2009, and those displaced by the Pasig River Rehabilitation Program. We trained our beneficiaries on farming to enable them to grow ornamental plants and organized them into a cooperative. Their 35-member cooperative now runs a five-hectare ornamental plant farm that supplies Makati Development Corporation’s landscape projects.

This year, we have realized a 10 percent increase of their income to ₱7,700 per month. We continue to assist the community to bring their project to scale by linking to more markets to ultimately bring them out of poverty.

Iraya-Mangyan Development Program
The project for the indigenous community in Puerto Galera, Oriental Mindoro focused on skills training and education. Ayala Foundation worked with the community to preserve its weaving tradition while generating economic benefits for themselves. The beneficiaries were enabled to produce woven nito products, accessories, and beaded bags. They were also trained to offer eco-cultural tour guiding services. These activities generated approximately ₱4.7 million in 2019 and ₱4.2 million in 2018. The Iraya-Mangyan beneficiaries received ₱1.6 million out of the total earnings in 2019. The program generated 118 jobs in 2019, a 48 percent increase from 2018.

Additional support we provided the community were: educational assistance to 303 students, feeding programs for 281 students, and free medical consultations to 6,790 patients.

We see how these three community programs have improved the lives of our beneficiaries. Ayala Foundation’s SROI study showed that these are highly effective models for creating social value and addressing poverty. We continue to look into opportunities to replicate these models in more areas where we have market presence.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2018</th>
<th>2019</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs generated (El Nido)</td>
<td>213</td>
<td>357</td>
<td>64%</td>
</tr>
<tr>
<td>Jobs generated (Calauan)</td>
<td>31</td>
<td>35</td>
<td>13%</td>
</tr>
<tr>
<td>Average farmer income in PHP (Calauan)</td>
<td>6,979</td>
<td>7,700</td>
<td>10%</td>
</tr>
<tr>
<td>Jobs generated (Mindoro)</td>
<td>80</td>
<td>118</td>
<td>48%</td>
</tr>
<tr>
<td>Income generated in million PHP (Mindoro)</td>
<td>4.2</td>
<td>4.7</td>
<td>12%</td>
</tr>
<tr>
<td>Educational assistance beneficiaries (Mindoro)</td>
<td>281</td>
<td>303</td>
<td>8%</td>
</tr>
</tbody>
</table>

Out of pocket health expenses by Filipinos increased by 10.5 percent, making access to healthcare products and services difficult. This condition may be improved by the Universal Health Coverage (UHC) Law, which automatically enrolls all Filipinos to the National Health Insurance Program. However, the current state of the national health system is seen to experience challenges to accommodate a potentially bigger demand.

A healthy population is essential for an economy to thrive. Investing in healthcare institutions is another step for Ayala to improve the lives of Filipinos.

AC Health aims to build an inclusive healthcare ecosystem. It has built a roadmap to strengthen its commitment to the implementation of the UHC Law.

The company strengthens every pillar of its portfolio, from clinics, pharmacies, health technology, and hospitals, through process improvements, synergy, and further acquisitions.

Clinics:
FamilyDOC expanded its network of clinics to 74 from 54 in 2018. The clinics served over 495,000 new unique patients. Turnaround time showed a nine-minute improvement from 45 minutes in 2018.

AC Health’s investment in Healthway added seven mall-based multi-specialty clinics and 41 corporate clinics to its network.

Pharma:
Generika’s 804 branches nationwide offer high quality and reasonably priced medicines. Its MEDPadala electronic gift checks ensure that money sent to loved ones is spent on needed medicines. MEDPadala transactions significantly increased to 40,818.

Investments in pharmaceutical products import and distributor, IE Medica and MedEthix, respectively, bring in a wider range of affordable medicines to AC Health’s Generika and FamilyDOC outlets accessible to low income communities.

\footnote{Philippine Statistics Authority, 2018}
Technology-enabled platforms:
MedGrocer, an online pharmacy platform, continues to provide a wide variety of affordable high-quality vaccines, medicines, and clinic supplies to its growing base of retail clients, which increased by 27 percent in 2019. It also grew its network of corporate clients from 450 covering 460,000 employees to 600 corporate clients covering about 520,000 individuals.

AIDE, AC Health’s home-based healthcare platform, continues to develop and provide a competent personal primary care option. It has nearly 800 medical specialists and healthcare professionals from over 70 cities and municipalities across the Philippines.

Hospital:
AC Health continues to expand its portfolio of medical facilities as it is poised to invest ₱2 billion to build the first cancer specialty hospital in the Philippines.

Partnerships:
Together with the Ateneo Professional Schools, AC Health organized the Health Leadership Summit that brought together key stakeholders from the government, private sector, and the academe to engage in meaningful discussion and collaboration towards the implementation of the UHC Law.

AC Health’s expansion of its healthcare facilities and investments increases its ability to reach more medically-underserved Filipinos.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2018</th>
<th>2019</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>FamilyDOC clinics</td>
<td>54</td>
<td>74</td>
<td>37%</td>
</tr>
<tr>
<td>Unique patients served (FamilyDOC)</td>
<td>240,000</td>
<td>495,000</td>
<td>106%</td>
</tr>
<tr>
<td>Generika branches</td>
<td>816</td>
<td>804</td>
<td>-1%</td>
</tr>
<tr>
<td>MedPadala transactions (Generika)</td>
<td>3,110</td>
<td>40,818</td>
<td>1,212%</td>
</tr>
<tr>
<td>Retail clients (MedGrocer)</td>
<td>6,300</td>
<td>8,000</td>
<td>27%</td>
</tr>
<tr>
<td>Corporate clients (MedGrocer)</td>
<td>450</td>
<td>600</td>
<td>33%</td>
</tr>
</tbody>
</table>

Based on the 2017 Annual Poverty Indicators Survey (APIS)\(^5\), about three million Filipinos aged 16 to 24 years old were out-of-school children and youth.

Lack of access to quality education is one of the biggest barriers to Philippine development. At Ayala, we see this as a strategic area of work as it delivers multiple impacts in the development areas of poverty alleviation and human capital building, which we need for our businesses.

We believe addressing this challenge requires us to build scale by collaborating with other businesses, government, and communities, while optimizing available resources.

Since 2012, we have started investing in educational institutions and have been steadily growing our portfolio over the years. In May 2019, the Ayala and Yuchengco groups finalized the merger of AC Education and iPeople, placing seven educational institutions under one entity. These institutions can serve about 60,000 students, mostly within the 15 to 24 age range.

Our portfolio today covers primary, secondary, and tertiary educational formats.

**Affordable Private Education Centers (APEC)** Schools in Metro Manila, and in the provinces of Rizal, Cavite, Laguna, and Batangas
- Serves 15,815 junior and senior high school students for SY 2019-2020
  - 44 percent are from the D and E market segments
  - 5,225 students with government-subsidized scholarship
  - 69 students with school-subsidized scholarship
- Successfully graduated 3,287 senior high school students
  - Out of total graduates, 483 sought jobs and 93 percent were given job offers, wherein 71 percent accepted

**University of Nueva Caceres (UNC)** in Naga City, Camarines Sur
- Serves 7,617 students from elementary, high school and college for SY 2019-2020
  - 57 percent are from the D and E market segments
  - 4,242 students are with government-subsidized scholarship
  - 55 students are with school-subsidized scholarships
- Successfully graduated 888 college students, 710 SHS graduates, and 89 elementary students

\(^5\) Philippine Statistics Authority, 2018
**National Teachers College (NTC) in Manila**
- Serves 10,632 students from high school and college for SY 2019-2020
  - 67 percent are from the D and E market segments
  - 8,957 students with government-subsidized scholarships
  - 171 students with school-subsidized scholarships
  - Successfully graduated 945 senior high school students and 1,159 college students
- NTC offers additional support for students to increase employability through the Professional Employment Program (PEP) program. In 2019, out of 177 PEP graduates who sought jobs, 159 gained employment within 90 days after graduation.

We have come a long way in building our capacity to meet the country’s growing need for access to quality education but we also know we still have a long way to go. We will continue to innovate better and look for more creative ways to tackle this challenge to bring our solution to scale.

**Manila Water Corporation**

**Target:**
To provide equitable, reliable, and safe water access in all its concession, and continuously increase access to new markets

Nearly seven out of 105 million Filipinos do not have access to potable water while more than 24 million do not have proper sanitation.

Access to water and proper sanitation is a basic human right and fundamental to our development as a country. Ayala responded to the call of the government to improve the grossly inadequate water infrastructure when it entered the water and sanitation space in 1997. We considered it as an opportunity to contribute meaningfully to nation building.

With partners such as the International Finance Corporation (IFC), Manila Water was formed to focus on laying the water infrastructure throughout the Manila Concession East Zone. The goal was to continually address leakage and bring water pressure to a level that ensures round-the-clock water access to all residents in the area.

Over the years, Manila Water has invested over ₱166 billion to improve water and wastewater services. We have installed over 5,500 kilometers of pipes and built two new filter plants, 32 new reservoirs, and 113 pumping and booster stations.

These improved coverage in the East Zone from 67 percent, serving three million people in 1997, to 93 percent, serving over seven million people today. Among these are two million customers from the poor and marginalized sector, who now save up to 90 percent of what they would otherwise spend on vended water.

We have also invested in 40 additional wastewater treatment facilities and five times more sewer network capacity to connect more residents to proper sanitation. These facilities were able to treat 64.2 million cubic meters of wastewater and remove 13,440 tons of water pollutants, helping preserve essential bodies of water.

Manila Water has since expanded its investments in local and international companies delivering water and wastewater services. Outside the East Zone, Manila Water has presence in Bulacan, Boracay, Clark, Cebu, Laguna, Pangasinan, Tagum, and Zamboanga, as well as in neighboring countries such as Vietnam, Indonesia, Myanmar, and Thailand.

Despite recent challenges in water availability, Manila Water considerably increased water delivery compared to 2018. The Cardona Water Treatment Plant resulted in an additional 100 million liters of potable water per day. Through improvements in infrastructure and operational systems, Manila Water also reduced enterprise-wide water losses to ensure that more water reached its customers. In 1997, water losses were at 63 percent. We managed to bring it down to 12 percent, saving 700 million liters per day. We further brought down losses to 9.6 percent in 2018 and 9.0 percent in 2019.

Ensuring water access and availability and increasing sewerage coverage and capacity is a continuing work of Manila Water. We exert all efforts and spare no expense to ensure that we fulfill this mandate and reach our SDG 6 target.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2018</th>
<th>2019</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water pipes laid (in kilometers)</td>
<td>7,600</td>
<td>9,340</td>
<td>23%</td>
</tr>
<tr>
<td>Billed connections (in cubic meters)</td>
<td>1,000,000</td>
<td>1,233,719</td>
<td>23%</td>
</tr>
<tr>
<td>Water delivered (in cubic meters)</td>
<td>1,160</td>
<td>1,256</td>
<td>8%</td>
</tr>
<tr>
<td>Sewer connections</td>
<td>142,000</td>
<td>273,010</td>
<td>92%</td>
</tr>
<tr>
<td>Wastewater treated (in cubic meters)</td>
<td>62.4 million</td>
<td>64.2 million</td>
<td>2%</td>
</tr>
<tr>
<td>Average non-revenue water</td>
<td>9.6 %</td>
<td>9.0 %</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

*According to water.org, a global non-profit organization that conducted research, designed, and ran pilot projects for water and sanitation in the Philippines.
According to the Philippine Statistics Authority, the national employment rate in 2019 is estimated at 94.6 percent. However, 13.9 percent of these are underemployed, and expressed interest in more job opportunities. As one of the biggest business houses in the country, Ayala recognizes its responsibility to help address this gap.

Ayala creates a workplace that ensures all its 72,000 employees achieve their full potential, recognizing that its continued growth is propelled by productive and engaged employees.

Our business units employ a consultative process in defining career development paths. Training needs are jointly determined by employees and their managers. On the average, every Ayala employee received 60 hours of training in 2019, with those in rank-and-file positions given the most at an average of 101 hours of training.

We strive to provide a good employee experience from the moment one gets hired in any of our companies. Best practices we noted include flexible working hours, teleworking with the use of technology, work hubs in strategic locations to reduce employee commute, and provision of digital tools to improve productivity. We also drive productivity by streamlining processes, providing appropriate authority, and removing obstacles that get in the way with job efficiency.

We encourage diversity, respect, and healthy exchange of ideas to foster good working relationships among our employees. Non-discrimination in the hiring, training, promotion, and other processes is strictly observed. Gender diversity among permanent employees is at a 1:1.33 men-to-women ratio.

Our benefit packages remain competitive. We offer benefits beyond regulatory requirements such as health coverage and stock options. Results of a 2019 survey show that Ayala Corporation’s employee compensation is about 10 percent above industry average.

Keeping our employees productive and engaged is a continual improvement process. We keep up with emerging workplace best practices and the evolving expectations of our people, especially the younger professionals. We continue to deliver meaningful and productive jobs for our employees and provide career growth opportunities to help close the underemployment gap of the country.

More information on the Ayala group’s employment performance can be found on pages 94-98.
BPI reaches more Filipinos through its array of products and services.

According to the latest financial inclusion survey by the Bangko Sentral ng Pilipinas, over 70 percent of Filipinos do not have access to formal financial services. This curtails their ability to improve productivity and quality of life.

Ayala tackles this challenge through its subsidiary, BPI, which considers this gap as an opportunity to grow its market and contribute to poverty alleviation and human development. Its financial services drive entrepreneurial activity, productivity, and overall economic growth.

BPI reaches more Filipinos and businesses by expanding its deposit franchise and delivery infrastructure in Metro Manila and in key cities. This expansion is balanced and complemented by outlays in its digital infrastructure.

To cater to the underbanked market’s needs for credit facilities access, BPI repositioned its microfinance business strategy under BPI Direct Banko, Inc. from a mobile-based to a more traditional in-person model, targeting self-employed micro-entrepreneurs.

Banko grants business loans based on well-grounded credit parameters and provides quick turnaround times and lower interest rates versus traditional money lenders. The shift to a more traditional business model allows for a more effective know-your-customer process, leading to efficient collection and reduction in non-performing loans. Its 300 branches nationwide serve a total of 100,000 self-employed micro-entrepreneurs.

Through these innovations, BPI has more than doubled the number of SEME clients served, and almost tripled its disbursed microfinance loans from 2018 to 2019.

These recent years have been very encouraging for BPI as its financial inclusion strategies have been proven effective. It looks to scale these even further in the next few years to meet its commitment to reach at least 25 percent of the underbanked population by 2030.

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<thead>
<tr>
<th>Indicator</th>
<th>2018</th>
<th>2019</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEME clients served through BanKo</td>
<td>40,000</td>
<td>85,000</td>
<td>113%</td>
</tr>
<tr>
<td>Cumulative microfinance loans disbursed (in billion PhP)</td>
<td>4.3</td>
<td>11.13</td>
<td>178%</td>
</tr>
</tbody>
</table>

Globe continues to innovate digital products for Filipinos.

A total of 76 million Filipinos have access to the internet. A good 72 million of them connect to the net via a mobile device.

This presents a great opportunity for Ayala as it democratizes access to innovative digital products and services. Thus, making healthcare, education, financial services, including mobile payments, insurance, and credit, available to every Filipino.

Ayala’s digital transformation work is primarily carried out by its subsidiary, Globe, which actively invests in expanding its nationwide network. Beginning in 2011, Globe’s US$ 700 million seven-year network modernization program drove adoption of pioneering technologies and innovation in products and services, such as digital lifestyle play, content partnership with iconic global brands, and deployment of early-stage 5G network connectivity.

In 2019, Globe increased deployment of cell sites by 139 percent and increased base stations by 69 percent compared to 2018. This contributed to an increase in mobile customers to 94.2 million from 74.1 million in 2018. Globe also maintains two million broadband customers.

The company revolutionizes access to financial services through Mynt, with two platforms—Fuse Lending, a fintech-enabled lending institution, and GCash, a mobile wallet app for financial services.

GCash now has over 20 million customers and over 75,000 participating merchants, a 50 percent increase from 2018. GCash also maintains more than 30,000 cash in and cash out outlets to serve its customers. Mynt has partnered with local government units (LGUs) to offer GCash as an alternative mode of payment (Makati and Quezon City LGUs) and payroll allowance disbursements (Makati, Manila, Boracay, Siargao, and Semirara LGUs).

Operating in a highly competitive and fast-paced industry, Globe continues to evolve and expand its network and services with a clear focus on achieving its target to reach more than 90 percent of the country’s 1,101 cities and municipalities.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2018</th>
<th>2019</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of municipalities and cities with mobile broadband</td>
<td>95</td>
<td>96</td>
<td>1%</td>
</tr>
<tr>
<td>Mobile customers (in millions)</td>
<td>74.1</td>
<td>94.2</td>
<td>27%</td>
</tr>
<tr>
<td>Broadband customers (in millions)</td>
<td>1.6</td>
<td>2</td>
<td>25%</td>
</tr>
<tr>
<td>GCash partner merchants</td>
<td>50,000</td>
<td>75,000</td>
<td>50%</td>
</tr>
</tbody>
</table>

Globe Telecom

Target: To lead the country’s digital transformation by significantly increasing access to information and communications technology for consumers and businesses, providing universal and affordable internet access in the Philippines for 90 percent of the population.
AC Infrastructure

Target: To upgrade infrastructure to make them sustainable, with increased resource efficiency and greater adoption of clean and environmentally sound technologies and industrial processes with 36,135 tons CO₂ equivalent avoided

AC Infra strives to improve urban mobility, logistics, and mass transport

Rapid urbanization and lack of infrastructure have led to significant challenges in the transport and logistics sector of the Philippines. These challenges require massive investments and development towards mass transportation and urban mobility.

Good transport and logistics infrastructure facilitate steady and seamless flow of people, goods, and services—all of which are essential for a more productive economy.

AC Infra invests in strategic projects to meet the growing infrastructure needs in areas of mass transportation, logistics, and urban mobility primarily through public-private partnerships.

LRMC, AC Infra’s rail service company, increased its fleet for LRT1 and maintained its train punctuality rate despite the longer cycle time (the time it takes for a train to complete a journey from a terminal station and back). LRMC’s average daily trips remain to be stable.

AF Payments offers a contactless payment platform called beep™ which can be used for rail, bus, retail, and tollway transactions. The total number of beep™ and single journey rail transactions decreased due to the closure of the Cubao to Santolan segment of LRT2. AF Payments facilitated more transactions for point-to-point (P2P) bus routes, retail, as well as tollway transactions.

AC Infra is steadfast in meeting the infrastructure needs of the country in a more efficient way. The company is also designing a mechanism to account for greenhouse gas emissions avoided in its low-carbon processes and activities.

Ayala Land

Target: To enhance inclusive and sustainable urbanization by increasing sevenfold the number of launched affordable housing units

Ayala Land builds reasonably-priced residential units

The Philippine Statistics Authority reported that construction activity increased by 10.4 percent in the first quarter of 2019 compared to the same period last year. By type of construction, residential buildings accounted for 69.2 percent of the total. However, figures for housing projects for the lower economic groups could do better by considering the country’s housing needs, which is projected to reach 6.5 million by 2022.

Affordable housing provides vulnerable populations with economic security and stability. Ayala recognizes its strategic position to create resilient and inclusive communities through its property development arm, Ayala Land.

Ayala Land looks to scale its development of properties and estates across the country while maintaining its approach of integrating sustainability with economic development and social welfare.

Ayala Land contributes to filling the gap for value-for-money residential units by driving building design innovation to bring down the unit cost without compromising quality and sustainability. In 2019, it doubled its affordable units to 5,800 from 2,900 in 2018.

Ayala Land contributes to sustainable urbanization by ensuring all its developments meet the specifications under these four focus areas. This framework serves as a general guide to property development and operations to mitigate sustainability risks and provide value to the business, environment, and society.

- **Site Resilience.** We strengthen our sites to quickly recover from environmental stress by undertaking technical due diligence to screen for geohazards, providing space for refuge and rainwater absorption, and using native plants and trees for landscaping.
- **Pedestrian and Public Transit Connectivity.** We adhere to principles that guide our masterplans to provide alternatives to car use in our estates. We aim to provide more opportunities for walking and commuting by providing pedestrian-only areas and walkways, transit stops and terminals in estates and malls, and ensuring connectivity during construction and operations.
- **Eco-Efficiency.** We use our resources judiciously and commit to reduce our GHG emissions by implementing energy and water conservation programs, waste management programs, and by committing to be carbon neutral by 2022.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2018</th>
<th>2019</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>LRMC</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Light Rail Vehicles</td>
<td>112</td>
<td>116</td>
<td>4%</td>
</tr>
<tr>
<td>Train cycle time in minutes</td>
<td>100.4</td>
<td>100.5</td>
<td>0.1%</td>
</tr>
<tr>
<td>Riders served in millions</td>
<td>165</td>
<td>161</td>
<td>-2%</td>
</tr>
<tr>
<td>AF Payments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>beep™ card rail transactions in millions</td>
<td>202</td>
<td>186</td>
<td>-8%</td>
</tr>
<tr>
<td>Single-journey card transactions in millions</td>
<td>146</td>
<td>128</td>
<td>-12%</td>
</tr>
<tr>
<td>Bus fare transactions in millions</td>
<td>9.5</td>
<td>10</td>
<td>5%</td>
</tr>
</tbody>
</table>
• **Local Economic Development.** We build large-scale, integrated mixed-use sustainable estates across the country. We prioritize local hiring and give opportunities for homegrown businesses.

To date, Ayala Land has 29 mixed-use estates and an aggregate size of 9,935 hectares. In these estates, Ayala Land is able to co-create sustainable communities by providing Filipinos with better quality of life while spurring new centers of growth.

Ayala Land has deliberately planned and allocated a total of 418 hectares of green space, hosting close to 70,000 native trees and 57 species of IUCN Red List species. It is also protecting 586 hectares of carbon forest that stores 80,000 tonnes of CO₂e. Ayala Land achieved a 72 percent reduction in commercial properties’ net GHG emissions in 2019. The entire operation of Ayala Land, including its tenants, merchants, and suppliers supports an estimated 492,000 jobs.

Ayala Land continues its work to deliver its commitment of enhancing inclusive and sustainable urbanization, staying on track with its target number of reasonably-priced residential units built by 2030.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2018</th>
<th>2019</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable housing units</td>
<td>2,900</td>
<td>5,800</td>
<td>100%</td>
</tr>
<tr>
<td>Mixed-use estates</td>
<td>25</td>
<td>29</td>
<td>16%</td>
</tr>
<tr>
<td>Hectares of green space</td>
<td>301</td>
<td>418</td>
<td>39%</td>
</tr>
<tr>
<td>Hectares of protected carbon forest</td>
<td>560</td>
<td>586</td>
<td>5%</td>
</tr>
<tr>
<td>IUCN Red List species monitored</td>
<td>52</td>
<td>57</td>
<td>10%</td>
</tr>
<tr>
<td>Jobs supported</td>
<td>249,620</td>
<td>492,598</td>
<td>97%</td>
</tr>
</tbody>
</table>

To fuel its rapid economic development, the Southeast Asian region is expected to increase its energy demand by 60 percent in the next 20 years, with coal being the primary power source. The improvements on cost efficiency and policy support towards renewable energy has increased the viability of renewable energy projects in the region.

With the increasing clamor for a low-carbon future, Ayala sees a significant opportunity to lead the region in the development of renewable energy through its energy platform, AC Energy.

Achieving a low carbon portfolio is at the core of AC Energy’s business strategy and serves as one of the pillars of its Environmental and Social Policy, which embodies the company’s commitment to sustainability and social responsibility.

AC Energy is scaling up its renewable energy (RE) portfolio by investing in key markets in the Philippines, Indonesia, Vietnam, Australia, and India. In 2019, the company more than doubled its 2018 attributable RE capacity in its portfolio.

Locally, AC Energy’s acquisition of PHINMA Energy in 2019 expanded its capabilities to build and operate power projects while balancing its renewable and thermal portfolios.

The company also increased its attributable energy output to 3,500 GWh, 50 percent of which came from renewable energy sources.

AC Energy’s rapid growth in renewables in 2019 builds up the company’s momentum towards its target: a renewable energy portfolio of 5 GW by 2025.
AC Industrials

Target: To enable the first Philippine-manufactured, commercially viable, and market-accepted electric vehicle, resulting in reduced emissions.

For AC Automotive to promote low emission vehicles, ensuring that each brand offers a minimum of one model not fully dependent on a combustion engine powertrain. Globally and on the manufacturing side, for IMI to promote inclusive and sustainable industrialization by demonstrating manufacturing value add of USD1 billion across all developing countries where it has operations.

Ayala

Target: To achieve an ambitious material footprint that demonstrates sustainable management and efficient use of natural resources.

The Philippine government has been promoting the use of electric vehicles across the country, including as a form of public transportation. Executive Order 488 reduced the tariff rate for e-vehicle components to zero, encouraging e-vehicle manufacturers to import components.

With the shifting global landscape towards innovative and sustainable mobility-based technologies, Ayala seeks to participate in the manufacturing space through its subsidiary, AC Industrials.

AC Industrials optimizes opportunities offered by new technologies through investments in companies with strong industrial technology capabilities.

Integrated Micro-electronics Inc (IMI), its EMS manufacturing arm, delivers emerging technologies for automotive, smart energy, and connectivity solutions in 22 plants across the globe. Its manufacturing value reached US$419 million in 2019, a five percent decrease from 2018.

AC Motors, its automotive dealership arm, is exploring possibilities to bring in more eco-efficient automotive models without compromising passenger safety and driver comfort and convenience.

AC Industrials is gradually building its capacity to enable local adoption of electric vehicles leveraging IMI’s strong manufacturing capabilities and AC Motors’ extensive automotive network.

Ayala ramped up efforts on waste management.

A Report published in 2012 on the Philippine Ecological Footprint claimed that the rate of consumption of resources was more than twice the capacity of its domestic ecosystem to generate. This overconsumption is not sustainable and compromises the ability of future generations to meet their needs.

Ayala recognizes that with the scale of its business and the increasing demand for its products and services, its consumption of renewable and non-renewable resources is quite significant. Every year, Ayala diligently tracks its materials consumption and continually innovates to improve its materials efficiency.

In 2019, our materials intensity slightly improved from 2.66 to 2.64, showing that less materials were used per unit of business output. Our biggest consumption of materials is in Ayala Land’s construction activities. To support materials circularity, Ayala Land purchases materials with recycled content. It also designs properties that optimize the use of materials without compromising structural integrity and quality.

As part of its commitment to SDG 12, Ayala is currently conducting a study for a group-wide waste management strategy in line with its target to substantially reduce waste generation through reduction, recycling, and reuse. The goal is to develop practices and design processes that systematically reduce solid waste that reaches local landfills and the oceans.

In 2019, Ayala generated 48,632 tonnes of non-hazardous waste (such as recyclables, residuals, and food and compostables), a decrease of about 11 percent from the previous year, despite growth in our operations. Food waste accounts for 30 percent of our total generation. In 2019, by opting for composting, we diverted 15 thousand kilograms of food waste from landfills. We are currently improving our food waste collection to divert most, if not all into composting and other uses. Non-biodegradables account for 70 percent of our total waste generation. About 35 percent or 11,794 tonnes of that were sent to recycling.

We recognize the difficulty of reducing absolute materials consumption in our context as a developing country. However, we strive to become more efficient in the way we use them. We also do what we can to recover waste for recycling and make procurement choices that drive growth of our circular economy.

More information on the Ayala group’s performance on sustainable management and efficient use of natural resources can be found on pages 91-93.
Based on UNEP’s 2019 Emissions Gap Report, global emissions are on track to reach 56 Gt CO₂e by 2030, more than twice the prescribed levels.

To respond to the growing urgency for climate action, Ayala has refined its approach to tackle climate change across three fronts: mitigation, adaptation, and innovation. This group-wide strategy embodies Ayala’s commitment towards addressing climate as a sustainability issue and promoting climate action under SDG 13. It continues to monitor its GHG emissions across the group, and implements mitigating measures through its business units.

At the boardroom, Ayala is studying the financial implications of climate-related risks as part of its risk management process. Ayala will structure its climate action and investments based on results of data analysis showing how different climate scenarios can affect its businesses on physical, regulatory, market, and other levels.

On the ground, Ayala is building climate resilience by managing carbon forests, protecting watersheds in its business areas, and initiating reforestation activities across the Philippines.

Its flagship program, Project Kasibulan demonstrates how business can work with communities to create a sustainable and mutually beneficial forestry project.

**Project Kasibulan**
The Ayala Sustainability Council embarked on an initiative to conserve the environment through reforestation. Project Kasibulan, which in Filipino stands for growth and nurture, is now on its third year and has expanded its scope and objectives beyond reforestation efforts.

The development of the community-based Mindoro Forest and Biodiversity Program is Project Kasibulan’s most significant achievement for 2019. The program completed its carbon forest baseline inventory and economic and sociological assessments of several municipalities. Results from these studies will be instrumental in integrating livelihood with climate adaptation and innovation.

Canopy cover measurement for forest carbon calculation

In promoting green jobs and ecopreneurship among local communities. It is part of Ayala’s commitment of nurturing ecosystems and communities to create a sustainable and climate-resilient Mindoro.

**Volunteers rising**
This project is sustained yearly through the efforts of Ayala citizens in the spirit of volunteerism. Project Kasibulan volunteers have clocked in around 5,000 volunteer hours from Ayala employees whose involvement in the project serves as an impetus for more sustainable lifestyle choices. This year saw cohorts of volunteers taking part in the reforestation efforts of two sites: Ipo Dam in Norzagaray, Bulacan, and North Luzon Renewables in Pagudpud, Ilocos Norte.

- Project Kasibulan at Ipo Dam in Norzagaray, Bulacan
  - 46 volunteers from across the Ayala group
  - 1,552 volunteer hours
  - 1,000 seedlings planted over two hectares of land across the watershed

- Project Kasibulan at North Luzon Renewables in Pagudpud, Ilocos Norte
  - 63 volunteers from the Ayala Group Internal Auditor’s Network helped reforest a section within the 625 hectare forest land occupied by the wind farm
  - 3,406 volunteer hours
  - 1,210 seedlings planted

Addressing climate change and its risks to our businesses will remain an important priority of the group. Ayala leverages its diversified portfolio to drive significant impact in supporting our transition to a resilient and low-carbon economy. Our real estate arm, Ayala Land, champions the work on building low-carbon and resilient communities. Our energy arm, AC Energy, actively supports the transition to low carbon energy. Our bank, BPI, leans towards financing low carbon and resilient investments. The environmental commitment and initiatives of Ayala is bringing it closer to delivering its targets under SDG 13.

More information on the Ayala group’s carbon footprint and performance regarding its various efforts on climate change mitigation, adaptation, and innovation can be found on pages 89-91.

Ayala believes that sustainability is key to bridging critical environmental, social, economic, and governance gaps that have disadvantaged many Filipinos.

In 2012, we crafted a sustainability philosophy, which articulates our thinking around responsible and inclusive growth and its relevance to our Business. We then developed the Ayala 360° Sustainability Reporting Framework to better ground this thinking into our business and clarify how we measure our performance.

When the UN SDGs were formally launched in 2015, we were ready to align our transformed business ambitions to these long-term goals. We then decided to be more strategic and focused in our approach through our Ayala Sustainability Blueprint. The updates provided show where we are in this targets.

We have made notable gains in bridging the Filipino to 2030, but as shown in this year’s performance, there is much to be done. We will be more deliberate in monitoring and evaluating our progress, making changes whenever necessary, and allocating resources more appropriately, so that our businesses truly create shared value.
Our commitment to advance the country’s development goals is best demonstrated in our investments across the various business lines. With these investments, we build sustainable communities and create products and services that enable more Filipinos to partake in the benefits of economic growth and social progress.”

- Bernard Vincent O. Dy, President and CEO, Ayala Land Inc.

AYALA LAND

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WHO WE ARE

Ayala Land is the largest property developer in the Philippines, with a solid track record of developing large-scale, integrated, mixed-use, sustainable estates that are now thriving economic centers in their respective regions.

Following the success of the Makati Central Business District, Ayala Alabang, Cebu Park District, Bonifacio Global City, and Nuvali, Ayala Land continues to increase its footprint by building estates that reach and benefit more people.

With 12,192 hectares of landbank, 29 estates, and a presence in 57 growth centers across the country, Ayala Land offers a balanced and complementary mix of residential developments, shopping centers, offices, hotels and resorts, and other businesses. Construction and property management services are led by its subsidiaries, Makati Development Corporation and Ayala Property Management Corporation, respectively.

It pioneers standards and practices in all its developments that reflect the value the company places on sustainability. As a responsible corporate citizen, Ayala Land acts with integrity, foresight, and prudence.

Focused on its vision of “enhancing land and enriching lives for more people,” it empowers its employees to deliver quality products and services and build long-term value for our shareholders.

MARKET OUTLOOK

The Philippine economy and the macroeconomic environment provide the support for Ayala Land’s business lines to grow. A steady GDP, contributions from BPO revenues, overseas Filipino remittances, and tourism receipts drive economic activity and the development of the Philippine property sector. The Board and Management of Ayala Land also recognizes the opportunities stemming from a growing middle class, with 60 percent of the population seen to belong to the 15 to 65 year-old working segment by 2040. Furthermore, rising per capita income coupled with the availability of long-term fixed rate mortgages will continue to make residential products affordable for more Filipinos.

The continued buildup of infrastructure projects will also foster connectivity and spur urbanization across the country.

Looking ahead to 2020, the organization is taking on a more cautious stance to growth. Ayala Land’s growth plans have always been anchored on the performance of the Philippine economy and its macroeconomic drivers. However, during risk events, the Board and Management adjust these strategies accordingly to adapt to market conditions while prioritizing help to communities, service to customers, protection of the workforce, and the survival of the company. These adjustments allow the company to capitalize on growth opportunities when the environment becomes more favorable, protecting long-term value for shareholders in the process.

BUSINESS REVIEW

ESTATE DEVELOPMENT

Ayala Land launched three new estates in 2019, enhancing its presence further in Metro Manila, Southern Luzon, and Central Luzon. These new developments will build on the established and emerging estates across the country, hastening local economic growth for more Filipinos.

With the launch of the new estates, the number of large-scale, integrated, mixed-use developments have reached a total of 29. This is composed of five established estates, and 24 emerging estates—seven in Metro Manila, three in Central Luzon, three in Calabarzon, six in Visayas, three in Mindanao, and two tourism estates.

Launched in October 2019, ALVEO-branded Broadfield is a 120-hectare mixed-use development in South Luzon’s thriving residential, leisure, industrial, and manufacturing center. Eighty hectares of Broadfield is dedicated to mixed-use and commercial spaces, while 40 hectares is allotted to residential communities, Venido and Aveia.

The Junction Place is an 11-hectare pocket urban development located in Novaliches, Quezon City launched in October 2019. It is envisioned as a sustainable area for commerce, recreation, and leisure in one of the city’s busiest areas. The estate Ayala Land has been a strong proponent of sustainable tourism especially in El Nido, Palawan where the Eco-Sanctuary Lagen Island is nestled.
will be anchored by an Amaia development which will cater to the emerging economic segment. Cresendo was launched in November 2019. It will be Ayala Land’s first estate in the province of Tarlac and will feature a 30-hectare downtown area to complement the current commercial center. It will host a 32-hectare industrial park, a school by Don Bosco Technical Institute, and an Avida community.

**PROPERTY DEVELOPMENT**
The property development business generated ₱117.6 billion in revenues from the sale of lots and units under the five residential brands, supported by sales of office units and commercial and industrial lot sales. It also includes revenues from MCT Bhd, Ayala Land’s consolidated subsidiary based in Malaysia. Property development comprised 69 percent of Ayala Land’s real estate revenues in 2019. Sales reservations grew by 3 percent to ₱145.9 billion in 2019. It rose 13 percent to ₱133.1 billion from its projects such as ALVEO High Street South Corporate Plaza 2, ALVEO Park Triangle, One Vertis Plaza and Park Triangle Corporate Plaza. Capitalizing on its strong brand, ALVEO launched the Cerrca Enterprise Plaza in Alabang composed of 343 units valued at ₱9.3 billion.

**Commercial and Industrial Lots for Sale**
Sales of commercial lots in key estates such as Altaraza, Vermosa, NUVALI, and Broadfield propelled revenues by 46 percent to ₱113.1 billion. The launch of the Broadfield estate by ALVEO in 2019 will provide the pipeline for growth in commercial lot sales, building on current offerings in existing estates such as Altaraza, Arca South, Vermosa and NUVALI. Broadfield has 80 hectares for commercial use. The first phase covers 36.6 hectares, including the first tranche of 35 commercial lots which was offered to the public in October 2019.

**COMMERICAL LEASING**
The commercial leasing business, which consists of most of their vertical projects recognized in 2019 were booked in previous periods and are now nearing completion.

**Office for Sale**
ALVEO led the growth in revenues from the sale of office units in 2019. It rose 13 percent to ₱133.1 billion from its projects such as ALVEO High Street South Corporate Plaza 2, ALVEO Park Triangle, One Vertis Plaza and Park Triangle Corporate Plaza. Capitalizing on its strong brand, ALVEO launched the Cerrca Enterprise Plaza in Alabang composed of 343 units valued at ₱9.3 billion.

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**COMMERICAL LEASING**
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The Philippine economy and the macroeconomic environment provide the support for Ayala Land’s business lines to grow steadily. A steady GDP, contributions from BPO revenues, overseas Filipino remittances, and tourism receipts drive economic activity and the development of the Philippine property sector. The Board and Management of Ayala Land also recognizes the opportunities stemming from a growing middle class, with 65 percent of the population seen to belong to the 25- to 65-year-old working segment by 2040. Furthermore, rising per capita income coupled with the availability of long-term fixed rate mortgages will continue to make residential products affordable for more Filipinos. The continued buildup of infrastructure projects will also foster connectivity and spur urbanization across the country.

Looking ahead to 2020, the organization is taking on a more cautious stance to growth. Ayala Land’s growth plans have always been anchored on the performance of the Philippine economy and its macroeconomic drivers. However, during risk events, the Board and Management adjust these strategies accordingly to adapt to market conditions while prioritizing help to communities, service to customers, protection of the workforce, and the survival of the company. These adjustments allow the company to capitalize on growth opportunities when the environment becomes more favorable, in the process protecting long-term value for shareholders.

### MARKET OUTLOOK

<table>
<thead>
<tr>
<th>Natural</th>
<th>Intellectual</th>
<th>Manufactured</th>
<th>Social</th>
<th>Human</th>
<th>Financial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Its land bank is strategically located in key growth centers for immediate and long-term development.</td>
<td>Ayala Land’s unique master-planning process integrates product lines to create sustainable and vibrant communities and fosters urban development.</td>
<td>It has a wide range of products that caters to all markets and segments of the property sector.</td>
<td>It ensures the quality of its products and services and upholds strict sustainability and corporate governance practices for its customers and stakeholders.</td>
<td>A decentralized structure empowers its people, and provides the flexibility to execute its strategy in a fast and efficient manner.</td>
<td>Ayala Land has a strong balance sheet to support its growth plans and a prudent fiscal policy to maintain the strength of its financial position.</td>
</tr>
</tbody>
</table>

### STRATEGY

<table>
<thead>
<tr>
<th>Increase recurring income contribution to achieve a more balanced portfolio</th>
<th>Expand the GLA of shopping centers and offices and increase hotel and resort rooms.</th>
<th>Launch an optimal mix of horizontal and vertical projects for sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estate Development</td>
<td>Property Development</td>
<td>Commercial Leasing</td>
</tr>
<tr>
<td>Ayala Land develops estates that host its property development and commercial leasing products.</td>
<td>It offers and builds residential, office for sale, and commercial and industrial lots that address various market segments represented through five brands: AyalaLand Premier, Alero, Avida, Amia and Bellavista.</td>
<td>It develops and operates malls, offices, and hotels and resorts across the Philippines represented by Ayala Malls, Ayala Land Offices, branded hotel formats, Seda hotels, and El Nido, Lilo, and Siquijor resorts.</td>
</tr>
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</table>

### CAPITALS

<table>
<thead>
<tr>
<th>Strategic Investments</th>
<th>Construction and Property Management</th>
<th>Intellectual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Land holds investments in selected companies that complement its core business namely: AyalaLand Logistics Holdings, Corp., Cebu Holdings, Inc., Ortigas Land Corp., MCT Bhd., and other ventures in healthcare and retail.</td>
<td>Ayala Land develops its projects through its own construction company, Makati Development Corporation, and manages completed properties through its own property management company, Ayala Property Management Corporation, to ensure quality throughout the entire project life.</td>
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### 2019 PRIORITIES

Deliver on target pipeline by completing GLA under construction.

Launch products attuned to market demand, and aspire to continually achieve a healthy mix between horizontal and vertical developments while maintaining margins within acceptable thresholds.

Increase recurring income contribution to achieve a more balanced portfolio.

Launch an optimal mix of horizontal and vertical projects for sale.

### 2019 PERFORMANCE

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### 2020 PRIORITIES

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Launch an optimal mix of horizontal and vertical projects for sale.

Launch products attuned to market demand, and aspire to continually achieve a healthy mix between horizontal and vertical developments while maintaining margins within acceptable thresholds.
WHO WE ARE
The 168-year-old Bank of the Philippine Islands is the first bank in the Philippines and Southeast Asia, and is licensed by the Bangko Sentral ng Pilipinas to provide universal banking services to its 8.7 million customers. The bank provides trusted advice and financial services tailored to the needs of this diverse client base of retail and corporate clients, including self-employed micro-entrepreneurs, overseas Filipinos and their beneficiaries, small and medium enterprises, domestic conglomerates, and multinational corporations.

A premier institution in the banking industry, BPI is among the highest in terms of total assets, equity capital, and market capitalization. It has a significant share of total banking system deposits, loans, and investment assets under management. It is recognized as one of the country’s top providers of foreign exchange, cross-border remittances, life and non-life bancassurance services, as well as asset finance and leasing. BPI also has a significant capital markets presence, particularly in fixed income and equities underwriting, distribution and brokerage.

BPI serves its clients through one of the most extensive physical and digital distribution networks, composed of 1,167 branches and branch-lite units, three international offices, and 2,822 ATMs and Cash Accept Machines nationwide. The bank is a leader and innovator in the use of digital channels, and is a major provider of financial services through internet banking (via BPI Online at www.bpi.com.ph), mobile banking (via the BPI Mobile app for retail clients), and internet and mobile banking for corporate clients (via Bizlink).

MARKET OUTLOOK
The Philippine economy expanded 5.9 percent in 2019, below the 6 to 7 percent target of the government. Despite the strength of household consumption, delays in the implementation of infrastructure projects and the decline in investment spending dragged growth below the 6 percent level.

For 2020, the COVID-19 outbreak has become the greatest challenge for the global and domestic economies. It is clear that the outbreak will have a negative impact on the economy. However, quantifying the potential impact of COVID-19 on the Philippine economy is difficult given the uniqueness of the event.

Household consumption recovered in 2019 as inflation slowed down. Stable oil prices and sufficient rice supply pulled down average inflation from 5.2 percent in 2018 to 2.5 percent in 2019.

Household consumption will likely continue to be the main driver of growth with support from overseas remittances and record-low unemployment. However, the enhanced community quarantine in various parts of the economy has crippled household consumption to an extent not seen since the early 1980s.

Capital formation contracted in 2019 for the first time in seven years as demand for machinery and equipment declined. Corporates may have postponed or scaled down the purchase of durable equipment given elevated global growth uncertainties and expectations of lower interest rates in the coming months. Meanwhile, public construction posted a 2.4 percent contraction as a result of government underspending. The budget impasse and election spending ban in the first half of the year prevented the government from spending on new infrastructure projects. Looking ahead, capital expenditures may fall as business will most likely prioritize their liquidity to sustain themselves and their employees amid the measures to prevent the spread of COVID-19.

Looking at sectoral growth in 2019, services, retail trade, and financial intermediation recorded all recorded strong years. Meanwhile, the industry sector slowed down amid weakness in manufacturing and construction and global trade uncertainties weighed down manufacturing growth.

In 2020, the COVID-19 outbreak may hurt several industries given the restrictions on movement and economic activity. In particular, the following industries may see a decline in economic output and revenues: tourism, airlines, real estate, transport, and manufacturing.

Low inflation in 2019 gave the BSP the opportunity to do monetary easing. Given the liquidity and growth challenges being faced by the economy, the Monetary Board reduced the policy rate by 75 basis points in 2019.
basis points from 4.75 percent to 4.00 percent and brought down the reserve requirement ratio by 400 basis points from 18 percent to 14 percent. Benchmark interest rates declined as liquidity improved gradually.

The BSP has reduced the policy rate by another 75 bps so far and may resume its monetary easing in 2020 given the economic damage that COVID-19 could bring. The enhanced community quarantine may squeeze liquidity amid the lack of spending and the need for savings in this time of crisis. As a result, the central bank may inject liquidity into the financial system through its monetary policy tools such as open market operations and further reduction in the reserve requirement on deposits.

Meanwhile, global risk aversion due to COVID-19 may fuel the demand for safe haven like the US Dollar. Emerging market currencies like the Philippine Peso may weaken as investors shift their funds to assets that could protect them from the impact of COVID-19. However, the possible decline in imports and remittances due to supply disruptions may temper the depreciation pressure from risk aversion.

**BUSINESS REVIEW**

In 2019, BPI realized net profits of ₱28.80 billion, an increase of 24.8 percent or ₱5.73 billion from the ₱23.08 billion recorded in 2018. The 20.1 percent increase in total revenues to ₱94.33 billion drove profit growth, but was partially offset by higher operating costs, loss provisioning, and taxes which grew ₱6.47 billion, ₱899 million, and ₱2.68 billion, respectively. The bank’s comprehensive income was ₱28.77 billion, up 31.5 percent on higher net income and improved marked to market valuation of fair value through other comprehensive income of the parent, insurance companies and associates.

Net interest income grew by 18.1 percent to ₱65.94 billion from 2018’s ₱55.84 billion attributed to a 24-basis point expansion in net interest margin to 3.35 percent in 2019.

Non-interest income was ₱28.39 billion, an increase of 25.2 percent versus 2018, primarily from higher securities trading gains and fee-based income, higher fees from credit cards, transaction banking, branch services, and digital channels, but was slightly tempered by lower income from investment banking. Cost-to-income ratio was 53.1 percent, lower than the 55.5 percent recorded in the prior year given the strong revenue performance.

Operating expenses totaled ₱50.08 billion, higher by 14.8 percent from the previous year.

Total assets stood at ₱2.20 trillion, higher by 5.7 percent year-on-year, as total funding increased 5.3 percent to ₱1.85 trillion.

Total loans as of December 31, 2019 reached ₱1.48 trillion, up 8.9 percent from the previous year, on the back of growth in the consumer, corporate, SME, and microfinance loan segments of 13.4 percent, 7.9 percent, 5.8 percent, and 100.3 percent, respectively. This brought loan-to-deposit ratio at 87.0 percent. In terms of asset quality, the Bank registered NPL ratio of 1.66 percent and an NPL reserve cover of 102.1 percent, an improvement of 19 and 13.8 percentage points, respectively.

Total deposits grew 6.9 percent to ₱1.70 trillion versus the level recorded in 2018.

The bank was active in the debt capital markets with a number of capital raising activities in 2019: (1) Green bond issuances of CHF 100 million two-year interest free ASEAN Green Bond and the US$300 million Senior Unsecured Fixed-Rate ASEAN Green Bond; (2) Over ₱3 billion of Long-Term Negotiable Certificates of Time Deposit (LTNCTDs); (3) Maiden bond issuance amounting to ₱9.51 billion of wholly-owned thrift bank and consumer lending arm, BPI Family Savings Bank.

BPI is ready to meet the fast-evolving needs of its clients, arming its flagship branch with a modern and innovative design, complemented by the latest technology in banking.

BPI is committed to enhancing its overall customer service, providing relevant banking solutions and trusted financial advice.
The Philippine economy expanded 5.9 percent in 2019, below the 6 to 7 percent target of the government. Despite the strength of household consumption, delays in the implementation of infrastructure projects and the decline in investment spending dragged growth below the 6 percent level. For 2020, the COVID-19 outbreak has become the greatest challenge for the global and domestic economies. It is clear that the outbreak will have a negative impact on the economy. However, quantifying the potential impact of COVID-19 on the Philippine economy is difficult given the uniqueness of the event.

Household consumption recovered in 2019 as inflation slowed down. Stable oil prices and sufficient rice supply pulled down average inflation from 5.2 percent in 2018 to 2.5 percent in 2019. Household consumption will likely continue to be the main driver of growth with support from overseas remittances and record-low unemployment. However, the enhanced community quarantine in various parts of the economy has crippled household consumption to an extent not seen since the early 1980s.

Capital formation contracted in 2019 for the first time in seven years as demand for machinery and equipment declined. Corporates may have postponed or scaled down the purchase of durable equipment given elevated global growth uncertainties and expectations of lower interest rates in the coming months. Meanwhile, public construction posted a 2.4 percent contraction as a result of government underspending. The budget impasse and election spending ban in the first half of the year prevented the government from spending on new infrastructure projects. Looking ahead, capital expenditures may fall as business will most likely prioritize their liquidity to sustain themselves and their employees amid the measures to prevent the spread of COVID-19.

Looking at sectoral growth in 2019, services, retail trade, and financial and intermediary services recorded all recorded strong years. Meanwhile, the industry sector slowed down amid weakness in manufacturing and construction and global trade uncertainties weighed down manufacturing growth. In 2020, the COVID-19 outbreak may hurt several industries given the restrictions on movement and economic activity. In particular, the following industries may see a decline in economic output and revenues: tourism, airlines, real estate, transport, and manufacturing.

Low inflation in 2019 gave the BSP the opportunity to do monetary easing. Given the liquidity and growth challenges being faced by the economy, the Monetary Board reduced the policy rate by 75 basis points from 4.75 percent to 4 percent and brought down the reserve requirement ratio by 400 basis points from 18 percent to 14 percent. Benchmark interest rates declined as liquidity improved gradually.

The BSP has reduced the policy rate by another 75 bps so far and may resume their liquidity to sustain themselves and their employees amid the measures to prevent the spread of COVID-19.

Meanwhile, global risk aversion due to COVID-19 may fuel the demand for safe havens like the US Dollar. Emerging market currencies like the Philippine Peso may weaken as investors shift their funds to assets that could protect them from the impact of COVID-19. However, the possible decline in imports and remittances due to supply disruptions may temper the depreciation pressure from risk aversion...
WHO WE ARE
Globe Telecom, Inc. is a leading full-service telecommunications company in the Philippines catering to the telecommunications and technology needs of consumers and businesses across an entire suite of products and services including mobile, fixed, broadband, data connectivity, internet and managed services. It has major interests in financial technology, digital marketing solutions, venture capital funding for startups, and virtual healthcare.

Supported by over 8,000 employees and over 1.2 million retailers, distributors, and business partners nationwide, the company currently has 94.2 million mobile subscribers, both prepaid and postpaid, and more than 2 million home broadband customers. Globe keeps Filipinos connected wherever they may be in the world, through its tie-up with 776 roaming partners in 237 calling destinations worldwide.

Its principals are Ayala Corporation and Singapore Telecom, both acknowledged industry leaders in the country and in the region.

In 2019, Globe became a signatory to the United Nations Global Compact, committing to implement universal sustainability principles.

MARKET OUTLOOK
The Philippine telecommunications industry has seen a shift in recent years, with the advent of data and the internet of things changing the way consumers behave and telcos do business. Consumers are increasingly favoring data for their communication needs, causing a decline in traditional voice and SMS services. Telecommunication companies have had to reposition themselves to remain relevant in the age of digitization.

For a highly penetrated mobile market such as the Philippines, the prevalence of affordable data plans and smart devices is further driving the demand for data. Visiting social media and streaming video sites, and playing games are the top activities for Filipinos online. Other than entertainment, data also allows more Filipinos to avail of transport network vehicle services, food delivery services, navigation services, and more using their smartphones.

The fixed line industry is also seeing an increasing demand for data. At home, smart televisions and gaming consoles are enabling the consumption of bandwidth-intensive multimedia content. Beyond connectivity, corporate and enterprise clients are looking to service providers, including telco partners, to offer solutions to help businesses grow, generate more revenue, and safeguard vital business information and corporate assets.

On competition, the industry will potentially experience changing market dynamics with the entry of the third player, which is slated to launch commercial operations by March 2021.

Lastly, on the regulatory front, the government continues to review existing laws and policies, aligning them with international norms. In recent years, this has led to lower interconnection rates, and new rules governing prepaid load expiry and mobile number portability. On MNP, the incumbents, along with the new player, have since formed a joint venture and enlisted US-based Syniverse as its after mobile number portability (MNP) service provider. Full implementation of MNP is set for 2021.

BUSINESS REVIEW
For 2019, Globe’s consolidated service revenues reached ₱149.0 billion, 12 percent higher from a year ago. This growth was fueled by the gains from data services across mobile, broadband and corporate data.

For the mobile business, revenues posted ₱111.8 billion, up 12 percent from a year ago. As the mobile segment dominated the Philippine market, mobile revenues remained the largest revenue contributor, accounting for 75 percent of the total service revenues led by Globe’s prepaid brands. Total mobile subscriber base is now at 94.2 million, up 27 percent from 2018.

From a product perspective, mobile data revenues generated ₱71.8 billion in 2019, 41 percent higher year-on-year, mainly driven by the surging demand for video streaming, gaming apps and social media, further boosted by the compelling promotions for data-centric plans. Mobile data now accounts for 64 percent of mobile revenues from 51 percent a year ago. Mobile data traffic likewise leapt from 956 petabytes in 2018 to 1,699 petabytes in 2019, a 78 percent growth year-on-year.

For the home broadband business, revenues reached ₱21.7 billion this period, up 17 percent from a year ago, driven by a rising level of fixed wireless

“'In 2019, Globe delivered meaningful progress amid industry and economic headwinds. We begin 2020 with good momentum, as we expand our industry leadership and remain focused on providing best-in-class service for our customers. Globe will remain guided by its values, do business responsibly, and deliver first-world internet connectivity in the Philippines.’’

- Ernest L. Cu, President and CEO, Globe

Millions of Filipinos are now able to use GCash to conveniently make their offline and online purchases with Globe’s long list of partner merchants.
As a result of the top line growth, which fully covered from a year ago. This led to consolidated EBITDA of ₱73 billion for the period, or an 8 percent increase.

Supporting these revenue streams, Globe's total digital transformation initiatives.

Demand for products and solutions to support their and domestic services. Revenue levels were also supported by the enterprise clients' increasing usage for both internet and voice services. This was propelled by the higher circuit count as of end-December of 2019, up 9 percent from a year ago. This represents 34 percent of gross service revenues and 67 percent of full year EBITDA. Bulk of the all-time high spend went to data-related requirements as Globe continued to invest in the Philippines towards enabling Filipino families and businesses.

The fixed line industry is also seeing an increasing demand for data. At home, smart televisions and gaming consoles are enabling the consumption of bandwidth-intensive multimedia content such as high definition videos and network gaming. More customers are now taking advantage of free multi-media content and paid video streaming services which are encouraging on cable TV service. Beyond connectivity, corporate and enterprise clients are looking to service providers, including telco partners, to provide solutions to help businesses grow, generate more revenue, and safeguard vital business information and corporate assets.

Corporate data revenues reached P12.8 billion as of end-December of 2019, up 9 percent from 2018. This was propelled by the higher circuit count coupled with the increase in usage for both internet and domestic services. Revenue levels were also supported by the enterprise clients' increasing demand for products and solutions to support their digital transformation initiatives.

Supporting these revenue streams, Globe's total operating expenses including subsidy posted close to ₱73 billion for the period, or an 8 percent increase from a year ago. This led to consolidated EBITDA of ₱76 billion, up 17 percent from 2018.

Globe spent a record level of capital expenditures of ₱51 billion in 2019, 18 percent higher than a year ago. This represents 34 percent of gross service revenues and 67 percent of full year EBITDA. Bulk of the all-time high spend went to data-related requirements as Globe continued to invest in the Philippines towards enabling Filipino families and businesses.

Globe’s GCash has become the leading virtual wallet in the Philippines, offering users unparalleled accessibility and convenience through its variety of payment and banking services.

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Gcash offers its users multiple ways to cash-in, including via a touch-in machine where physical bills may be deposited.

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The fixed line industry is also seeing an increasing demand for data. At home, smart televisions and gaming consoles are enabling the consumption of bandwidth-intensive multimedia content such as high definition videos and network gaming. More customers are now taking advantage of free multi-media content and paid video streaming services which are encouraging on cable TV service. Beyond connectivity, corporate and enterprise clients are looking to service providers, including telco partners, to provide solutions to help businesses grow, generate more revenue, and safeguard vital business information and corporate assets.

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As a result of the top line growth, which fully covered the increases in operating costs, depreciation charges and non-operating expenses, net income for the period expanded 20 percent to P22.3 billion.
<table>
<thead>
<tr>
<th>2019 PRIORITIES</th>
<th>2019 PERFORMANCE</th>
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<th>THE VALUE WE CREATE FOR OUR STAKEHOLDERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bring internet services to more Filipino households through wireless home broadband and constantly improve overall network experience</td>
<td>Accelerate network rollout: Capex of ₱51.0 billion or US$1.989 billion</td>
<td>Accelerate network rollout: Committing to capex of ₱63.0 billion</td>
<td>Shareholders: We commit to a sustainable, consistent and competitive dividend distribution</td>
</tr>
<tr>
<td>Launch of 5G offer for the home</td>
<td>• As of end December 2019, Globe put up 139 percent more sites versus 2018</td>
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<td>Employees: We empower our employees to champion our purpose to create a Globe of good.</td>
</tr>
<tr>
<td>• Continue to forge partnerships and create innovative content-driven experiences for customers</td>
<td>• Added more 3g and 4g base stations, putting up 28 percent more than last year</td>
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<td>Customers: We enable our customers with the power of choice as they embrace a digital lifestyle and we enable micro, small, medium and large enterprises with relevant business solutions.</td>
</tr>
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<td>• Constantly improve how we communicate to our customers through digital sales and care channels</td>
<td>• 1,699 Petabytes in mobile data traffic vs 956 Petabytes in 2018</td>
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<td>Business partners: We provide opportunities to our suppliers and business partners within our supply chain.</td>
</tr>
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<td>To empower the local economy in its digital transformation by helping business flourish through the right technology, infrastructure, solutions and know-how</td>
<td>Increase household penetration to Habituate and monetize to 2.0 million home broadband customers as of end of 2019</td>
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<td>Agile workforce:</td>
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<td>To create a high-performing workforce with a culture of empowerment, collaboration, and innovation</td>
<td>• 94.2 million mobile subscribers as of end of 2019</td>
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<td>• 91 percent Sustainable engagement score in 2018 (net of retention score)</td>
</tr>
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<td>• Launch of the commercial pilot for home air fiber 5g services in 2019, offering new connectivity options to deliver high-speed broadband access</td>
<td>• 38.4 Transactional net promoter score (nps) score versus 34.5 In 2018</td>
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<td>• 88 percent Organizational health index score in 2019</td>
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<tr>
<td>• Diverse portfolio of partnerships: one, nba, netflix, spotify, disneylife, fox+, viu, hoop, klook</td>
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<td>• Purpose survey indicators: - Role and work contribution to Globe purpose: '91 in 2019 vs 87 in 2018 - Personal purpose contribution to Globe purpose: 88 in 2019 vs 87 in 2018 - Employer net promoter score (nps): likeliness to recommend Globe as an employer: 53.40 Vs 43.38 In 2018</td>
</tr>
<tr>
<td>Develop new ICT capabilities/ New and profitable revenue streams</td>
<td>• New and profitable revenue streams</td>
<td>• New and profitable revenue streams</td>
<td>• Employee volunteers: comprised 40 percent of total employee base</td>
</tr>
<tr>
<td>• Deployed go with and community with to enhance/expand the experience of Globe mobile and broadband customers</td>
<td>• Cloud adoption and cyber security solutions for enterprise customers</td>
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<td>• Zero fatality rate and zero man-hours lost due to work-related accidents</td>
</tr>
<tr>
<td>• Enabled micro, small, medium and large enterprises with relevant business solutions</td>
<td>• Over 1.2 million amax retailers</td>
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<td>• Transition towards building an enterprise-wide simple, digital, agile (sda) organization.</td>
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<td>• Cloud adoption and cyber security solutions for enterprise customers</td>
<td>• GCash has 75,000 QR merchants, 30,000 cash-in points and 400 partner billers who accept GCash payments</td>
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<td>• Deliver seamless, frictionless, immersive and consistent customer digital experience,</td>
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<td>• Enable small business owners to offer more products and services to stimulate the e-commerce industry and the digital economy, through EC Pay</td>
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<td>• Pioneer the transformation of the service delivery engine to simple, digital, agile (sda) for faster time to market, efficient delivery, effective cost management and better collaboration</td>
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<td>• Continuing organizational focus on customer-centricity</td>
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<td>• Perpetuate the circle of happiness through purpose, globe values and overall organizational health</td>
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<td>• Valuing people and together, ensuring sustainability</td>
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</tbody>
</table>
WHO WE ARE
AC Energy’s energy portfolio registered an attributable capacity of over 1.8 GW in operation and under construction in the Asia-Pacific region as of the end of 2019. It increased its attributable energy output in 2019 by 25 percent to 3,500 GWh, of which 50 percent came from renewable energy sources.

As it shifts its portfolio towards renewable energy, AC Energy has developed a pipeline of 1,200 MW in various renewable projects that are expected to reach financial close within 2020. This is in line with the company’s goal of achieving 5,000 MW of attributable renewable capacity by 2025.

MARKET OUTLOOK
Buoyed by opportunities in the energy sector across Asia Pacific, AC Energy remains optimistic in achieving its 2025 goals. The company has committed to scale up its renewables in the region and has identified the Philippines, Indonesia, Vietnam, Australia, India and Myanmar as key target markets.

In the Philippines, AC Energy is encouraged by the government’s push for more renewable energy generation and less on traditional energy sources. Under the Renewable Portfolio Standards, the country aims to generate 35 percent of total energy output from renewables by 2030. To achieve this, the country will need to build over 15GW of renewables in the next decade. AC Energy, for this part, will continue to make significant investments in this space.

With electricity demand growing on the back of robust regional and improvements on attributable renewable energy cost and efficiency materializing, AC Energy seeks to establish significant market presence by expanding and diversifying its generation capacity.

BUSINESS REVIEW
The year 2019 saw AC Energy sustain its growth, with net earnings reaching ₱24.6 billion. This was lifted by contribution from its solar projects in Vietnam, recovery of costs incurred from adjustments in the construction and operations of its power plants, and gains from the partial divestment of its thermal assets.

Transitioning to Low Carbon Portfolio
AC Energy intends to play a leading role in the energy transition process and has integrated its own decarbonization strategy into its business model. As the company sets to rebalance its generation portfolio to grow its renewable energy assets, it recognizes the need to raise significant funds for its expansion.

In 2019, nearly US$1.4 billion was raised by AC Energy, and through these strategic initiatives, the company sought to fuel its aggressive expansion.

In May, AC Energy completed the sale of 60 percent economic interest in AA Thermal, Inc., which has ownership interest in the 2 x 300 MW coal-fired power plant in Mariveles, Bataan, and in the 2 x 600 MW supercritical coal-fired power plant in Dinginin, Bataan. The transaction was valued at US$572.9 million.

AC Energy made its debut in the capital markets in January and raised US$410 million in Green Bonds, the first publicly syndicated US dollar Green Bonds in Southeast Asia to be certified by the Climate Bonds Initiative: US$300 million senior Green Bonds with a 5-year tenor and a coupon of 4.75 percent per annum, and US$110 million senior 10-year Green Bonds with a coupon of 5.25 percent. These successful issuances have the International Finance Corporate and the Asian Development Bank as anchor investors.

AC Energy then capped the year with another offering - the world’s first US dollar-denominated senior perpetual fixed-for-life green notes at an aggregate principal amount of US$400 million with a fixed coupon of 5.65 percent per annum for life with no step-up and no reset, priced at par. The notes were certified under the ASEAN Green Bonds Standard and successfully listed in Singapore Exchange.

Proceeds from these green bonds will support the AC Energy’s investments to scaling up its renewables portfolio and help elevate environmental and social practices towards global standards.

"AC Energy continues its strong growth in the Philippines and around the region. With a highly driven organization of 700 professionals, we commit ourselves to build a sustainable future for all as we scale up investments in renewables. We are making excellent progress towards our goal of reaching 5000MW of renewable capacity by 2025.”

- John Eric T. Francia, President and CEO, AC Energy

With solar and wind power plants in and out the Philippines, AC Energy is pushing towards being a fully renewable energy international company by 2025.
AC Energy is looking to double the capacity of its 75 MW Sidrap wind farm in Indonesia to 150 MW.

**Sustainable Development**

AC Energy’s commitment to sustainability goes beyond the environmental management and development of social projects. It integrates sustainability principles into its business strategy and day-to-day operations.

In September, the company rolled out its environmental and social policy and management system anchored in three pillars: 1) Transitioning to low carbon portfolio while addressing the energy needs of the markets in which it operates, and 2) Excellence in environmental management, and 3) Commitment to the community.

**Expansion In High Growth Regional Markets**

To capture strong growth momentum, AC Energy continued to make significant strides to be the leader in renewable energy in the country, with a goal to reach 1,500 MW of capacity to ACEPH’s portfolio. This is subject to regulatory approvals.

AC Energy likewise strengthened its domestic portfolio through acquisitions and consolidation of economic interest in some of its thermal and renewables assets. Similarly, AC Energy stepped up its greenfield investments with the start of construction of the 120 MW solar farm project in Alaminos, Laguna, and a 150 MW peaking plant project in Pililla, Rizal. Both projects are being developed by its in-house development platform, ACE Endeavor.

**Philippines**

In the Philippines, AC Energy continued to make significant strides to be the leader in renewable energy in the country, with a goal to reach 1,500 MW of renewables by 2020.

In June 2019, AC Energy completed the acquisition of the PHINMA group’s combined 51.48 percent stake in PHINMA Energy, which was subsequently renamed to AC Energy Philippines. As of December, AC Energy directly owns 66.34 percent economic stake in AC Energy Philippines, which will become its main platform in the Philippines.

AC Energy focused on strengthening ACEPH’s balance sheet by increasing its capital stock by more than 50 percent to ₱7.5 billion. Further, it infused power generation assets valued at more than ₱14 billion through an asset-for-share swap, doubling ACEPH’s equity value and adding 176 MW of capacity to ACEPH’s portfolio. This is subject to regulatory approvals.

AC Energy and Singapore-based leading renewable energy developer and operator The Blue Circle began the construction of the Mui Ne Wind Farm located at the Binh Thuan province in the Southeastern coast of Vietnam. Construction for the 40 MW first phase has an estimated cost of US$92 million. Project completion of the first phase is expected, in time for the existing wind feed-in-tariff deadline of November 2021. AC Energy will continue to be an active participant in Vietnam’s renewable energy sector.

**Australia**

As the capital costs of renewable energy in Australia continue to drop, and given Australia’s world class solar and wind resources, the country is in a prime position to replace its aging coal fleet with a combination of renewable energy and energy storage.

AC Energy, together with UPC Renewables, intends to harness Australia’s strong potential in renewable energy through large scale projects that will increase leverage and return capital expeditiously to its shareholders. The consortium’s most imminent project in Australia is the New England Solar Farm, a 519.5 MW solar farm near Uralla, New South Wales.

**India**

In October 2019, AC Energy and UPC Renewables’ UPC Solar Asia Pacific formed UPC-AC Energy Solar, a solar energy platform for the development, construction and operations of solar projects in the Asia-Pacific region. The joint venture company targets the construction of a portfolio of over 1GW in the next few years, with an initial focus on India, South Korea and Taiwan. AC Energy is investing US$20 million via a development loan to finance this pipeline, and expects to provide all the construction equity required for these projects.

**Myanmar**

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**Vietnam**

In April, AC Energy and the BIM Group switched on their US$294 million, 330 MW Ninh Thuan solar farm in Vietnam. The joint venture is comprised of three facilities with installed capacities of 30 MW, 250 MW, and 50 MW, respectively and is expected to generate 545 million kWh of renewable energy annually.

A second renewable energy project in Vietnam was completed by AC Energy in partnership with AMI Renewables in May. This was the 50 MW Khanh Hoa and the 30 MW Dak Lak solar plants. The facilities have been completed in time for the Vietnam government’s feed-in tariff deadline in June 2019.

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**AC Energy Philippines**

AC Energy directly owns 66.34 percent economic stake in AC Energy Philippines, which will become its main platform in the Philippines. AC Energy focused on strengthening ACEPH’s balance sheet by increasing its capital stock by more than 50 percent to ₱7.5 billion. Further, it infused power generation assets valued at more than ₱14 billion through an asset-for-share swap, doubling ACEPH’s equity value and adding 176 MW of capacity to ACEPH’s portfolio. This is subject to regulatory approvals.

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In October 2019, AC Energy and UPC Renewables’ UPC Solar Asia Pacific formed UPC-AC Energy Solar, a solar energy platform for the development, construction and operations of solar projects in the Asia-Pacific region. The joint venture company targets the construction of a portfolio of over 1GW in the next few years, with an initial focus on India, South Korea and Taiwan. AC Energy is investing US$20 million via a development loan to finance this pipeline, and expects to provide all the construction equity required for these projects.
Buoyed by significant opportunities in the energy sector across Asia Pacific, AC Energy remains optimistic about achieving its 2025 goals. The company has committed to scale up its renewable energy expansion in the region and has identified the Philippines, Indonesia, Vietnam, Australia, India and Myanmar as key target markets.

In the Philippines, AC Energy is encouraged by the government’s push for more renewable energy generation and less dependence on traditional energy sources, targeting 35 percent of the country’s energy to be generated from renewable sources by 2030 in line with the REI 2030 and the Renewable Portfolio Standards. The country will need to build over 15GW of renewables in the next decade, and AC Energy will continue to make significant investments in this space.

With the electricity demand continuing to exhibit strong growth on the back of a robust economy across the region, as well as improvements on renewable energy cost and efficiency, AC Energy will continue to expand and diversify its generation capacity, strengthening its energy platform to establish a formidable market presence.

MARKET OUTLOOK

Financial
AC Energy has over US$1 billion of invested and committed equity in renewable and thermal energy in the Philippines and around the region. The company has generated significant profit growth beginning in 2015, with 2019 income reaching over $23 billion, generating the highest contribution to Ayala Corporation’s equity in earnings from its various businesses.

Recently, AC Energy raised more than US$1.3 billion in fresh capital from two green bond issuances and the sell-down of thermal assets in 2019. This capital will fund the company’s expansion, in pursuit of its target to reach 5GW of attributable renewable energy capacity by 2025.

Natural
AC Energy harnesses solar, wind and thermal energy for power generation. In 2019, 50 percent of the power it produced came from renewable energy sources.

Manufactured
AC Energy has a portfolio of power generating plants with >6.000MW of attributable capacity across different technologies. The company has investments in three geothermal plants, three biomass plants, four wind farms, four thermal plants, six solar farms, and several peaking diesel engines, which supply power across three countries in Southeast Asia.

Social and relationship
With an aggressive 5GW renewables target by 2025, AC Energy is pursuing strategic alliances to drive expansion, closing deals that are critical to the company’s transformation and growth. AC Energy has forged strong relationships with respected and experienced developers and institutions, a wide base of investors and other strategic partners in the Philippines and Asia-Pacific region.

As AC Energy builds a balanced portfolio of renewable and conventional power generation assets, it also recognizes the importance of working with communities to develop programs that benefit its stakeholders.

Strategies

Expand in high growth markets
Scaling up the development within the Philippines and diversifying internationally in countries that are supportive of renewable energy development, such as Vietnam, and Australia

Power generation
AC Energy’s power plants generate power and supply it to distribution utilities and end customers through the grid. In 2019, the company’s plants generated 3.500 GWh of energy, of which 50 percent was from renewable energy sources.

Retail electricity supply/ commercial operations
AC Energy’s retail and wholesale electricity supply business supports the nation’s thrust for retail competition and open access in the power industry. Through its portfolio of diversified power assets and supply contracts, AC Energy is able to provide reliable and cost-efficient power to industrial customers, as well as much needed dispatchable reserves to support the Luzon and Visayas grid.

Active recycling of capital
Scale up to 5GW of renewable energy capacity by 2025

MARKETS

1. Philippines
   - Stronghold market for AC Energy’s business
   - The company’s growth has been driven by its investment in renewable energy projects.

2. Vietnam
   - Growth opportunities for AC Energy
   - The focus is on developing projects in the country’s strong, largely untapped renewable energy market.

3. Australia
   - AC Energy is expanding into the Australian market, leveraging its experience in renewable energy development.

4. India
   - Significant potential for renewable energy development
   - AC Energy is engaging with partners to enter the market.

5. Myanmar
   - Potential for renewable energy development
   - Focus on greenfield opportunities.

6. Rest of Asia
   - Emerging markets with potential for renewable energy investment.
MANILA WATER

“We are thankful for the unflinching efforts of our employees and continued support of our stakeholders throughout the challenges last year. Their trust and dedication are what help us weather difficult times and strengthen our resolve to serve our customers better.”

- Jose Rene Gregory D. Almendras, CEO, Manila Water

WHO WE ARE
Manila Water is an operator and business builder of water, wastewater, and related assets across the Philippines and in Southeast Asia. The company has over two decades of experience and expertise which is leveraged to provide access to water and sanitation services in a way that considers key impacts on the environment and advocates responsible practices at every stage of its operations.

Manila Water’s portfolio includes the Manila Concession which is the original concession business, providing water and wastewater services to over seven million people in the eastern part of Metro Manila. Manila Water’s vehicle for domestic businesses outside the East Zone is Manila Water Philippine Ventures, with operations in key cities across the country. Internationally, Manila Water Asia Pacific was established to take advantage of new opportunities and partnerships in the ASEAN region. Lastly, Manila Water Total Solutions serves as an incubator of new business opportunities across the water value chain, driven by business and technological innovation.

MARKET OUTLOOK
Climate change has significantly altered every aspect of the water space – a reality that nations continue to address along with challenges concerning increasing population and density in highly urbanized areas. Competition in the space has been redefined by those who have access to this limited resource; communities, in their pursuit for growth, demand more to the expense of the environment’s ability to replenish. This has created a vicious cycle of development being impeded by the lack or absence of water supply to support development. The challenge for governments and service providers is striking the delicate balance between the provision of sufficient water supply for economic growth and social development, and allowing the environment to naturally replenish water sources to ensure sustainability. Such balance has highlighted the importance of proper wastewater treatment, which supports raw water supply replenishment in the environment.

Manila Water acknowledges the primary importance of water security, which became particularly apparent during the onset of the water supply shortage in Metro Manila. The experience has underscored the key risks in relation to water security, and the company has taken measures to align its operations with the new realities it now faces. These measures support Manila Water’s commitment to the United Nations Sustainable Development Goals on clean water and sanitation.

Manila water continues to improve access to clean water and sanitation services across all its domestic business units as a response to the needs of the country. In the Philippines, 90 percent of the rural population already has access to at least basic drinking water services. However, this is still behind the 98 percent access in urban areas. Meanwhile, in terms of Sanitation, the country has yet to gain traction in significantly improving and expanding access to sanitation facilities. At the national level, only 52 percent of the population has access to safely managed sanitation facilities. Through the company’s wastewater and sanitation programs, the company directly contributes towards narrowing these gaps.

Manila Water remains focused on its mission to provide sustainable solutions to its customers. The company continues to strengthen its key operating principles, even in the midst of adversity brought about by social, environmental and institutional challenges.

In response to the water supply shortage in the Manila Concession, the company exerted efforts to further attain network efficiencies. Manila Water’s business and technical teams learned to effectively provide water to its customers despite lower raw water supply allocation. Equally important is the provision of wastewater services. Manila Water is committed to continue its expansion of sewer coverage while maintaining existing service levels of its sanitation services. This enhanced focus on improving service levels despite prevailing challenges is grounded upon the company’s thrust towards creating exceptional customer experience.

Outside Metro Manila, the different subsidiaries focused efforts to standardize its key operating processes, with the Manila Concession as
benchmark. Improvements in transitioning and integrating new businesses, such as introduction of relevant operating and financial systems aligned with Manila Water’s principles, are cascaded to business units across the enterprise and will likewise continue as the company pursues other projects.

**BUSSINESS REVIEW**

Manila Water’s net income decreased 16 percent to ₱5.5 billion in 2019, with business performance dampened by the impact of the MWSS penalty, voluntary one-time Bill Waiver Program and additional expenses in relation to the water shortage in the Manila Concession during the year. These challenges were coupled with the continued management of the constrained raw water supply and additional expenses for potential exposures.

**Manila Concession**

Manila Concession’s revenues grew four percent to ₱16,842 million, driven by the seven percent increase in average tariff. This was, however, offset by the decline in billed volume to 493.9 million cubic meters from 503.3 mcm in 2018 and the implementation of the one-time voluntary bill waiver to ease the inconvenience of affected customers during the water shortage in March 2019.

Coming from the water supply shortage, Manila Water continues to improve and stabilize operations to provide reliable service to its customers. Focusing on its water supply augmentation projects, production at the Cardona Plant reached 98 MLD as of December 2019. The recommissioning and development of new deep wells continues, with a total capacity of 55 MLD as of the same period. These initiatives, along with the continued proactive network management and optimization program, has enabled water availability for customers to be kept within regulatory levels despite lower raw water supply allocation. The 2019 level of water losses in the system or non-revenue water, was stable at 10.4 percent, an improvement of 1.0 percentage point from the previous year’s 11.4 percent. This improvement was attained even under a still significantly reduced raw water supply allocation.

Net income of the Manila Concession declined 22 percent to ₱5.1 billion.

Manila Water Philippine Ventures

Helping develop local economies and improving quality of life is at the forefront of Manila Water Philippine Ventures’ expansion and operating principles. MWPV continues to strengthen the social responsibility of its operating subsidiaries and incorporates this philosophy in more partnerships across the country. In doing so, MWPV supports the transformation of areas to sustainable and dynamic areas.

On a consolidated MWPV level, revenues grew 45 percent to ₱4.8 billion in 2019. A significant contributor to this improvement was the higher revenues of MWPV’s business-to-business arm, Estate Water coming mostly from supervision fees for design and project management services in the development of water and wastewater facilities, as well as similar fees for the provision of water and wastewater services. In addition, portions of the increase in revenues are due to higher average tariff levels in operating subsidiaries Boracay Water and Laguna Water. Several subsidiaries also saw increases in billed volume during the year, namely Boracay Water and Estate Water, with the re-influx of tourists and the takeover of more property development projects, respectively.

Laguna Water’s billed volume increased four percent to 44.1 mcm in 2019 from 42.4 mcm in 2018 on the back of additional new water service connections and subdivision takeover, but was offset by the lower consumption of several LTI allocators due to lower production levels and increased water conservation efforts. Meanwhile, Boracay Water recovered from the mandatory closing of the island in 2018, with billed volume growing 23 percent to 4.8 mcm driven by the influx of more than two million tourists in 2019. Clark Water’s billed volume slightly increased by 2 percent to 14.5 mcm due to the higher consumption of its commercial accounts. Lastly, Estate Water posted an 18 percent increase in billed volume to reach 10.5 mcm, as it operates newly taken over developments.

MWPV more than doubled its net income in 2019 to ₱450 million.

Manila Water Asia Pacific

Establishing Manila Water’s growing presence in the ASEAN region, Manila Water Asia Pacific gears up to take advantage of new acquisitions and partnerships internationally, particularly in countries which encourage foreign investments in the water industry.

On a consolidated MWAP level, equity share in net income of associates decreased by 7 percent to ₱654 million, primarily due to the lower performance of Vietnam investments and the recognition of impairment losses in one of its Vietnam businesses, Saigon Water. This reduction was partially offset by the full year recognition of the share in net income from East Water.

MWAP’s consolidated net income ended at ₱168 million, 41 percent lower than the previous year.

**Manila Water Total Solutions**

Centered on providing innovative water supply and sanitation products and services, Manila Water Total Solutions has served as an incubator of new business opportunities throughout the water cycle. It develops both end-consumer and system solutions in the water and used water value chain, which are then delivered at scale and with a commitment to protect the environment. Specifically, these include the provision of network and technical services under its corporate accounts management business, and the sale of packaged purified water through the Healthy Family brand.

In 2019, the sale of packaged purified water through the Healthy Family brand saw a decline in bottle sales to 5.7 million bottles from 7.9 million bottles in 2018. This resulted in lower revenues to ₱336 million from ₱436 million last year. MWTS also recognized an additional impairment driven by the difference between the book value and actual or assessed value of inventory.

These developments led to MWTS posting a net loss of ₱169 million for the year.
Climate change has significantly altered every aspect of the water space – a reality that nations continue to address along with challenges concerning increasing demand and depletion of highly urbanized areas. Competition in the space has been redefined by those who have access to this limited resource; communities, in their pursuit for growth, demand more to the expense of the environment’s ability to replenish. This has created a vicious cycle of development being impeded by the lack or absence of water supply to support development. The challenge for governments and service providers is striking the delicate balance between the provision of sufficient water supply for economic growth and social development, and allowing the environment to naturally replenish water sources to ensure sustainability. Such balance has highlighted the importance of proper wastewater treatment, which supports raw water supply replenishment in the environment.

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**EXHIBIT 1: MANAGEMENT’S TREATMENT PLANS TO ADDRESS THE CHALLENGES FACING THE WATER AND SANITATION Sectors**

<table>
<thead>
<tr>
<th>adventure</th>
<th>for water security and sustainability</th>
<th>Ensure the completion of water system projects and interim water sources</th>
<th>Support the MWSS in the development and completion of medium-term/long-term water sources</th>
<th>Close new projects in ASEAN and adjacent regions where feasible</th>
<th>Support the MWSS in the development and completion of medium-term/long-term water sources</th>
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<tr>
<td>Manilla Water’s financial sustainability relies on the availability and management of the company’s own funds, as well as borrowed funds. Through the combined use of capital inputs, such as share capital, cash reserves and borrowings, the Company can fund infrastructure projects and sustain service delivery.</td>
<td>Operationalize by 2Q2019 the Cardona Water Treatment Plant with an initial capacity of 50 mld, serving the municipalities of Binangonan and Angono</td>
<td>Increase utilization of Used Water Treatment plants through expansion of Used Water network coverage to more communities</td>
<td>Treated 64.18 mcum of wastewater enterprise-wide.</td>
<td>Treated 64.18 mcum of wastewater enterprise-wide.</td>
<td>Treated 64.18 mcum of wastewater enterprise-wide.</td>
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AC INDUSTRIALS

“In 2019, our markets continued to both transform and be buffeted by geopolitical headwinds. This impacted both our operating units and high-technology investments. While we expect this demanding environment to persist in 2020, especially with COVID-19, our belief remains steadfast in the long-term potential of our priority megatrends – new mobility, IoT, and renewable energy.”

- Arthur R. Tan, President and CEO, AC Industrials

WHO WE ARE

AC Industrial Technology Holdings Inc. is Ayala’s industrial technologies arm, managing a primarily mobility-oriented portfolio composed of both operating units and investments in emerging high potential technologies. The company is founded on its dual core of Integrated Micro-Electronics, Inc., a Philippine electronics manufacturing services pioneer and now a globally leading manufacturing and technology solutions partner, and AC Motors, one of the country’s largest multi-brand vehicle distribution and dealership groups. AC Industrials operates in twelve countries around the world with its primary markets in North America, Europe and Asia.

Through AC Industrials, Ayala envisions growing its presence in the global industrial technologies space by capitalizing on opportunities opened by disruptive technological shifts, changing industry landscapes, and evolving end-user demand.

MARKET OUTLOOK

The year 2019 presented several macro-driven challenges for AC Industrials’ global markets. The U.S.-China trade conflict intensified, forcing firms who do business in either country to adapt to tougher operating conditions, including rising tariffs and tightening trade barriers. Meanwhile, the global march toward increased digitization and connectivity continues to impact many industries. In the electronics manufacturing services space, the increased demand for electronic devices has resulted in not only greater need for customization and operational efficiencies among industry players, but also operational challenges in terms of material shortages and more demanding customer cycle times.

On the domestic front, the Philippine automotive market showed some signs of recovery in 2019 with new vehicle sales increasing four percent to 416,379 units. This was mainly driven by stable demand for commercial vehicles and gradual consumer acceptance of generally higher vehicle price levels, which rose in 2018 due to the implementation of the first tranche of a national tax reform program. Looking ahead, industry prospects remain bright, as evidenced by the Philippines’s continued status as a valued destination for many automotive manufacturers. Consistent economic growth of 5 to 6 percent, increasing disposable incomes, and continued industry underpenetration – at just 43 vehicles per thousand household – should remain an attractive recipe for OEMs.

As we look ahead to 2020, we expect most of these macro, political, and industry forces to remain in

Kia looks to secure significant market share in the highly competitive domestic automotive industry with the addition of four new models in 2019.

AC Industrials partners with multiple OEM brands to ensure that it offers competitively priced and widely distributed vehicles.
place. World geopolitics will likely remain volatile with the corresponding impact on our units which do business at a global level. Key technological trends such as autonomy, connectivity, sharing, and smart energy, meanwhile, will continue to shift industry profitability pools over the next decade. These global transformations will eventually reach the mass market level in emerging countries such as the Philippines, and otherwise leading domestic players will have to be prepared to manage their impact.

**BUSINESS REVIEW**

AC Industrials recorded a net loss of ₱2.4 billion as headwinds in both the electronics manufacturing services industry and the global auto industry hampered earnings across its several business lines.

The company’s EMS platform, Integrated Micro-Electronics Inc., continued to weather challenges in its main market segments, particularly the automotive, industrial, and aerospace. Additionally, investments in capacity and technical capabilities for future growth increased the company’s overhead expenditures, which partly affected gross profit margins. Overall, these factors hindered IMI’s growth in 2019, with the company posting a net loss of US$7.8 million for the year.

Revenues from IMI’s wholly owned operations tallied at US$1 billion, down 7 percent from the previous year. The company’s Asian operating units dropped a total of 11 percent, as a function of the aforementioned slowdown in China’s automotive market for the year. This was offset by the performance of IMI Europe, also largely automotive based, which grew three percent year-on-year as the company’s newest production facility in Serbia continued its ramp-up in its first full year of operations. In parallel, IMI’s Mexico operations, which serve the North American markets, continued their robust trajectories with a 50 percent revenue growth in 2019.

Revenues from IMI’s wholly owned operations declined by 21 percent from the previous year. The company’s Asian operating units dropped a total of 11 percent, as a function of the aforementioned slowdown in China’s automotive market for the year. This was offset by the performance of IMI Europe, also largely automotive based, which grew three percent year-on-year as the company’s newest production facility in Serbia continued its ramp-up in its first full year of operations. In parallel, IMI’s Mexico operations, which serve the North American markets, continued their robust trajectories with a 50 percent revenue growth in 2019.

IMI’s core subsidiaries, Via Optronics and STI, Ltd., posted combined revenues of $248 million, a decline of 21 percent from the previous year. VIA’s drop was mainly driven by the slump in the overall computing consumer segment and the delay in the release of a new generation component from one of its major customers. Meanwhile, the uncertainty over Brexit, which persisted at least through 2019, caused some delays in the awarding of several contracts where STI is a key competitor.

AC Industrials’ Philippine vehicle distribution and retail arm, AC Motors, recorded a net loss of ₱337 million on lower sales volumes across its Honda, Isuzu, Kia, and Volkswagen brands. As the industry recovers from the previous year’s sizable, policy-driven decline, competition continues to be highly competitive, with over 50 players vying for slowly recovering customer demand.

Meanwhile, AC Industrials’ startup investments, Merlin Solar, MT Technologies, and C-CON, recorded higher net losses during the period as they continue to grow their revenue pipelines, invest in capacity and infrastructure, and manage underutilization of capacity resulting from the global downturn in automotive and manufacturing.
The year 2019 presented several macro-driven challenges for AC Industries’ global markets. The U.S.-China trade conflict intensified, forcing firms who do business in either country to adapt to tougher operating conditions, including rising tariffs and tightening trade barriers. Meanwhile, the global march toward increased digitization and connectivity continues to impact many industries. In the electronics manufacturing services space, the increased demand for electronic devices has resulted in not only greater need for customization and operational efficiencies among industry players, but also operational challenges in terms of material shortages and more demanding customer cycle times.

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As we look ahead to 2020, we expect most of these macro, political, and industry forces to remain in place. World geopolitics will likely remain volatile with the corresponding impact on our units which do business at a global level. Key technological trends such as autonomy, connectivity, sharing, and smart energy, meanwhile, will continue to shift industry profitability pools over the next decade. These global transformations will eventually reach the mass market level in emerging countries such as the Philippines, and otherwise leading domestic players will have to be prepared to manage their impact.

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<tr>
<th>MARKET OUTLOOK</th>
<th>CAPITALS</th>
<th>STRATEGY</th>
<th>NOW WE CREATE VALUE (BUSINESS ACTIVITIES)</th>
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<td>Financial</td>
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<td>Our balance sheet has a capital base that can be readily deployed to address growth opportunities and rapidly respond to customer needs.</td>
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<td>Manufactured</td>
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<td>Facilities located around the world allow us to create and distribute products, services and solutions to its customers. We operate 32 plants around the world with 130+ surface-mount technology production lines and 432,000 square meters of manufacturing space. AC Industries also directly holds a majority stake in the KTM motorcycle production plant in Laguna, Philippines, as well as management of a nationwide network of over 100 automotive dealerships covering six vehicle brands.</td>
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<td>Intellectual</td>
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<td>We dispatch our emerging suite of proprietary technologies and intellectual property for the benefit of our customers and partners.</td>
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<td>Human</td>
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<td>We have a broad base of over 15,000 employees and executives that deliver operational excellence, customer satisfaction, and value-adding technical expertise.</td>
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<td>Social and relationship</td>
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<td>We treat partners and customers fairly and view them as long-term relationships that stand the test of time. Our operations adhere to Ayala’s standards of sustainability and good governance.</td>
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<td>Portfolio management</td>
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<td>We actively manage our portfolio, constantly enabling selected, high impact synergy opportunities among our businesses. From a management perspective, we provide a broad range of corporate functions such as strategic planning, governance, resource allocation, and financial management.</td>
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<td>Global manufacturing services</td>
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<td>We deliver full manufacturing solutions not only for our customers and partners, but also for our own portfolio of companies.</td>
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<td>Emerging technologies development</td>
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<td>We constantly seek out, acquire, and commercialize key technologies that enhance and protect our competitive position.</td>
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<td>Vehicle distribution and retail</td>
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<td>We partner with multiple OEM brands to competitively source and distribute a broad, complementary, and integrated selection of vehicles for a wide range of Philippine automotive customers.</td>
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<td>High-tech investments</td>
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<td>Provide financial and strategic support to unlock the potential of our investments in high-potential technologies.</td>
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<td>• Support expansion of IMI via internal and external initiatives</td>
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<td>• Drive optimization &amp; transformation of Honda and Isuzu, along with overall automotive group</td>
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<td>• Continue to build revenue pipelines for MT and Merlin Solar; stabilize and establish internal organization and structure</td>
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<td>• Reestablish Kia in the Philippines and launch the SAIC Maxus brand</td>
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<td>• Open new export markets for KTM</td>
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<td>Legacy, larger-scale operations</td>
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<td>Strengthen and optimize Ayala’s at-scale operations in electronics manufacturing and automotive distribution &amp; retail.</td>
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<td>New growth operations</td>
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<td>Scale up the recently acquired businesses that boost and complement the larger-scale operating units.</td>
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<td>• Support growth of IMI’s core businesses</td>
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<td>• Drive transformation and optimization initiatives in Honda, Isuzu as well as across AC Motors.</td>
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<td>• Enhance Volkswagen’s market position with its competitive products and dealer network.</td>
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<td>• New growth operations</td>
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<td>• Continue scale-up of STI’s operations, and drive synergies with IMI when available.</td>
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<td>• Expand dealership networks and brand awareness of both Kia and Maxus.</td>
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<td>• Ramp up KTM’s volumes via accelerated export operations and growth of the domestic dealership network.</td>
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<td>• High-tech investments</td>
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<td></td>
<td>• Continue assisting MT, C-CON, and Merlin in expanding their revenue pipelines.</td>
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<td>• Put necessary structures in place to stabilize the businesses while retaining their flexibility to operate with startup agility.</td>
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<td>• Drive operational integration of MT and C-CON as ACI’s Tier 1 automotive platform.</td>
</tr>
</tbody>
</table>

The value we create for our stakeholders

Investor and shareholders

We provide shareholder returns that are diversified by the sectoral and geographic scope of its portfolio.

- 2019 IMI group consolidated revenues of $1.3 billion.
- 2019 AC Motors consolidated revenues of $22 billion.

Employees

Our global employee base have every opportunity to build meaningful, long-term careers that also allow them to support their families.

Partners

Our long-term strategic partners are treated fairly, and these ventures generate growing, consistent returns that equitably accrue to all sides.

Customers

We offer products, services, solutions, and ownership experiences that exceed customer requirements and global quality standards.

We remain focused on acquiring capabilities and experience in emerging technologies rather than on the traditional products and systems we build. In 2019, 44 percent of the products we build were classified as emerging, -16,800 vehicles distributed and sold.

Government and policy makers

We champion the development of quality manufacturing in the markets we operate in, in support of government thrusts to promote the sector as a pillar of national development. We live this out by prioritizing, investing and locating in our home country of the Philippines, utilizing key frameworks and programs to generate value throughout economic and regulatory cycles.
WHO WE ARE
AC Infra improves movement of people, goods, and services in an efficient, safe, innovative, and sustainable manner. We develop and invest in businesses to address urgent infrastructure needs in the mass transportation, mobility, logistics, and financial services sectors. Our portfolio consists of projects operating under a government concession and businesses outside the Public Private Partnership (PPP) mode.

Our PPP projects in the toll road, rail, and cashless payments sectors continue to improve on established efficiencies and provide reliable service for hundreds of thousands of commuters and motorists daily. AC Infra entered the logistics and fulfilment services space in 2018 with the launch of Entrego and intends to expand its portfolio in this sector in the coming years.

Our ability to steward and lead projects from its development, implementation, operations and maintenance is our key advantage. As a wholly owned subsidiary of Ayala Corporation, we build on Ayala’s reputation and track record of excellence in developing and sustainably managing large scale projects.

MARKET OUTLOOK
With billions of pesos lost each day due to poor infrastructure, the need to invest in solutions to improve movement of people and goods remain a top priority. Investments in long term solutions are urgently needed to cut the cost of doing business, attract more investments, enhance productivity outside urban areas, and enable the Philippines to further its competitiveness globally and in the ASEAN region.

The Philippine government, for its part, has increased public infrastructure investment from an average of 3 percent of GDP during 2011–16 to over 5 percent in 2018 with its Build Build Build program. The National Economic Development Authority has prioritized implementation of several large projects that aim to address major gaps in mass transportation, airports, water resources, and energy. AC Infra continually assesses available opportunities to participate in addressing infrastructure bottlenecks as more government-led infrastructure projects are opened for private sector involvement.

The need for efficient and reliable logistics is expected to grow as the ecommerce market expands across the country. A growing preference for more convenient and cashless modes of financial transactions will likewise require investments in systems and platforms to support the growth of the financial services and technology sector.

The company intends to pursue new investments in scalable, high-growth, innovative infrastructure solutions that will serve the needs of the e-commerce, financial services, and telco sectors to balance its current portfolio composed mostly of PPP projects.

We forge partnerships and synergies within and outside the Ayala group to grow existing and future businesses without compromise to the efficiency and performance standards of our operating businesses.

BUSINESS REVIEW
Entrego Fulfilment Solutions, Inc.
Entrego is AC Infrastructure’s vehicle for its investment in the fulfilment and logistics sector. In 2019, it ramped up significantly posting a compounded monthly growth of 14 percent in volume throughout the year. This growth was underpinned by the rising demands of the e-commerce and retail sectors for B-to-B and B-to-C logistics services. During the year, Entrego gained a foothold serving the major e-commerce players in the country, leveraging on its nationwide reach. It also launched an automated sorting center to drive operational efficiencies and processes.

As the company moves towards growing its business, it has started to tap other market segments to broaden its customer base and is gradually preparing for market entry into contract logistics, warehousing, and domestic freight forwarding services.

AC Infra has committed up to ₱580 million over the next few years to support Entrego’s planned growth and expansion.
Light Rail Manila Corporation
Since assuming operations and maintenance functions in 2015, Light Rail Manila Corporation has invested ₱10.7 billion for the rehabilitation, restoration, and upgrade of LRT line 1, resulting to a more comfortable, safer, and reliable commute for its 450,000 daily passengers.

With 116 working light rail vehicles at present (from an initial 77 units in 2015), LRMC was able to provide the public more trips per day, expand operating hours, and shorten headway from 5-minute average interval in 2015 to the current 3.5-minute average.

LRMC inaugurated its expanded EDSA Station last October 2019, providing a wider space for ticketing, queuing, and additional PWD facilities. Various renovation, re-layout, and accessibility improvement works have likewise been implemented in other existing stations to improve passenger safety and operational efficiency. LRMC also launched the ikotMNL app to cater to the evolving needs of its passengers.

LRMC started its Cavite Extension project in May 2019, investing over ₱10 billion worth of engineering, procurement, and construction works to-date. The project will add eight new stations---Redemptorist, MIA, Asiworld, Ninoy Aquino, Dr. Santos, Las Piñas, Zapote, and Niog, to the existing line. When fully operational, the entire 28-station LRT 1 line will cater to 800,000 passengers daily and will cut travel time between Baclaran and Bacoor from over an hour to just 25 minutes.

In anticipation of an increase in ridership, LRMC is expecting the delivery of the new Generation 4 trains by the third quarter of 2020.

Muntinlupa Cavite Expressway
Average annual daily traffic at the Muntinlupa-Cavite Expressway for 2019 was at 35,630 vehicles, a 10 percent increase from a year ago. This growth in vehicular traffic is expected to grow steadily in the coming years as more establishments and lifestyle centers rise in the vicinity of the four-kilometer toll road.

AF Payments, Inc.
beep™ continued to grow its network of transport partners and expand the application of beep™ solutions beyond the rail market segment.

In addition to the public transport partners that beep™ serves, it has expanded to cater to tourist passes for popular attractions in Intramuros and Palawan.

By the end of 2019, beep™ non-rail partners include 15 bus operators with 370 units, and 14 modern PUVs and e-tricycle operators with 351 units. beep™ is present in Cebu through Topline Marina and Cebu Peoples Multipurpose, in Isabela province through First Isabela Transport Service, and in Iloilo through the Iloilo Alliance Trans. Coop. The company also serves tourist zones through beep™-enabled tourist passes used by visitors to access popular attractions in Intramuros and Palawan.

In October 2019, beep™ launched the Philippine’s first public transport QR ticketing system for BGC Bus and Topline Marina. All these developments have grown beep™ card usage from an average of 600,000 taps in 2018 to an average of 700,000 taps for 2019.

NAIA Rehabilitation
The proposal to rehabilitate, expand, operate, maintain, and transform the Ninoy Aquino International Airport was approved by the NEDA Board last November 27, 2019. The approval paved the way for the NAIA consortium to commence negotiations with the Manila International Airport Authority.

Government is targeting to complete the swiss challenge phase and sign the concession agreement with the project proponent by the second quarter of 2020.
With billions of pesos lost each day due to poor infrastructure, the need to invest in solutions to improve movement of people and goods remains a top priority. Investments in long term solutions are urgently needed to cut the cost of doing business, attract more investments, enhance productivity outside urban areas, and enable the Philippines to further its competitiveness globally and in the ASEAN region.

The Philippine government, for its part, has increased public infrastructure investment from an average of 3 percent of GDP during 2011–16 to over 5 percent in 2018 with its Build Build Build program. The National Economic Development Authority has prioritized implementation of several large projects that aim to address major gaps in mass transportation, airports, water resources, and energy. AC Infra continually assesses available opportunities to participate in addressing infrastructure bottlenecks as more government-led infrastructure projects are opened for private sector involvement.

The need for efficient and reliable logistics is expected to grow as the e-commerce market expands across the country. A growing preference for more convenient and cashless modes of financial transactions will likewise require investments in systems and platforms to support the growth of the financial services and technology sector.

The company intends to pursue new investments in scalable, high-growth, innovative infrastructure solutions that will serve the needs of the e-commerce, financial services, and telco sectors to balance its current portfolio composed mostly of PPP projects.

We forge partnerships and synergies within and outside the Ayala group to grow existing and future businesses without compromising the efficiency and performance standards of our operating businesses.

### Financial

- A strong balance sheet and strategic capex investments funded by Ayala Corporation

### Manufacturing

- Continued improvement in the operating efficiencies of LRT-1, MCK, and beepTM

### Intellectual

- Extensive project management capability and track record in preparing successful PPP project proposals for toll road, rail, and airport infrastructure.

### Human

- An innovative, collaborative, and agile organization that possesses a wide range of skills and experiences critical in stewarding projects from development to operations.

### Social and Relationship

- Wide spectrum of local and foreign partners with complementary knowledge and expertise. Mutually supportive partnerships with project stakeholders.

### Efficient Operations

- Our business units ensure plans are executed in a precise manner and processes are efficient to consistently meet desired key performance indicators. Our people constantly train and enhance their skills and technical capabilities, to ensure adherence to international standards of operations and maintenance.

### Talent and Leadership Development

- Our talents have opportunities to grow through challenging assignments, personalized learning programs, and rewards. Talents are developed and prepared to take on leadership roles in our business units.

### Project Development

- We look for scalable and high-growth opportunities in the mass transportation, toll road, airport, logistics, and financial services sectors. Together with trusted and competent partners, we drive the business development process to come up with innovative and sustainable solutions. We forge partnerships and synergies within the Ayala group to grow existing and future business.

### Implementation and Business Start-Up

- Our team manages the implementation of projects and executes plans in a timely and cost-efficient manner. We use the best practices to meet industry standards and ensure compliance with all regulatory processes.

<table>
<thead>
<tr>
<th>2019 PRIORITIES</th>
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<th>2020 PRIORITIES</th>
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<tbody>
<tr>
<td>• Annual average daily traffic to reach 35,000</td>
<td>Munintiopa Cavitex Expressway • Annual average daily traffic to reach 35,624 vehicles, a 10 percent increase from 2018 AADT.</td>
<td>Munintiopa Cavitex Expressway • Annual average daily traffic to reach 38,000.</td>
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<tr>
<td>• Replacement of system-wide CCTVs</td>
<td>Light Rail Manila Corporation • Number of functioning Light Rail Vehicles (LRVs) at the end of 2019 is 116 (from an initial 77 in 2015).</td>
<td>Light Rail Manila Corporation • Passengers per hour per direction (Peak Other): 20,000 (12mo. average) ISO 9001&amp;14001 Re-certification (every 3 years) Cavite Extension project: 50 percent completion Complete installation of new signaling system for the entire fleet/legacy trains Begin regional arrival of Gen 4 Trains for signaling installation (Q3 2020)</td>
</tr>
<tr>
<td>• Commence upgrade of radio system</td>
<td>Improve passenger experience and feedback</td>
<td>AF Payments Inc. By the end of 2019, beep™ non-rail partners include 15 bus operators with 370 units, and 14 modern PUVs and e-tricycle operators with 351 units. Sign up 150 additional Jeepney operators and 10 new bus partners. Enable QR ticketing in 4 transport operators. Launch the beep rewards platform</td>
</tr>
<tr>
<td>• Expand to 1000 beep-enabled bus and jeepney units by end-2019</td>
<td>Secure NEDA Board approval and undertake Swiss Challenge</td>
<td>AF Payments Inc. Sign up 150 additional Jeepney operators and 10 new bus partners. Enable QR ticketing in 4 transport operators. Launch the beep rewards platform</td>
</tr>
<tr>
<td>• Secure NEDA Board approval and undertake Swiss Challenge</td>
<td>Launch Entrego’s C2C platform</td>
<td>Launch the beep rewards platform</td>
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<tr>
<td></td>
<td>Expand client base for freight forwarding</td>
<td>Government to undertake Swiss Challenge process</td>
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<tr>
<td></td>
<td></td>
<td>Grow AC Infra’s logistics portfolio business</td>
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<tr>
<td></td>
<td></td>
<td>Expand client base for freight forwarding</td>
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<tr>
<td></td>
<td></td>
<td>Open the Zalora fulfilment center at MCKX</td>
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</table>

### Movement of People

- Travel time is reduced for motorists and train passengers. An average of 35,624 motorists use the Munintiopa Cavitex Expressway daily, saving them valuable travel time to and from the South Luzon Expressway.

### Movement of Goods

- Entrego facilitated deliveries of parcels nationwide with an aggregate 93 percent on time delivery performance.

### Movement of Services

- AF Payments’ beep card processed a total of P3.7 billion worth of transactions for its 23 transportation partners with 99.9 percent accuracy.

### National Development

- Our country can grow at a faster pace when infrastructure moves people, goods, and services reliably and efficiently. Continued improvements in operations and maintenance are translated into benefits in the form of better quality of life and service to citizens.
AC HEALTH

“Amidst all the healthcare challenges we have been confronted with at the start of 2020, it is clear that there is still so much more we can all do to contribute to improving healthcare in the Philippines. Now, more than ever, AC Health remains committed to ensuring that we provide much-needed affordable, accessible, and quality healthcare for more Filipinos.”

- Paolo Maximo F. Borromeo, President and CEO, AC Health

WHO WE ARE

AC Health is the portfolio company of the Ayala group for its healthcare investments. It aims to address the unmet need for accessible, affordable and quality healthcare for all Filipinos by building, investing, and connecting various businesses into an integrated and seamless ecosystem of services across the continuum of care.

The company’s retail health portfolio includes Generika Drugstore, the pioneer in the retail sale of generic medicines, and FamilyDOC, the country’s largest chain of retail primary care clinics. In 2019, AC Health added Healthway Medical, which operates a network of mail-based multispecialty clinics and corporate clinics, to its portfolio. On the pharma space, AC Health invested in IE Medica, one of the leading pharma importers in the country, and MedEthix, its affiliated distribution company.

AC Health also continues to build and invest in health technology solutions through its own technology arm, Vigos Health Technologies. Launched in 2018, Vigos’ portfolio of in-house solutions includes an electronic medical record system called Vigos EMR, which is used across all FamilyDOC clinics, and a corporate health mobile solutions platform, Vigos Care. Vigos Care is used by employees alongside the corporate clinics, FamilyDOC@Work, which was launched within the Ayala group in 2019. Vigos also invests in high potential health technology partners such as MedGrocer, an FDA-licensed corporate medicine benefits management, and AIDE, a digital home health platform. In 2019, Vigos also invested into Fibronostics, a global US-based healthcare technology company focused on non-invasive algorithm-based solutions for diagnostic testing.

Overall, AC Health’s vision of building an integrated network of healthcare services has become its competitive advantage. This includes its strong retail health footprint that enables it to provide last-mile access to consumers. It also harnesses the value of innovative products, services, and business models, including various health technology solutions, to address the needs of its patients and customers. Finally, it is also anchored on building strong and strategic partnerships with those who share the same vision of delivering quality, affordable, accessible care for all Filipinos. This includes finding synergies with the broader Ayala group and working in close collaboration with various sectors of the healthcare industry, including private sector companies, government, other local health authorities, and the academe.

MARKET OUTLOOK

Locally, the year 2019 continued to be an eventful period for the Philippine healthcare industry, as the Implementing Rules and Regulations for newly enacted healthcare bills were released. These include the IRR for the National Integrated Cancer Control Act and the IRR for the Universal Health Care Act, both of which provide further guidance on increasing cancer care and primary care coverage for all Filipinos, respectively.

By December 2019, however, news of the first case of COVID-19 in Wuhan, Hubei, China broke out, disrupting the healthcare industry globally. At that time, little had been known about this pneumonia-causing virus. It was later learned to be a new strain of the Coronavirus family, where infection was originally via animal transmission and eventually became transmissible by respiratory droplets among humans. By March 2020, the outbreak of COVID-19 cases had been declared a global pandemic with a growing number of countries with local transmission, including the Philippines. On March 12, 2020, President Rodrigo Duterte raised the country’s Code Alert System to Code Red Sublevel 2 and declared Metro Manila under community quarantine in an effort to control the situation.

In response to the disease outbreak, the general public’s demand for more preventive medicines and supplies has increased. However, visits to clinics decreased due to compliance with social distancing measures and increased concern over being exposed to the virus. In addition, healthcare industry players must contend with supply chain issues brought about by an increase in demand and a shortage of medicines and supplies due to disruption in global supply chains. The outbreak remains cautious and a general slowing in the overall growth of the industry, locally and globally, is anticipated as an impact of
COVID-19 containment measures and supply and human resource issues. Importantly, it will be critical to ensure the safety and well-being of healthcare medical professionals who are at the frontline of this pandemic. As cases are expected to increase in number and with the situation persisting through the first half of 2020, AC Health is committed to ensuring its clinics and pharmacies continue to operate and provide much needed healthcare services to Filipinos.

BUSINESS REVIEW

AC Health continues to establish its presence as a key player in the Philippine healthcare industry, with its continued expansion and growth in the pharma, clinics, and health technology spaces, alongside planned investments into hospitals and specialty care. It has also differentiated itself in the industry with its advocacy of improving healthcare for all through its ecosystem.

In the pharma space, AC Health increased its equity stake in Generika at 52.5 percent. Generika ended the year with a total of 804 drugstores nationwide. Moreover, AC Health invested in one of the leading importers of medicines in the country, IE Medica, as well as its affiliated distribution company, MedEthix. With this investment, the AC Health looks forward to integrating its pharmaceutical portfolio and strengthening its supply chain for its growing network of drugstores and primary and multi-specialty care facilities.

On clinics, AC Health has grown to be the biggest network of clinics in the country, offering primary care, multi-specialty care, and corporate health services through FamilyDOC and Healthway, which it acquired in January 2020. In 2019, FamilyDOC opened 20 new clinics, including its biggest branch in Sampilac, Manila, to end the year with 74 clinics in total all over the Greater Manila Area. It has also served nearly 500,000 unique patients since its first clinic opened in late 2015. Meanwhile, Healthway Philippines, one of the most trusted clinic brands in the country, has seven mall-based multi-specialty clinics and 40 corporate clinics.

On hospitals, AC Health continues to look for opportunities in general hospitals to complete the continuum of care from its retail health network to more specialized tertiary care. It also continues to explore innovative specialty care formats, starting with oncology. AC health announced its plans to build the first dedicated cancer specialty hospital in the country. The stand-alone facility, to be built with an investment of approximately P2 billion, is envisioned to be a fully integrated, 100-bed hospital located within Metro Manila. Its goal is to provide comprehensive high-quality cancer care services, but at more affordable prices.

On the health technology space, AC Health believes in investing in health technology solutions that enable synergies across its portfolio. In 2019, it launched FamilyDOC@Work within the Ayala group, relaunched the AIDE app with new features, and invested into Fibronostics, an algorithm-based diagnostics company.

In 2020, AC Health’s priority is to remain responsive to local healthcare needs in light of COVID-19 by extending frontline care through our Generika drugstores, Healthway and FamilyDOC clinics, and our online platforms. In the pharma space, AC Health’s priority is to ensure a continuous supply of medicines and personal protective equipment to fulfill the needs of our medical professionals and customers. This year, priorities for the clinic network will also be on maintaining operations for non-COVID-19 patients, and for triaging of suspected cases, while also focusing on integration of patient referrals and back-end operations. On health technology, the focus will be on continuing to promote telemedicine as an alternative access point for healthcare services, and creating an integrated digital health platform connecting online services and physical stores. Overall, AC Health continues to be driven by its vision of providing affordable, accessible, quality healthcare, which, amidst the challenges posed by the COVID-19 pandemic, has becoming increasingly relevant to Filipinos.
Locally, the year 2019 continued to be an eventful period for the Philippine healthcare industry, as the Implementing Rules and Regulations (IRR) for newly enacted healthcare bills were developed and signed. These include the IRR for the National Integrated Cancer Control Act (RA 11215) signed August 2019, and the IRR for the Universal Health Care Act (RA 11223), signed last October 2019. Both continue to provide further guidance on increasing cancer care and primary care coverage, for all Filipinos, respectively.

By December 2019, however, the news of the first case of COVID-19 in Wuhan, Hubei, China had broken out, eventually disrupting the healthcare industry globally. At that time, little had been known about this pneumonia-causing virus. It was later learned to be a new strain of the Coronavirus family (SARS-COVID), where infection was originally via zoonotic (animal) transmission and eventually became transmissible by respiratory droplets among humans. By March 2020, the outbreak of COVID-19 cases had been declared a global pandemic with a growing number of countries with local transmission, including the Philippines. On March 12, 2020, President Rodrigo Duterte raised the alert level system to Red Sublevel 2 and declared Metro Manila under community quarantine, in an effort to control the situation.

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**MARKET OUTLOOK**

<table>
<thead>
<tr>
<th>CAPITALS</th>
<th>STRATEGY</th>
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<tbody>
<tr>
<td>Financial</td>
<td>Strategic capital allocation from the parent company, Ayala, to support its expansion plan and 2025 vision</td>
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<tr>
<td>Manufactured</td>
<td>Continued reclamation and expansion with its network of Generika 804 drugstores nationwide, and growth of FamilyDOC to 74 clinics, by end 2019</td>
</tr>
<tr>
<td>Intellectual</td>
<td>Various intellectual capital groups in three categories: 1. Products and services: Certificates of Product Registration for medicines, and medical service and training protocols 2. Brands: AC Health, FamilyDOC, Generika, IE Medicina, MedEthix, and Healthway 3. Technology and analytics: ePharmacy (MedGrocer), Electronic Medical Record and clinic information system (VigosEMR), corporate health management platform (Vigos Care), home health platform (AIDE), and algorithm-based diagnostics (Fibronetics)</td>
</tr>
<tr>
<td>Human</td>
<td>Pool of medical, non-medical, and health IT professionals, which includes 24 employees from AC Health, 96 employees from Generika, 786 employees from FamilyDOC, 60 employees from MedGrocer, and 50 employees from AIDE as of end 2019</td>
</tr>
<tr>
<td>Social and relationship</td>
<td>Affiliation with Ayala brand, franchises, business partners, and external partners, which include the government and regulatory agencies (i.e. the Department of Health and the Food and Drugs Administration), healthcare professional organizations, and the academe</td>
</tr>
</tbody>
</table>

Establish leadership in the pharmacy space • Expand retail pharmacy network to over 1,000 stores nationwide • Strengthen medicine supply chain, and expand medicine portfolio

Be the largest integrated clinic network in the country • AC Health clinic network includes multiple formats and patient touch points: FamilyDOC for primary care and Healthway for multi-specialty and corporate clinics

Invest in health technology solutions that enable synergies across AC Health • Invest in health care solutions to improve efficiency, integration, and reach • Build portfolio of in-house health technology solutions • Invest in high potential health technology

Build the AC Health Portfolio • Build a healthcare ecosystem across the continuum of care

**HOW WE CREATE VALUE (BUSINESS ACTIVITIES)**

<table>
<thead>
<tr>
<th>2019 PRIORITIES</th>
<th>2019 PERFORMANCE</th>
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<tbody>
<tr>
<td>Acquire 100 percent of IE Medica, its affiliated diagnostics company.</td>
<td>Through its subsidiaries, AC Health promotes opportunities for healthcare professionals.</td>
<td><strong>The Value We Create for Our Stakeholders</strong></td>
</tr>
<tr>
<td>Strengthen medicine supply chain, and customers</td>
<td>Patients and customers</td>
<td><strong>Secure supply of medicines and personal protective equipment to fill the needs of medical professionals and customers</strong></td>
</tr>
<tr>
<td>Increase equity stake in Generika Drugstore to 52.5 percent</td>
<td>Generika Drugstore has been providing greater access to affordable, quality generic medicines, with up to 85 percent of medicines now in branded counterparts.</td>
<td><strong>Strengthen medicine supply chain, and customers</strong></td>
</tr>
<tr>
<td>End 2019 with a total of 804 Generika drugstores</td>
<td>IE Medica and MedEthix hold over 400 Certificates of Product Registration, supplying their customers medicines across 18 therapeutic areas.</td>
<td><strong>Invest in health technology solutions that enable synergies across AC Health</strong></td>
</tr>
<tr>
<td>Invest in start-up tech companies including MedGrocer, a medicine benefits management company, AIDE, a home health platform, and Fibronetics, an algorithm-based diagnostics company.</td>
<td>FamilyDOC has served a total of over 418,000 unique patients as of end-2019. It is also active in advancing primary care and preventive health and wellness.</td>
<td><strong>Launch Vigos products at Ayla Group</strong></td>
</tr>
<tr>
<td>Build the largest integrated clinic network in the country</td>
<td>Healthway Medical has consistently been voted as the Most Trusted Brand for multi-specialty clinics. It has over 2 million patients in its database.</td>
<td><strong>Create an integrated digital health platform connecting online services and physical stores</strong></td>
</tr>
<tr>
<td>Total of 80 stores by end 2019</td>
<td>Meanwhile, MedGrocer was able to serve 8,000 unique patients through online diagnostics and customer service, and reach over $20,000 employees through its corporate clinic management platform. AIDE was also able to provide quality home healthcare services to 200,000 user profiles through its app.</td>
<td><strong>Explore partnership with a hospital network, and other specialty center models</strong></td>
</tr>
<tr>
<td>Expand Artemed and Nutrawell house brand medicine lines</td>
<td><strong>Maintain operations for non-COVID-19 patients, and for triaging suspected cases</strong></td>
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<tr>
<td>Invest in strong regional retail pharmacy players</td>
<td><strong>Integrate clinic network including patient referrals, and back-end operations</strong></td>
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<td>Total of 80 clinics</td>
<td><strong>Secure supply of medicines and personal protective equipment to fill the needs of medical professionals and customers</strong></td>
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<td>Explore new clinic formats in Metro Manila</td>
<td><strong>Strengthen medicine supply chain, and customers</strong></td>
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<td>Launch Vigos products at Ayla Group</td>
<td><strong>Invest in health technology solutions that enable synergies across AC Health</strong></td>
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<td>Expand portfolio of health technology solutions</td>
<td><strong>Create an integrated digital health platform connecting online services and physical stores</strong></td>
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<td>Invest in hospitals and specialty care</td>
<td><strong>Launch FamilyDOC Work within the Ayla Group</strong></td>
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<td>Invest in health technology solutions that enable synergies across AC Health</td>
<td><strong>Create an integrated digital health platform connecting online services and physical stores</strong></td>
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<td>• Explore new clinic formats in Metro Manila</td>
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<td>• Invest in hospitals and specialty care</td>
<td><strong>Explore partnership with a hospital network, and other specialty center models</strong></td>
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<tr>
<td>• Over 900 stores by end 2019</td>
<td><strong>Establish leadership in the pharmacy space</strong></td>
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<tr>
<td>• Increased equity stake in Generika Drugstore to 52.5 percent</td>
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<td>• Be the largest integrated clinic network in the country</td>
<td><strong>Secure supply of medicines and personal protective equipment to fill the needs of medical professionals and customers</strong></td>
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<tr>
<td>• FamilyDOC opened 20 new clinics, to end 2019 with a total of 74 clinics, including its biggest clinic in Erawan, Sampaloc, Manila</td>
<td><strong>Maintain operations for non-COVID-19 patients, and for triaging suspected cases</strong></td>
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<tr>
<td>• Acquired 100 percent of Healthway Philippines, one of the most trusted clinic operators in the country, with seven mall-based clinics and 40 corporate clinics</td>
<td><strong>Integrate clinic network including patient referrals, and back-end operations</strong></td>
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</table>

**Asset Performance**

- AC Health aims to continue growing, expanding, and integrating, its network of drugstores and clinics with Generika, FamilyDOC, and Healthway.
- It is also developing its own health technology solutions through its technology arm, Vigos. Vigos has developed digital solutions, such as an electronic Medical Record and clinic information system (VigosEMR), and a corporate health management platform (Vigos Care). Vigos also invests in start-up tech companies including MedGrocer, a medicine benefits management company, AIDE, a home health platform, and Fibronetics, an algorithm-based diagnostics company.
- AC Health is also investing in hospitals and the specialty care space, with the vision of improving everyone’s health will be more attainable. Through its subsidiaries, AC Health provides opportunities for healthcare professionals.
- Customers and patients
- Generika Drugstore has been providing greater access to affordable, quality generic medicines, with up to 85 percent of medicines now in branded counterparts.

**Portfolio building and business development**

- AC Health’s vision is to build and integrated healthcare ecosystem of services across the entire continuum of care for all Filipinos.
- Acquired 100 percent of Healthway Philippines, one of the most trusted clinic operators in the country, with seven mall-based clinics and 40 corporate clinics.
- Acquired 100 percent of Healthway Philippines, one of the most trusted clinic operators in the country, with seven mall-based clinics and 40 corporate clinics.
- Created an integrated digital health platform connecting online services and physical stores.
- Explore partnership with a hospital network, and other specialty center models.
WHO WE ARE
Following the merger between AC Education and iPeople in May 2019, iPeople has become the listed holding company for Ayala’s investments in education. The merger brought together seven schools in diverse socio-economic and geographic market segments across the nation, including the National Capital Region, the Calabarzon region, the Bicol region, and Mindanao.

A partnership between the Yuchengco Group of Companies and Ayala, iPeople aims to empower Filipino families by delivering accessible, quality education that enables significantly improved employability for our high school and college graduates. It is iPeople’s corporate vision to innovate education and research towards leading-edge outcomes for its students. This will be achieved through proprietary student value-add programs, systematic teacher training, professional management operations, and strong industry partnerships.

As a background, AC Education founded APEC (Affordable Private Education Centers) Schools in 2013 with one school site and 130 students. Since then, it has scaled up to become the largest chain of stand-alone affordable, private high schools, with 23 branches across Mega Manila and approximately 16,000 students. APEC offers Junior High School and Senior High School with an innovative and progressive approach to both learning and employability at an affordable price point.

In 2015, AC Education acquired University of Nueva Caceres, which provides basic and higher education to approximately 8,800 students at its campus in Naga City, Camarines Sur. Founded over 70 years ago, UNC is the oldest university and the largest private university in the Bicol region.

In 2018, AC Education acquired the National Teachers College. Founded over 90 years ago, NTC is the pioneering private institution for teacher education in the country, with approximately 12,700 students.

After the merger of iPeople and AC Education, Ayala’s investments in education expanded to include four new institutions namely: Mapua University, Malayan Colleges Laguna, Malayan Colleges Mindanao, and Malayan High School of Science.

MAPUA UNIVERSITY
Mapua University is one of the country’s leading engineering and technical universities and was founded in 1925. It has the distinction of being a world ranked QS-3 star university and is the school with the most CHED (Commission of Higher Education) Centers of Excellence in engineering. Mapua has a population of approximately 13,400 students in senior high school, college, and graduate school with programs covering engineering and architecture, computer and information science, business, arts and sciences, and media studies.

Founded in 2006, Malayan Colleges Laguna is the best board exam performing private higher education institution in the Calabarzon region and was founded in 2006. Offering senior high, undergraduate degrees and masters programs, the school has 6,119 students for SY 2019-2020.

Malayan Colleges Mindanao in Davao City is the youngest member of the Mapua schools, having opened its doors in 2018. Now with 2,460 students, MCM offers undergraduate programs in arts and sciences, business, computer and information science, engineering and architecture, and senior high school.

Malayan High School of Science is a private junior high school focused on preparing its students for STEM programs in college. MHSS is well-known for winning interscholastic science competitions in the country.

MARKET OUTLOOK
The Philippine education industry continues to be highly regulated and fragmented. According to the CHED, in school-year 2017-2018, there were 2,353 higher education institutions in operation serving almost 3 million students. Out of this number, 71 percent is privately owned, serving almost 1.6 million students.

The past year marked three key developments for the sector. Firstly, tertiary education institutions welcomed the second batch of freshmen since 2015. There were no incoming freshmen in school years

Besides being known as one of the best engineering schools in the country, Mapua also has a curriculum that promotes environment and sustainable development with courses related to protection and conservation of the environment.
2016-17 and 2017-2018 due to the implementation of the K-12 Law, as graduates from Grade 10 entered Grade 11 in senior high school, rather than college. In the current SY 2019-2020, tertiary education institutions have full freshmen and sophomore batches, but incomplete junior and senior batches. The tertiary education institutions will be back to full strength for a complete year beginning 2022.

Secondly, the government allotted ₱16 billion for the Tertiary Education Subsidy to help about 300,000 college students in more than 1,000 private higher education institutions. According to CHED, 91 percent was paid or obligated to 190 state and local universities or colleges. The TES enables students from the lowest socio-economic segments to cover all or part of the costs of going to private colleges or universities.

Thirdly, the government funded a budget of ₱23.93 billion for its Senior High School vouchers, which helps students to cover part of the cost of attending private high schools. This budget is an increase of ₱5 billion or 28 percent versus the previous year.

**BUSINESS REVIEW**

Ayala’s participation in the education sector has grown from 38,500 students pre-merger, from 38,500 students pre-merger, to more than 59,500 students as of the start of school year 2019-2020. The merger has significantly broadened Ayala’s education footprint, both geographically and in terms of socio-economic segments.

On a full year basis, iPeople’s schools grew revenues by 19 percent to ₱3.45 billion in 2019 and net income by 30 percent to ₱393 million.

The merger has resulted in several synergies such as 1) faculty and administrators’ training in key areas such as blended-learning and outcomes-based education, 2) partnership with one of the top massive open online course providers globally, which enables our students to earn certificates from world-renowned universities, and 3) creation of a “straight to Master’s degree” program with a UNC undergraduate degree leading to a Mapua master’s degree in engineering, which students can avail of without leaving Bicol.

In 2019, our schools achieved several key milestones:

- APEC Schools continued to perform well with its students’ employability outcomes. Within 90 days, 90 percent of graduates who looked for work received a job offer with an average monthly wage of ₱16,330.
- UNC embedded micro-credential/industry-recognized certificates in almost all its degree programs, giving graduates an advantage in the job market.
- NTC’s freshmen enrollment surged in SY 2018-19 with 3,777 enrollees, 51 percent higher than SY 2018-2019 and 94 percent up versus SY 2015-2016, the last year before the K-12 implementation.

In 2020, iPeople will continue to expand its reach and impact, through organic growth, partnerships, and mergers and acquisitions.

Mapua is hailed as the Philippines’ premiere school for engineering, generating 374 board toppers since 2000.
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WHO WE ARE

The world has continued to experience tremendous digital transformation, opening up new business opportunities to provide better products and services that would be simpler and more accessible to a broader consumer market. Digitalization and interconnectivity have integrated man and machine, the physical and the virtual, boosting capabilities and efficiencies and disrupting the way industry incumbents are doing things. Big data, artificial intelligence, machine learning, edge computing, and Internet-of-Things are some of the technology trends that could disrupt existing industries, some of which Ayala has presence in already. AC Ventures aims to lay the foundation for Ayala amid the fast pace at which disruptive changes are taking place. It is Ayala’s platform for peeking into new technologies and business models that are relevant to Ayala.

AC Ventures brings together Ayala’s various strategic investments. It aims to be an enabler by investing in adjacent businesses that are complementary to Ayala’s existing business units and a pathfinder by investing in new sectors, emerging trends, and innovative businesses. Through AC Ventures, Ayala intends to embrace disruptive technologies and business models, as it endeavors to grow its existing businesses and explore new business verticals. In 2019, AC Ventures together with various Ayala group business units, set up a US$195 million fund called Ayala Corporation Technology Innovation Venture Fund or ACTIVE Fund. The fund is managed by Globe’s corporate incubator, Kickstart Ventures.

AC Ventures holds a 43.9 percent stake in Zalora Philippines, the largest fashion and lifestyle e-commerce platform in the country as well as a 7.6 percent stake in Mynt, a fintech venture with Globe and Ant Financial of the Alibaba Group that operates the fast-rising digital wallet GCash. In 2019, AC Ventures in partnership with BPI and the Indivara Group of Indonesia invested in fintech platform Cartera Exchange.

Further, AC Ventures oversees Ayala’s offshore investments through AG Holdings. Over the past several years, AG Holdings has served as Ayala’s vehicle for its investments in the US and Asia as well as its interests in private equity and real estate funds, property co-investments, and technology business ventures. In 2019, Ayala made its first significant foray into Myanmar through AG Holdings, investing US$237.5 million for a 20 percent stake in diversified conglomerate Yoma group.

MARKET OUTLOOK

The ASEAN region holds tremendous potential in reaping the benefits of this digital shift, with a young and tech-savvy population boosted by improving economic fundamentals. According to a 2019 study by Google and Singapore sovereign fund Temasek, the ASEAN Internet economy has attained US$100 billion of gross merchandise value in 2019, a more than three-fold increase over only four years. Additionally, it is projected to reach US$300 billion by 2025 at the current run rate. This trend is driven by 360 million Southeast Asians who use the internet, 90 percent of whom access via their mobile phones. Indonesia and Vietnam had the highest growth, increasing their internet economies four-fold since 2015. These were followed by the Philippines, Thailand, Malaysia, and Singapore. The main use cases driving the digital economy are e-commerce, ride-hailing, online travel, and online media, spaces where AC Ventures holds interest in.

The same study cites that the internet economy in the Philippines has a lot of upside potential among the six largest ASEAN economies. It is expected to grow to US$25 billion by 2025. The country continues to have the second largest internet user base of 68 million users in Southeast Asia. However, challenges such as the speed and affordability of internet access and the insufficient adoption of digital payment solutions continue to persist. AC Ventures’ fintech investments in Mynt and Cartera aim to address the adoption gap and push for increased financial inclusion in the country.

Lastly, Myanmar has moved to liberalize its economy and catch up with its ASEAN counterparts. Myanmar’s underpenetrated market is the second fastest growing in the region, with GDP growth of over six percent over the last three years. With its unique geographic location between India and to the west China to the north, Myanmar incentivizes the construction of multiple infrastructure projects and Special Economic Zones. Its government’s...
Zalora Philippines’ expansion initiatives, particularly in its product assortment with new key brands listed locally and cross-listed from the regional warehouse in Malaysia. During the year, Zalora Philippines through AC Infrastructure, started construction of a new state-of-the-art e-fulfillment center. The new facility is set to double Zalora Philippines’ productivity with investments in automation and latest technologies.

Zalora Philippines also further built on its omnichannel strategy, complementing its online shopping platform with physical Zalora Pop-up Stores and Click+Connect Kiosks in Ayala Malls. Zalora Pop-up Stores elevated the customer’s shopping experience with in-store features such as the virtual fitting room, customization booths, and weekly fitness classes with partner gyms.

Mynt
In 2019, Mynt continued to gain ground in embedding fintech in daily life, leveraging on the smartphone savvy and technology-enabled lifestyle of the Filipino. Last year, Mynt’s GCash app surpassed competition in the Philippine mobile wallet space, recording a 2.5x year-on-year growth in monthly transacting users. This increasing adoption was boosted by the broadening of the GCash ecosystem, with 75,000 accepting merchants and 30,000 cash-in agents by year-end, enabling transaction growth to cash-in, buy load, transfer cash, pay monthly bills, borrow money, buy insurance, and invest in funds. Mynt also launched new use cases such as GSave, a mobile money savings feature earning high interest rates enabled by CIMB Bank, and GCash Forest, which engaged users to help fund tree planting efforts in the Ipo watershed in Norzagaray, Bulacan. Moving forward, Mynt aims to solidify its position as the e-wallet of the Filipino. Last year, Mynt’s GCash platform will have the capability to allow for interoperability between different payment ecosystems, which would promote a more extensive adoption of digital payments in the country.

ACTIVE Fund
AC Ventures committed to invest US$100 million out of the US$195 million towards ACTIVE Fund, a venture capital fund to be formed by the Ayala group. The fund is a technology-focused fund to be formed in partnership with Kickstart Ventures. ACTIVE Fund will invest globally in the areas of data and analytics, machine learning, artificial intelligence, cloud computing, fintech, automation, real estate, retail, transport, energy, water, and health and wellness. Through the ACTIVE Fund, the Ayala group hopes to build on an ecosystem that can provide visibility into these emerging trends and gear up its businesses for the future.

Yoma Group
In November 2019, AG Holdings, through its subsidiary VIP Infrastructure Holdings Inc., invested in Myanmar-based Yoma group through the acquisition of a 20 percent stake in Yoma Strategic Holdings and another 20 percent stake in First Myanmar Investment for US$237.5 million. Founded by Serge Pun in 1926, the Yoma group has over 30 different subsidiaries with operations primarily in Myanmar and has listed companies in the Singapore and Myanmar stock exchanges. The transaction supports Ayala’s strategy to pursue international expansion opportunistically, particularly in markets and sectors where it can bring its strengths and expertise. Myanmar is an underpenetrated frontier market with a promising economic growth story, supported by its government’s broad liberalization initiatives.

As a diversified conglomerate in Myanmar with overlapping interests in real estate, power, financial services, automotive, and healthcare, the Yoma group will serve as Ayala’s platform for strategic investments in Myanmar.
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AYALA FOUNDATION

“In 2019, “1-Pinoy, 1-Pinas” was our battlecry as we advocated greater unity in loving and serving our country. Ayala Foundation was on the front line of volunteering activities, while also bringing programs into the mainstream, for the good of our conglomerate, communities, and country.”

- Ruel T. Maranan, President, Ayala Foundation

WHO WE ARE
Ayala Foundation is the social development arm of the Ayala group. Operating under the principles of community development, Ayala Foundation implements programs guided by inclusion through its social development initiatives and by inspiration through its work in the field of arts and culture.

Its headquarters are located in Makati City, with regional offices in Cebu City and Cagayan de Oro City. In 2019, its programs and special projects were brought to all 17 geographic regions in the country, with program beneficiaries present in other parts of the country and the world.

Founded in 1961, Ayala Foundation acts as a catalyst for inclusion in bridging business needs and community aspirations. By serving as an advocate for community development, it helps improve lives by creating and providing opportunities for growth and progress.

The foundation measures its impact and tracks the outcomes of its initiatives by using the Social Return on Investment framework. Through the SROI framework, Ayala Foundation measures non- or extra-financial value, covering such items as social or environmental impact, among others. While using the SROI methodology primarily assigns a financial proxy to each type of impact, it also allows for the inclusion of non-monetized, qualitative, and narrative information.

Ayala Foundation adheres to the highest standards of transparency and accountability. It is certified by the Philippine Council for NGO Certification, a self-regulating body which certifies not-for-profit organizations that meet established minimum criteria for financial management and accountability in serving underprivileged Filipinos. Ayala Foundation is also accredited by the Department of Social Welfare and Development and has secured from the Bureau of Internal Revenue a certificate of tax exemption for grants and donations. The foundation is an active member of civil society organizations such as the Association of Foundations, the League of Corporate Foundations, and the Asian Venture Philanthropy Network.

Ayala Foundation continues to drive social value in its operations as it secured in 2019 a Social Value Certificate from Social Value International, a global network that focuses on social impact and social value. This means that the foundation is committed to implementing “systems and processes that are consistent with the Social Value Principles.” This makes Ayala Foundation the first organization in the Philippines and the rest of Asia to secure the certificate.

MARKET OUTLOOK
Founded as Filipinas Foundation in 1961, Ayala Foundation was among the first corporate foundations in the country. Today, corporate foundations are numerous, and work hand-in-hand with businesses to undertake community outreach and other corporate social responsibility activities.

The civil society sector in the Philippines has frequently been cited as one of the most well-developed and institutionalized in the world. CSOs are cited for their role in championing improvements in the delivery of social services, as well as advocating greater social and economic participation among the poor and underserved.

Based on reports, there is a combined total of 208,963 CSOs registered with various agencies such as the Securities and Exchange Commission and the Cooperative Development Authority, among others.

While the not-for-profit sector in the Philippines remains one of the most robust in Asia, the sector has also been facing challenges. A 2018 study conducted by the Caucus of Development NGO Networks noted that while the general sustainability of CSOs in the country is virtually unchanged, a decline has been noted on the following factors—legal environment, advocacy, and public image. Philippine CSOs remained stable in terms of organizational capacity, financial viability, service provision, and sectoral infrastructure.

BUSINESS REVIEW
“1-Pinoy, 1-Pinas” served as a battlecry for Ayala Foundation in 2019, expressing its commitment to make an impact in the lives of Filipinos.
Ayala Foundation became the first organization in the Asia Pacific region to secure a Social Value International, which advocates a multi-faceted accounting of social value beyond the financial bottom line.

The two-year certification was a result of its work in social return on investment. As an impact assessment framework, SROI measures and accounts for social values created by projects and activities. Social value is used to describe the social, economic, and environmental gains of projects.

As a pilot initiative, Ayala Foundation in partnership with Ayala Land measured the SROI of Project Lio 2.0, a community development engagement in El Nido, Palawan. The integrated interventions in El Nido, which covered education, livelihood and employment, and other initiatives, generated an SROI of ₱1:₱26, which means every one-peso investment has a 26-fold return in social value.

Farmers participating in the Calauan Program increased to 35. Ayala Foundation continued to facilitate their organizational needs as a registered cooperative. Aside from running an ornamental farm, the farmers now also grow organic vegetables. Each farmer earns an average monthly income of ₱7,700, a slight increase from 2018’s ₱7,148 per farmer.

Internationally acclaimed ballet star Stella Abrera came back to the country to do a second run for her fund-raising performance for the benefit of CENTEX. Held on November 7 and 8, “Stella Abrera & Rising Stars of American Ballet Theatre featuring James Whiteside, Principal Dancer, American Ballet Theatre” raised ₱2.4 million. CENTEX graduate Elwine Magbitang, who performed with Abrera at the fund-raising event, is now part of the American Ballet Theatre Studio Company in New York. Another CENTEX Manila alumnus, Danier Laganzo, received a scholarship from the New Zealand School of Dance for his participation in the Asian Grand Dance Prix in Hong Kong.

Abrera’s return saw the inauguration of the Stella Abrera Dance and Music Hall in CENTEX Batangas. The construction of the dance and music hall was the product of the first fund-raising performance in 2018.

While the Ayala Museum and the Filipinas Heritage Library closed their doors for a major renovation, Ayala Foundation increased its efforts to magnify uniquely Filipino art and culture. Through Ayala Museum On-the-Go, it highlighted some of the most compelling aspects of Filipino identity and history through traveling exhibitions, onsite lectures, and online platforms. Collectively, the different traveling exhibits reached nearly 400,000 guests, higher than the 100,000 plus annual visitorship before the museum closed.

In line with Ayala’s 185th anniversary celebration, The Ayala Community for Social Impact supported Ayala-wide volunteerism activities in 2019. Through initiatives like Brigadang Ayala, and by helping put together a volunteerism microsite for the entire group, Ayala Foundation helped generate 345,689 volunteer hours during the year—a resounding contribution to the 185th anniversary’s target of 185,000 hours.

On the financial side, Ayala Foundation received public support worth ₱244.9 million. The endowment fund reached a value of ₱2.1 billion at year end. Part of this was used for the renovation of the Ayala Museum.

The Information and Communications Division of Ayala Foundation also launched its first digital program, <code>code/it</code>. For its pilot run, the program trained 169 teachers in basic coding, enabling them to teach public school students digital literacy skills. The foundation also signed a memorandum of agreement with the city of Manila to train teachers from 2020 to 2022.

As part of its holistic development approach, performing arts is one of the extracurricular areas outside the classroom that CENTEX encourages amongst its pupils.

Digital technology is an important part of Ayala Foundation’s education programs. Initiatives like ProFuturo and <code>code/it</code> prepare public school students for a bright, competitive future.
Ayala Foundation has an adequate endowment fund, building on strong partnerships with private and public donors to sustain flagship projects and new programs and initiatives.

Ayala Museum and Filipinas Heritage Library offer a variety of art and library collections; permanent, changing, travelling, online exhibitions; and public programs on the rich history and artistic heritage of the nation, cultivating pride in being Filipino.

The foundation possesses expertise in community development, education, community leadership, research and publication, art curation, library and information services, preservation and dissemination of documentary heritage on the Philippines, and impact assessment using social return on investment as a framework.

Ayala Museum reached wider audiences through its outreach program Ayala Museum On-the-Go, which was seen by close to 400,000 guests.

Provided access to quality education for the poor through teacher training on pedagogy, classroom management, and critical thinking; scholarships; center-based modelling of strategies; and ICT interventions.

Art exhibitions, library and information services, public programs, and increasing brand and advocacy awareness and reach through traveling exhibitions.

Investing in potential leaders of the country and communities through youth leadership training and supporting community projects.

Organizing community enterprises, and providing access to capacity, capital, technology and market link to low income families.

Providing opportunities for the Ayala group to exercise corporate citizenship and help the foundation’s partner schools and communities through Brigadang Ayala, Macquarie Fun Run and Farmer for a Day.

Continued strong alignment with the Ayala group, through volunteerism activities within the group as well as disaster relief, recovery, and rehabilitation initiatives.

Further strengthened community reach of key programs in education, community leadership, suitable and sustainable livelihood, and arts and culture.

Continue conversations on love of country and participation in nation-building through our programs.

Strengthen Ayala Foundation citizens as advocates of community development, in support of expanded programs.

Integrate SROI measurement into program planning and implementation, while also introducing it to the Ayala group.

Further strengthened community reach of key programs in education, community leadership, suitable and sustainable livelihood, and arts and culture.

Continue conversations on love of country and participation in nation-building through our programs.

Strengthened presence of key programs across the country.

Generated at least ₱160 million in social value in various social development projects implemented in El Nido communities.

Strengthened footprint in Social Impact initiatives through the Ayala Community for Social Impact.

Brought the Maging Magiting program to all 17 geographic regions in the country, with stronger links with national agencies like the National Historical Commission of the Philippines, Department of Education, and the Philippine National Police, among others.

Focus on an enterprise-wide risk management program, showing improved risk maturity.

Cited for continued commitment to ensuring service excellence and accountability by the Philippine Council for NGO Certification.

Implemented a strategic employee engagement program, covering training, continued learning, and other activities.

Digitized numerous processes to improve efficiency.

Secured a level-one certification from Social Value International.

Applied SROI principles in measuring our various program’s impacts.
GOVERNANCE IN THE AGE OF DIGITALIZATION

Ayala believes good corporate governance is an important pillar of its operations and is vital to the achievement of its strategic goals, particularly with the increasing focus on digitalization. Ayala is fully committed to upholding the principles of good governance, including transparency, integrity, accountability, fairness and professionalism in all its activities.

The company’s Corporate Governance System takes into consideration the organizational structure as a whole; led by an effective Board and Board Committees; supported by empowered and accountable Management and Management Committees; guided by strong core values across all levels captured in clear Vision-Mission statements; with sound policies and effective risk management process and internal controls system.

Key Components of Ayala’s Governance System

Ayala’s corporate governance practices have been consistently recognized in various awards, polls, and publications in the Philippines and in the ASEAN region. For more details on awards, please refer to page 213-214.

Compliance with the Corporate Governance Code

Ayala complies with the Code of Corporate Governance for Publicly Listed Companies set forth by the Securities and Exchange Commission (SEC), except for the deviations provided in the table below.

This compliance is supported by an attestation from the company’s Chief Executive Officer, Chief Compliance Officer, and Chief Audit Executive for the year 2019.

Board of Directors and Management

Roles and Responsibilities

A culture of good governance is fostered throughout the organization, with the management and the Board equally responsible for ensuring that adequate mechanisms and structures for good governance are in place and working effectively.

Board of Directors

The Board has the responsibility to oversee the affairs of the corporation, act on behalf of the company as a whole and be accountable to all stakeholders.

Deviations from the Code

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<td>Corporate Secretary and Compliance Officer are not different individuals</td>
<td>The combined Corporate Secretary and Chief Compliance Officer is in a better position to assist the Board in the performance of its functions and to ensure compliance with laws, regulations and good corporate governance practices. The dual role does not retract from the effective performance of either function, particularly due to the strong team supporting the Corporate Secretary and Compliance Officer.</td>
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<td>Non-executive director serving in more than five publicly-listed companies</td>
<td>Mr. Antonio Jose U. Periquet holds more than five directorships in publicly-listed companies. As monitored and assessed by the Office of the Compliance Officer, this has not affected his effectiveness as an independent director particularly in terms of time and commitment to the Company. In 2019, Mr. Periquet has a perfect attendance in all board and applicable committee meetings. In these meetings, Ayala benefits from his active participation and valuable insights.</td>
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<td>Chairman of the Board and Chief Executive Officer are not different individuals</td>
<td>Mr. Jaime Augusto Zobel de Ayala is the Company’s Chairman of the Board and Chief Executive Officer. Albiet wearing two hats, he is able to compartmentalize, decide and act in the best interest of the Company. Moreover, the company has designated a lead independent director to further ensure the independence of the Board from management.</td>
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<td>Executive remuneration not disclosed on an individual basis</td>
<td>The remuneration of the top five highest-paid officers is disclosed. Balance must be struck between full disclosure and the protection and privacy of the individual officers.</td>
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Deviations from the Code and Reason

- Corporate Secretary and Compliance Officer are not different individuals: The combined Corporate Secretary and Chief Compliance Officer is in a better position to assist the Board in the performance of its functions and to ensure compliance with laws, regulations and good corporate governance practices. The dual role does not retract from the effective performance of either function, particularly due to the strong team supporting the Corporate Secretary and Compliance Officer.
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- Chairman of the Board and Chief Executive Officer are not different individuals: Mr. Jaime Augusto Zobel de Ayala is the Company’s Chairman of the Board and Chief Executive Officer. Albiet wearing two hats, he is able to compartmentalize, decide and act in the best interest of the Company. Moreover, the company has designated a lead independent director to further ensure the independence of the Board from management.
- Executive remuneration not disclosed on an individual basis: The remuneration of the top five highest-paid officers is disclosed. Balance must be struck between full disclosure and the protection and privacy of the individual officers.
shareholders. It is part of the Board’s responsibility to select and appoint senior management, and assess their performance in accordance with the process and criteria set in the Corporate Governance and Nomination Committee Charter.

A more thorough discussion on the board of directors can be found on pages 31–42.

Management
Management is responsible to the Board of Directors for the operations of the company and its performance, and informs the Board in a regular and timely manner about any issues concerning the company’s strategy, risk management, and regulatory compliance.

Chief Executive Officer and President/Chief Operating Officer
The respective roles of the CEO and the President/COO are complementary and ensure a strategic distribution of leadership functions with clearly defined accountabilities.
- The CEO takes the lead on company strategy, visionary, and developing business partnerships.
- The President/COO is responsible for daily operations, new business initiatives, corporate policies, and resource allocation.

In all functions and critical issues, both coordinate closely with each other. The CEO and the President/COO coordinate with the management committees composed of key executives who meet regularly to discuss business performance and issues critical to the operations and growth of the company, and to facilitate the flow of strategic and operational information among the company’s decision-makers.

Corporate Secretary and Chief Compliance Officer
The company’s Corporate Secretary and Chief Compliance Officer is Atty. Solomon M. Hermosura. He is legally trained, knowledgeable on legal and regulatory requirements and has kept abreast on relevant developments by taking on a part time role in teaching graduating law students, attending executive development programs and participating as a speaker in various public fora. He has also attended various corporate governance trainings, including Ayala’s Integrated Corporate Governance, Risk Management and Sustainability Summit.

As Corporate Secretary, part of his responsibilities includes assisting the Chairman in preparing the Board meeting agenda, maintaining Board minutes and records, facilitating the training of directors, and providing directors with updates on relevant statutory and regulatory changes. The appointment and removal of the Corporate Secretary is subject to the approval of the Board.

As Chief Compliance Officer, his functions include, among others, identification and management of compliance risks, ensuring the company’s adherence to sound corporate governance best practices, and monitoring, reviewing, evaluating and ensuring compliance by the corporation, its officers and directors with relevant laws, rules and regulations, including the Code of Corporate Governance for Publicly Listed Companies and other governance issuances of regulatory agencies.

Related to these functions, Atty. Hermosura is also the company’s Group Head of Corporate Governance and Chief Legal Officer.

INTERNAL GOVERNANCE MECHANISMS

Accountability and Audit

External Auditors
The Audit Committee has the primary responsibility to recommend the appointment and removal of the external auditor. The external auditors are directly accountable to the Audit Committee in helping ensure the integrity of the company’s financial statements and financial reporting process. Their responsibility is to assess and provide an opinion on the conformity of the audited financial statements with Philippine Financial Reporting Standards and the overall quality of the financial reporting process. The Audit Committee oversees the work of the external auditors to ensure that they have unrestricted access to records, properties, and personnel to enable performance of the required audit.

During the Annual Stockholders’ Meeting last April 26, 2019, the shareholders re-appointed SyCip Gorres Velayo and Co. (SGV & Co.) as the company’s external auditor for the year 2019, with Lucy L. Chan as the lead engagement partner.

The Committee met with the external auditors without the presence of the management team to discuss any issues or concern. To ensure that the external auditor maintains the highest level of independence from the company, both in fact and appearance, the Audit Committee approved all audit, audit-related, and permitted non-audit services rendered by the external auditor. Non-audit services expressly prohibited by regulations of the SEC were awarded to other audit firms to ensure that the company’s external auditor carries out its work in an objective manner.

Total fees billed by SGV & Co. for the years ended December 31, 2019 and 2018 amounted to P13.17 million and P11.04 million, respectively, inclusive of VAT. The Audit Committee reviewed the nature of non-audit services rendered by SGV & Co. and the corresponding fees, and concluded that these are not in conflict with their function as the company’s external auditor. The breakdown of the fees for 2019 and 2018 are shown below:

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Amount in Millions of Pesos</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Fees</td>
<td>2019</td>
</tr>
<tr>
<td>Audit and Audit-Related Fees</td>
<td>P13.05</td>
</tr>
<tr>
<td>Non-Audit Fees</td>
<td>.12</td>
</tr>
<tr>
<td>GRAND TOTAL</td>
<td>13.17</td>
</tr>
</tbody>
</table>

Audit and Audit-Related Fees include the audit of Ayala’s annual financial statements and the mid-year review of financial statements in connection with the statutory and regulatory filings or engagements for the years ended 2019 and 2018. These also include assurance services that are reasonably related to the performance of the audit or review of Ayala’s financial statements pursuant to the regulatory requirements. Non-Audit Fees include special projects / consulting services.

There were no disagreements with the company’s external auditor on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedures.

Internal Auditors
Internal Audit supports the Audit Committee in the effective discharge of its oversight role and responsibility. The Chief Audit Executive, Catherine H. Ang, reports functionally to the Audit Committee of the Board of Directors, and administratively to the President and Chief Operating Officer or his designate. The activities of Internal Audit are governed by a separate Internal Audit Charter approved by the Audit Committee and the Board.

Internal Audit adopts a risk-based audit approach in developing its annual work plan, which is reassessed quarterly to consider emerging risks. The Audit Committee reviews and approves the annual work plan and all deviations therefrom and ensures that internal audit examinations cover the evaluation of 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 Committee also ensures that audit resources are adequate and reasonably allocated to the areas of highest risk, including the effectiveness of the internal audit function. During the year, the Committee regularly met with the Chief Audit Executive without the presence of management to discuss any issues or concern.

To strengthen corporate governance, Ayala’s Internal Audit adopted portfolio-based subsidiary oversight to standardize the implementation of good practices and ensure that critical issues are monitored and addressed across the Ayala group.

As of 2019, the audit team has an average of 13.4 years audit experience and an average of 4.3 years tenure in the Ayala Group. The audit team has the following certifications and professional affiliations: certified public accountants,
AYALA CORPORATION 2019 INTEGRATED REPORT

Certified internal auditors, certified fraud examiner, certified information systems auditor, certified foreign exchange professional, crisis communication planner; certified in ISO 9001, ISO 22301, ISO 27001, IT Infrastructure Library, COBIT 5 (F), and Global Innovation Management Institute Level 1; a member of the Financial Executives of the Philippines; and a Fellow of the Institute of Corporate Directors. All the internal auditors are also members of The Institute of Internal Auditors Philippines and adopt the International Professional Practices Framework promulgated by The Institute of Internal Auditors, Inc.

In November 2019, the Internal Audit Unit engaged an External Quality Assessment Review (EQAR) to be conducted by PricewaterhouseCoopers. As a result, Internal Audit continues to maintain the “Generally Conforms” rating from the 2014 external review. The rating, considered the highest possible score for the EQAR, demonstrates that the Internal Audit’s activities continue to conform to the International Standards for the Professional Practice of Internal Auditing and are continuously evaluated through an independent Quality Assessment Review conducted every five years.

Ayala Group Internal Auditors’ Network (AGIAN) continues to perform activities that strengthen synergistic collaboration within the group. Regular meetings are held by the AGIAN Council and the four AGIAN Circles to discuss activities that will enable effective teamwork, increase collaboration, sharing of resources, and best practices within the group. In November 2019, in lieu of its annual conference, the Ayala group internal auditors volunteered for Project Kasibulan. A total of 61 internal auditors from across the group volunteered 2,196 hours and planted 1,210 seedlings for a total of 3,406 volunteer hours for the Project 185th Volunteer Program in support of Ayala’s renewed commitment to help improve Filipino lives as the company celebrates its 185th year in business.

Quarterly technical sessions were also held to provide the members with the knowledge, tools and required auditing skills to enable them to perform their responsibilities. Since 2018, AGIAN has partnered with The Institute of Internal Auditors Philippines to accredit the quarterly AGIAN trainings for Continuing Professional Development for renewal of licenses and certifications. This is in addition to the continuing training and development programs, from specific job skills to long-term professional development provided by the respective companies of the group to their employees.

DISCLOSURE AND TRANSPARENCY
Accurate and Timely Disclosures

Emphasis is given on providing quality, accurate, and timely disclosures to regulators and the investing public, including information on the results of its operations and financial performance. Ayala created procedures for internal reporting to ensure consistency in providing the investing public with prompt disclosures on significant and market sensitive information that may affect their investment decisions. Policies and procedures are also in place to ensure the company’s compliance with disclosure requirements under the listing rules of the SEC, Philippine Stock Exchange (PSE), and Philippine Dealing and Exchange Corporation (PDEX).

Investors, analysts, and media were engaged by Ayala through conducting meetings and quarterly briefings, where the senior management discusses the results of the company’s operations with investment and financial analysts. More details on management’s discussion and analysis of financial condition and results of operations are available on pages 217-222.

All relevant disclosures were filed in a timely manner with the SEC, PSE, and PDEX. All the 2019 filings and relevant information were provided ahead of time, details as follows:

• On April 11, 2019, the Annual Report (SEC Form 17-A) together with the consolidated audited financial statements for 2018 were submitted to the SEC, within 120 days after year-end.
• On March 21, 2019, the Notice of the Annual Stockholders’ Meeting with a detailed explanation of the Agenda items was released to the SEC and PSE, 36 days ahead of the scheduled annual meeting on April 26, 2019.
• On March 22, 2019, the audited financial statements as contained in the Definitive Information Statement were submitted to the SEC and PSE, 35 days before the annual stockholders’ meeting.
• Interim or quarterly financial statements and results of operations were submitted to the regulators within 45 days from the end of the financial period.

This information, past annual reports, and this Integrated Report and the consolidated audited financial statements are disseminated to shareholders through the company’s website at www.ayala.com.ph and through media and analysts’ briefings.

Ownership Structure

As of December 31, 2019, Ayala’s outstanding common shares were held as follows:

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>OUTSTANDING COMMON SHARES</th>
<th>FOREIGN OWNED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mermac, Inc.</td>
<td>296.6 million</td>
<td>47.33%</td>
</tr>
<tr>
<td>PCD Nominee Corporation (Non-Filipino)*</td>
<td>165.3 million</td>
<td>26.38%</td>
</tr>
<tr>
<td>PCD Nominee Corporation (Filipino)*</td>
<td>105.4 million</td>
<td>16.02%</td>
</tr>
<tr>
<td>Mitsubishi Corporation</td>
<td>37.8 million</td>
<td>6.03%</td>
</tr>
<tr>
<td>Others</td>
<td>21.6 million</td>
<td>3.44%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>626.7 million</td>
<td>100%</td>
</tr>
</tbody>
</table>

* Out of the 270.7 million common shares registered under the name of PCD Nominee Corporation, 6.2 million or 9.89% are for the account of Deutsche Bank Manila while 4.5 million or 7.2% are for the account of Hongkong Shanghai Banking Corporation

In lieu of its annual conference, AGIAN volunteered for Project Kasibulan.

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In 2019, the company filed, among others, unstructured disclosures and clarifications of news articles involving the following:

1. Attendance of Directors in 2018 Board of Directors Meetings
2. AC Energy’s acquisition of 51.48% stake in AC Energy Philippines, Inc. (formerly PHINMA Energy Corporation) (“ACEPH”)
3. AC Energy’s launching of Molden Green Bond
5. AC Education Inc.’s and PeopleInc’s execution of Plan and Articles of Merger
6. AC Energy signing of an investment agreement with PHINMA Corporation and Philippine Investment Management, Inc. to acquire 51.48% stake in ACEPH
7. Notice and Agenda of the 2019 Stockholders’ Meeting
8. Philippine Competition Commission’s (“PCC’s”) approval of Ayala Healthcare’s increase in stake in the Generika group of companies
9. Amendments to the Company’s Articles of Incorporation and By-Laws
10. AC Industrial’s acquisition of a controlling stake in C-Con Group
11. 2018 Financial and Operating Results
12. Ayala Healthcare’s purchase of additional stake in the Generika group of companies
13. Updated Notice and Agenda of the 2019 Stockholders’ Meeting
14. PCC’s approval of AC Energy’s acquisition of ACEPH
15. SEC’s approval of the Plan and Articles of Merger by and between AC Education and IPO
16. Results of the Annual Stockholders’ Meeting and Organizational Meeting of the Board of Directors
17. AC Energy’s completion of the sale of 49% voting stake and 66% economic stake in AA Thermal Inc. to Aboltiz Power Corporation
19. First Quarter 2019 Financial and Operating Results
20. Re-pricing of the dividend rate of Ayala Corporation’s voting preferred shares
21. Ayala Corporation purchases common shares from Mitsubishi Corp
22. 2019 EOIN Grant
23. PCC’s approval of Ayala Healthcare’s increase in stake in the Generika group
24. AC Health’s investment in Fibromastics
25. PCC’s approval of acquisition of PHINMA Energy by AC Energy
26. Participation of directors and key officers in Ayala Group Integrated Summit and other seminars on corporate governance
27. Issuance of new shares under Employee Stock Option Plan
28. Declaration of Cash Dividends to all outstanding shares
29. AC Energy’s partner to take over Kauswagan coal plant
30. Resignation of an Officer
31. First-half 2019 Financial and Operating Results
32. Redemption of 27,000,000 Class B Preferred Shares (“ACPBBZ”)
33. Exercise of the option for redemption of the Class B Preferred Shares, Setting of Record Date, Transfer Suspension, and Redemption Guidelines
34. Notice on the Redemption of ACPBBZ Shares
35. Updated Corporate Contact Details
36. Transactions of AC Energy with ACEPH
37. AC Energy partners with Yoma Strategic Holdings Ltd.
38. Ayala Corporation’s announcement of mandate to banks for US$ Fixed for Life (Non-Deferrable) Senior Perpetual Notes
39. Ayala Corporation’s successful launch of US$400 million senior unsecured and guaranteed fixed for life perpetual notes
40. Revised RPT Policy
41. Third Quarter 2019 Financial and Operating Results
42. Special Analyst and Investor Briefing Conference Call
43. Ayala Corporation’s acquisition of 20% stake in Yoma Strategic Holdings, Inc. and another 20% stake in First Myanmar Investment Public Co. Ltd.
44. AC Energy’s announcement of mandate for notes offering
45. AC Energy’s successful launch of first ever Perpetual Fixed-for-life Green Bond
46. Results of the offer of new series of Class B Preferred Shares (“APB2R”)
47. Setting of 2020 Stockholders’ Meeting
48. AC Health’s acquisition of Healthcare Philippines
49. Ayala Corporation’s buying of two issued shares from the market
50. Ayala Corporation’s clarification on Share Buyback Program
51. Notices of Analysts’ Briefing

Clarification of News Reports

1. Ayala Corporation 2019 capital at P249.4 billion
2. Ayala Energy plans diversification of oil and gas part of PHINMA acquisition
3. Ayala Corporation on track to post P60 billion profit
4. AC Energy, partner looking at wind-power project in Vietnam
5. Ayala Corporation launches US$500 million venture capital fund
6. AC Energy eyes Phinma Energy tender offer in Q2
7. AC Energy, UPC forms renewable energy venture
8. 6 Firms Bid for P10-B Sangley Airport
9. AC Energy has $15.8 million war chest for expansion

Structured Reports submitted to SEC, PSE, and PDE
1. Top 100 Stockholders Report
2. Public Ownership Reports
3. Statement of Changes in Beneficial Ownership of Securities of directors, officers and 10% owners
4. Quarterly Financial Reports
5. Annual Report

2019 Disclosures

In 2019, the company disclosed significant transactions involving the following:

- P50 million or five percent of the total assets of either party, whichever is lower. These transactions are reviewed and approved by the Board of Directors.
- The Board of Directors has a responsibility to ensure the integrity of the company’s consolidated financial statements and non-financial information disclosed in the company’s Integrated Report.
- The financial statements comply with the Philippine Financial Reporting Standards, with significant accounting judgments and estimates also disclosed. Nonfinancial performance was prepared in line with the guiding principles and content elements of the Integrated Reporting framework and referred to the Global Reporting Initiative (GRI) Standards 2016 to report the sustainability performance.

A more comprehensive disclosure on both financial and non-financial performance indicators are thoroughly discussed in the Integrated Report to help shareholders understand the company’s various businesses and their impact on the company’s overall value creation. Refer to pages 217-222 and 89-124 for the financial and non-financial performance indicators, respectively.

Related Party Transactions

In dealing with related party transactions (RPTs), Ayala is governed by its policy to ensure that the transactions are at arm’s length, fair, and will inure to the best interest of the company and all its shareholders. The RPTs are transactions involving a transfer of resources, services or obligations between the company and a related party as defined in the policy, regardless of whether a price is charged. As per policy, all SEC defined and company recognized material RPTs shall be reviewed by the Risk Management and Related Party Transactions Committee and approved by the Board before its commencement, except transactions that are explicitly exempted by the SEC and transactions the review of which are delegated to management. SEC defined material RPTs are transactions amounting to ten percent or higher of the Corporation’s total assets based on its latest audited financial statements while company recognized material RPTs are transactions that meet the threshold values – P50 million or five percent of the total assets of either party, whichever is lower. These transactions are discussed and quantified in the Notes to the Consolidated Financial Statements under Related Party Transactions, which are made available on the company’s website.

There were no RPTs classified as financial assistance to entities other than wholly-owned subsidiaries. There were also no cases of noncompliance with the laws, rules, and regulations pertaining to significant or material RPTs in the past three years.

CODE OF CONDUCT AND ETHICS

The Code of Conduct and Ethics was established by the Board to guide all directors, officers, and employees in executing their roles and responsibilities. As the overall governing body, the Board ensures that all directors, officers, and employees of the company adhere to the Code.

All the company’s directors, officers and employees are expected to avoid situations of conflicts of interest or propriety and those who have personal or pecuniary interest on any RPT are required to fully disclose the relevant facts of the situation to ensure that potential conflicts of interest are reported and brought to the attention of management, whether actual or apparent. Management is responsible for enforcing and monitoring compliance with the Code and imposing sanctions for violations thereof.

It is the policy of Ayala that all directors, officers, and employees shall conduct business in accordance with Philippine Laws and regulations, including Anti-Money Laundering Law. Employees shall consult with the Corporate Governance Officer or Chief Legal Officer whenever there is any doubt concerning the legality of any matter. Any suspected criminal violations will be reported to the appropriate authorities and non-criminal violations will be investigated and addressed as appropriate.

Anti-Corruption Policy

Ayala is committed to doing its business with the highest ethical standards and has adopted a zero-tolerance policy towards fraud, corruption, bribery in any form, and all unethical practices, and is committed to complying with all relevant laws and standards. The Anti-Corruption Policy embodied in the Code provides guidance to all directors, officers, and employees on how to conduct business in a fair, ethical, and legal manner. It must be strictly observed in all their transactions and dealings with customers, suppliers and business partners of the company as well as with the government.
The company has also set guidelines for dealing with gifts and gratuities to protect the integrity of its employees and its business interests. Seeking undue financial and material advantage from any transaction is strictly prohibited. Any offer or gift of value given to directors, officers, and employees, or their immediate family, with a view to get favors or to influence business recommendations are immediately reported to the appropriate reporting level. Directors, officers, and employees are likewise instructed not to accept gifts or invitations of any form, except when it meets the criteria set by the company. The policy also applies even if the offer or bribe is made through another person.

INSIDER TRADING POLICY

To protect shareholders, Ayala defined a policy against insider trading of company securities and non-disclosure of material non-public information to any person until the information is disseminated to the public and two full trading days had lapsed from the disclosure thereof. The Policy ensures compliance with disclosure rules and prevention of the unlawful practice of using confidential information to one's own benefit.

Trading Blackout

The Policy prohibits trading in Ayala’s shares by all company directors, officers, consultants, and employees, including their immediate family members living in the same household, who may have knowledge of material non-public information about the company during trading blackout periods. They are also required to submit annually a certification of compliance with the prohibition against trading.

For structured disclosures, the blackout period commences from five trading days before and ends two trading days after the disclosure of quarterly and annual financial results. For non-structured disclosures, blackout period is two trading days after the disclosure thereof. All other officers and employees must submit to the Chief Compliance Officer a quarterly report on their trades of company securities.

A schedule showing the changes in shareholdings of the directors and officers in 2019 is disclosed in the next page.

WHISTLEBLOWER POLICY

In pursuit of integrity, Ayala strives to enhance the level of transparency within the company through the establishment of the Whistleblower Policy to encourage directors, officers, employees and all suppliers, business partners, contractors and subcontractors, and other third parties to report any perceived wrongdoing or malpractice involving the company or its personnel. The policy is meant to encourage the reporting of such matters in good faith, with utmost confidence that the whistleblower will be treated fairly and protected from reprisal, harassment, disciplinary action, or victimization for whistleblowing.

To further strengthen integrity, objectivity, and confidentiality, including ensuring the protection of the whistleblower, Ayala has implemented an outsourced receipt and processing of whistleblower reports to Punongbayan and Araullo through the reporting channel https://proactivehotline.punongbayan-araullo.com/report/ayalacorporation. The website allows anonymous reporting and is accessible anytime and anywhere via internet. Status of all reports are trackable with available monthly reports.

**Changes in Shareholdings**

Reported trades in Ayala Securities of the directors and officers in 2019:

<table>
<thead>
<tr>
<th>SECURITY</th>
<th>BALANCE AS OF DECEMBER 31, 2018</th>
<th>ACQUIRED</th>
<th>DISPOSED OF</th>
<th>BALANCE AS OF DECEMBER 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>Common 300,187</td>
<td>89,950</td>
<td>-</td>
<td>390,137</td>
</tr>
<tr>
<td>Preferred B Series</td>
<td>20,000</td>
<td>-</td>
<td>-</td>
<td>20,000</td>
</tr>
<tr>
<td>Voting Preferred</td>
<td>543,802</td>
<td>-</td>
<td>-</td>
<td>543,802</td>
</tr>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>Common 306,317</td>
<td>88,616</td>
<td>-</td>
<td>394,933</td>
</tr>
<tr>
<td>Voting Preferred</td>
<td>554,983</td>
<td>-</td>
<td>-</td>
<td>554,983</td>
</tr>
<tr>
<td>Keiichi Matsunaga</td>
<td>Common 1</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Deflin L. Lazaro</td>
<td>Common 33,775</td>
<td>7,354</td>
<td>-</td>
<td>41,129</td>
</tr>
<tr>
<td>Xavier P. Loinaz</td>
<td>Common 126,614</td>
<td>-</td>
<td>-</td>
<td>126,614</td>
</tr>
<tr>
<td>Voting Preferred</td>
<td>65,517</td>
<td>-</td>
<td>-</td>
<td>65,517</td>
</tr>
<tr>
<td>Antonio Jose L. Periquet</td>
<td>Common 1,200</td>
<td>-</td>
<td>-</td>
<td>1,200</td>
</tr>
<tr>
<td>Preferred B Series</td>
<td>400,000</td>
<td>-</td>
<td>400,000*</td>
<td>-</td>
</tr>
<tr>
<td>Ramon R. del Rosario, Jr.</td>
<td>Common 1</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Officers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jose Rene Gregory D. Almendras</td>
<td>Common 66,099</td>
<td>46,389</td>
<td>-</td>
<td>112,488</td>
</tr>
<tr>
<td>Catherine H. Ang</td>
<td>Common 22,505</td>
<td>3,248</td>
<td>-</td>
<td>25,773</td>
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<tr>
<td>Voting Preferred Shares</td>
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<td>-</td>
<td>5,290</td>
</tr>
<tr>
<td>Preferred B Series 2*</td>
<td>2,000</td>
<td>-</td>
<td>-</td>
<td>2,000</td>
</tr>
<tr>
<td>Alfredo I. Ayala</td>
<td>Common 163,409</td>
<td>11,368</td>
<td>-</td>
<td>174,777</td>
</tr>
<tr>
<td>Estelito C. Blacora</td>
<td>Common 2,712</td>
<td>-</td>
<td>-</td>
<td>2,712</td>
</tr>
<tr>
<td>Paolo Maximo F. Borromeo</td>
<td>Common 51,210</td>
<td>14,101</td>
<td>-</td>
<td>65,311</td>
</tr>
<tr>
<td>Cezar P. Consing</td>
<td>Common 91,461</td>
<td>16,465</td>
<td>-</td>
<td>107,926</td>
</tr>
<tr>
<td>Ernest L. Cu***</td>
<td>Common 117,435</td>
<td>16,067</td>
<td>-</td>
<td>133,502</td>
</tr>
<tr>
<td>Josephine G. de Asis</td>
<td>Common 23,038</td>
<td>3,946</td>
<td>-</td>
<td>26,984</td>
</tr>
<tr>
<td>Bernard Vincent O. Dy</td>
<td>Common 21,681</td>
<td>-</td>
<td>-</td>
<td>21,681</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>Common 147,933</td>
<td>9,079</td>
<td>36,788</td>
<td>120,224</td>
</tr>
<tr>
<td>Solomon M. Hermosura</td>
<td>Common 90,100</td>
<td>31,860</td>
<td>-</td>
<td>121,960</td>
</tr>
<tr>
<td>Voting Preferred Shares</td>
<td>5,290</td>
<td>-</td>
<td>-</td>
<td>5,290</td>
</tr>
<tr>
<td>Jose Teodoro K. Limcaoco</td>
<td>Common 257,689</td>
<td>46,389</td>
<td>2,010</td>
<td>302,068</td>
</tr>
<tr>
<td>Ruel T. Maranan</td>
<td>Common 17,089</td>
<td>4,582</td>
<td>-</td>
<td>21,671</td>
</tr>
<tr>
<td>John Philip S. Orbeta</td>
<td>Common 575,491</td>
<td>32,176</td>
<td>-</td>
<td>607,677</td>
</tr>
<tr>
<td>Arthur R. Tan</td>
<td>Common 126,614</td>
<td>-</td>
<td>-</td>
<td>126,614</td>
</tr>
<tr>
<td>Dodjie D. Lagazo</td>
<td>Common 554,983</td>
<td>-</td>
<td>-</td>
<td>554,983</td>
</tr>
<tr>
<td>Joanne M. Lim</td>
<td>Common -</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4,633,865</td>
<td>466,907</td>
<td>438,798</td>
<td>4,661,974</td>
</tr>
</tbody>
</table>

* Mandatory Redemption of ACPB2 Shares
**APIR2B shares issued on November 29, 2019
*** Not a reportable officer of Ayala but a member of the Ayala Group Management Committee
The whistleblower may still choose to submit a written report directly to the Office of the Chief Compliance Officer, or by e-mail to whistleblower@ayala.com.ph, or through a face-to-face meeting with any member of the Disclosure Committee composed of one representative each from the Office of the Chief Legal Officer, Strategic Human Resources, Internal Audit, and Group Risk Management. There is an established Disclosure Committee and investigation process for reported violations of company policies, rules and regulations. All reports are treated in confidence and discussed with the Audit Committee, which monitors the resolution and closure of all reports.

In 2019, there were no incidents reported through Ayala Corporation’s whistleblower reporting channels.

DATA PRIVACY POLICY
As part of its continuing commitment to uphold the data privacy of all stakeholders, Ayala’s Data Privacy Office headed by the Data Protection Officer, Atty. Solomon M. Hermosura works closely with all the business units to regularly review the physical, technical and organizational measures adopted by the Company for the protection of personal data. This is to ensure the integrity, confidentiality and availability of the personal data that the Company collects and processes, and protect these against natural and human dangers, such as accidental loss or destruction, unauthorized access, fraudulent misuse, and unlawful alteration.

In 2019, the Company: (1) continued its legal gap assessment to identify and execute the necessary data sharing and outsourcing agreements with relevant parties, (2) issued its Personal Data Protection Statement for Employees to better inform them of their rights as data subjects, (3) conducted capacity building activities to Ayala Group employees to ensure their strict compliance with the Data Privacy Act of 2012 and other relevant issuances of the National Privacy Commission, and (4) initiated the preparation of the Data Privacy Compliance Dashboard to easily update its personal data inventory and monitor the different aspects of processing of personal data. There were no reported data privacy breaches for Ayala during the year.

Inquiries or concerns regarding data privacy or data subjects’ rights may be communicated in writing directly to the Office of the Data Protection Officer, or by email to acdataprivacy@ayala.com.ph.

WEBSITE
Information on the company’s corporate governance initiatives, this Integrated Report, and all other relevant information is available on the company’s website at www.ayala.com.ph. As part of our stakeholder engagement, Ayala also maintains social media accounts at Facebook.com/AyalaCorporation and https://ph.linkedin.com/company/ayala-corporation.

REPORT OF EXECUTIVE COMMITTEE TO THE BOARD OF DIRECTORS
For the year ended 31 December 2019

The Executive Committee is mandated to exercise the powers and perform the duties of the Board within the authority granted to them. It acts by majority vote of all its members during the intervening period between scheduled Board meetings. In 2019, the Committee deliberated, reviewed and approved the following transactions:

- Funding for the upgrade and expansion of Vermosa Sports Hub;
- Investment in Redeemable Cumulative Preference Shares of AC Industrials Singapore;
- Upstreaming of Proceeds from the Partial Divestment of AC Energy’s Thermal Assets;
- Selection of MCX Expressway Partnership Programme Partner;
- Bridge Financing for IMI (Singapore) Pte. Ltd. through Investment in Redeemable Preference Shares;
- Issuance of up to USD500 Million Guaranteed Undated Notes by AYC Finance Ltd.;
- Revised Related Party Transactions Policy; and
- Investment in Yoma Strategic Holdings, Inc. and First Myanmar Investment Public Co. Ltd.

March 12, 2020.

JAIME AUGUSTÓ ZOBEL DE AYALA
Chairman

FERNANDO ZOBEL DE AYALA
Member

KEICHI MATSUNAGA
Member

Data privacy awareness programs regularly conducted for Ayala employees
REPORT OF FINANCE COMMITTEE TO THE BOARD OF DIRECTORS
For the year ended 31 December 2019

The Finance Committee oversees the Corporation’s financial policy and strategy, including capital structure, dividend policy, and capital allocation decisions. In 2019, the Committee accomplished the following:

1. Discussed, deliberated on and approved the following:
   a. Investment in Redeemable Cumulative Preference Shares of AC Industrials Singapore;
   b. Buyback of AC Shares from Mitsubishi Corporation;
   c. Exercise of Call Option on the Corporation’s Class B Series 2 Preferred Shares and Reissuance of the Same Shares;
   d. Investment in Active Fund by AC Ventures Holding Corp. and AC Industrial Technology Holdings, Inc.;
   e. Investment in Yoma Strategic Holdings, Inc. and First Myanmar Investment Public Co. Ltd.;
   f. Additional Investment Outlets and updating of bank credit lines as well as counterparty limits;
   g. Issuance of up to USD500 Million Guaranteed Undated Notes;
   h. Bridge Financing for IMI Singapore through Investment in Redeemable Preference Shares;
   i. Additional Equity Infusion into AC Energy, Inc.;
   j. Shift of ACIFL’s investment to ACE Thermal SG; and
   k. Additional capital allocation to Ayala Healthcare Holdings, Inc.
2. Discussed updates on the Corporation’s exchangeable bond which matured already.
3. Conducted a portfolio review of the Corporation, its affiliates and associates.

March 12, 2020.

DELFIN L. LAZARO
Chairman

JAIME AUGUSTO ZOBEL DE AYALA
Member

FERNANDO ZOBEL DE AYALA
Member

ANTONIO JOSE U. PERIQUET
Member

REPORT OF THE CORPORATE GOVERNANCE AND NOMINATION COMMITTEE TO THE BOARD OF DIRECTORS
For the year ended 31 December 2019

The Corporate Governance and Nomination Committee is tasked with ensuring that good corporate governance principles and practices are complied with and observed by the company. In line with this mandate, the Committee met four times and accomplished the following in 2019:

- Reviewed the qualifications of all persons nominated to positions requiring appointment by the Board.
- Approved the final list of nominees for directors for election at the 2019 annual stockholders’ meeting after ensuring that all nominees to the Board have met all the qualifications and none of the disqualifications as set forth in the Corporation’s By-Laws, Revised Manual of Corporate Governance and the rules of the Securities and Exchange Commission.
- Approved the final list of nominees for Chairpersons and Members of the Board Committees, Lead Independent Director and key officers at the 2019 organizational board meeting after ensuring that all nominees to the Board have met all the qualifications and none of the disqualifications as set forth in the Corporation’s By-Laws, Revised Manual of Corporate Governance and the rules of the SEC.
- Reviewed, evaluated and approved changes in the criteria for promotions to the Senior Managing Director level.
- Reviewed, evaluated and approved Senior Executive promotions.
- Endorsed for Board approval the engagement of Aon as external facilitator for the Board assessment.
- Reviewed and endorsed for Board Approval the revision of the Insider Trading Policy.

March 12, 2020.

RAMON R. DEL ROSARIO, JR.  XAVIER P. LOINAZ  ANTONIO JOSE U. PERIQUET
Chairman  Member  Member
The Board-approved Audit Committee Charter defines the duties and responsibilities of the Audit Committee. In accordance with the Charter, the Committee assists the Board of Directors in fulfilling its oversight responsibilities to the shareholders with respect to the:

- Integrity of the Company’s financial statements and the financial reporting process;
- Appointment, remuneration, qualifications, independence and performance of the external auditors and the integrity of the audit process as a whole;
- Effectiveness of the system of internal control;
- Performance and leadership of the internal audit function; and
- Company’s compliance with applicable legal and regulatory requirements.

In compliance with the Audit Committee Charter, we confirm that:

- The Chairman and another member of the Committee are independent directors;
- We had four (4) regular meetings and executive meetings with the internal auditors and external auditors;
- We have recommended for approval of the Board and endorsement to the shareholders the reappointment of SGV & Co. as the Company’s 2019 external auditor and the related audit fee;
- We have reviewed and discussed the quarterly unaudited consolidated financial statements and the annual audited consolidated financial statements of Ayala Corporation and Subsidiaries, including the Management’s Discussion and Analysis of Financial Condition and Results of Operations and the significant impact of new accounting standards, with management, internal auditors and SGV & Co. We also reviewed and discussed the annual Parent Company Financial Statements. These activities were performed in the following context:
  - Management has the primary responsibility for the financial statements and the financial reporting process; and
  - SGV & Co. is responsible for expressing an opinion on the conformity of the Ayala Corporation’s audited consolidated financial statements with the Philippine Financial Reporting Standards.
- We have approved the overall scope and the respective audit plans of the Company’s internal auditors and SGV & Co. We have 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. We have also discussed the results of their audits, their assessment of the Company’s internal controls, and the overall quality of the financial reporting process including their management letter of comments. 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;
- We have 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;
- We have reviewed and approved all audit, audit-related and non-audit services provided by SGV & Co. to Ayala Corporation 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;
- We have conducted an annual assessment of our 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
- We have reviewed the Audit Committee Charter and Internal Audit Charter to ensure that it is updated and aligned with regulatory requirements.

Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors that the audited consolidated financial statements be included in the Annual Report for the year ended December 31, 2019 for filing with the Securities and Exchange Commission and the Philippine Stock Exchange. We are also recommending the reappointment of SGV & Co. as Ayala Corporation’s external auditor and the related audit fee for 2020 based on their performance and qualifications.

March 6, 2020.

XAVIER P. LOINAZ
Chairman

RAMON R. DEL ROSARIO, JR.
Member

KEIICHI MATSUZAGA
Member
The Personnel and Compensation Committee is mandated to establish a formal and transparent procedure for the development of an executive renumeration policy and for determining the remuneration packages of corporate officers and directors, in a manner that is consistent with the company’s culture, strategy, and control environment; and aligned with the long-term interests of the company and its stakeholders, while remaining competitive against the market.

The Committee met two times in 2019 and accomplished the following:

• Reviewed the special report prepared by Willis Towers Watson Singapore on the competitiveness of the current executive compensation program design and remuneration levels of senior executives and management across the Ayala Group of Companies. The benchmarking exercise covered market data from leading companies across Southeast Asia including the Philippines;
• Reviewed and endorsed for Board approval the 2018 performance bonus multiples and 2019 merit increase guidelines for the employees of the Corporation;
• Reviewed and endorsed for Board approval the compensation actions for the Chief Executive Officer and Chief Operating Officer including their performance bonus for 2018, merit increase for 2019 and 2019 ESOWN award; and
• Reviewed and endorsed for Board approval the 2019 Employee Stock Ownership Plan (ESOWN).


The Risk Management and Related Party Transactions Committee assists the board in fulfilling its oversight mandate with respect to risk governance and related party transactions. Its objectives are to ascertain that there exists a sound risk management framework and supporting infrastructure within the company, as well as to ensure that all related party transactions are pursued in the best interest of its shareholders.

The Committee held seven meetings in 2019, during which, it:

• Reviewed management’s adopted risk management framework and its ongoing programs to promote risk awareness within the company.
• Reviewed its Committee charter and risk governance policies, including those for enterprise-wide risk, crisis management and related party transactions.
• Evaluated and recommended for approval proposed investments, advances and leases involving related parties.
• Identified sources of downside risk and their possible effects on the company.

March 02, 2020.

REPORT OF THE RISK MANAGEMENT AND RELATED PARTY TRANSACTIONS COMMITTEE TO THE BOARD OF DIRECTORS
For the year ended 31 December 2019

REPORT OF PERSONNEL AND COMPENSATION COMMITTEE TO THE BOARD OF DIRECTORS
For the year ended 31 December 2019

The Personnel and Compensation Committee is mandated to establish a formal and transparent procedure for the development of an executive renumeration policy and for determining the remuneration packages of corporate officers and directors, in a manner that is consistent with the company’s culture, strategy, and control environment; and aligned with the long-term interests of the company and its stakeholders, while remaining competitive against the market.

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• Reviewed and endorsed for Board approval the 2019 Employee Stock Ownership Plan (ESOWN).

AWARDS AND RECOGNITIONS

**DECEMBER**
Jaime Augusto Zobel de Ayala was one of eight recipients of the Best CEO of the Year Award from The Asset Best Corporate Awards 2019.

Ayala Corporation was an awardee of The Asset Best Investor Relations Team Award, recognized for providing an efficient and effective interface for its investors and analysts.

Ayala Corporation was given The Asset ESG Corporate Platinum Award for its commitment towards good governance, social responsibility, and environmental responsibility.

**NOVEMBER**
Ma. Victoria Tan, Ayala Corporation’s Head of Group Risk Management and Sustainability, was named one of Asia’s Top Sustainability Superwomen by CSR Works.

**SEPTEMBER**
Ayala Corporation’s Head of Group Risk Management and Sustainability, Ma. Victoria Tan, was recognized as one of Eco-Business’ 2019 A List of most influential corporate sustainability leaders in the Asia Pacific.

**JUNE**
Under the 2018 ASEAN Corporate Governance Scorecard (ACGS), Ayala Corporation was recognized as one of the top performing Philippine publicly listed companies in terms of governance standards and practices.

**APRIL**
FinanceAsia’s 19th Best Companies Poll awarded Ayala Corporation and its management in multiple categories, namely first place in Best Managed Company, Best Growth Strategy, BEST ESG, Best CEO (Jaime Augusto Zobel de Ayala), and Best CFO (Jose Teodoro Limcaoco). Ayala Corporation also placed third in the Best Investor Relations category.

**OCTOBER**
Among 500 finalists from 2,000 of the world’s largest public companies, Ayala Corporation was named one of Forbes’ World’s Best Employers in 2019.
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FULL-YEAR HIGHLIGHTS
- Ayala Corporation’s full-year earnings amounted to ₱35.3 billion, including the divestments gains of ₱23.6 billion from AC Education and AC Energy.
- Strong consumer driven revenue growth of ALI, Globe and BPI drove the bottom-line.
- Results tempered by the recognition of a remeasurement loss of ₱18.1 billion for Manila Water.
- Slowdown in AC Industrials resulted in a net loss of ₱2.4 billion.

In December 2019, Ayala recognized a remeasurement loss of ₱18.1 billion as a result of the reclassification of its investment in Manila Water as asset held under PFRS 5 (the accounting standard for assets held for sale). This accounting standard requires applying a fair market value accounting for Ayala’s investment in Manila Water, if the completion of the divestment and or subsequent loss of voting control is expected to occur within one year from the date of the financial statement. It also requires the assets and liabilities of MWC to be presented as one line item in the consolidated balance sheet and P&L in 2019 as opposed to line by line consolidation in prior years.

Please see as summary table below showing the effect of accounting for MWC investment under PFRS 5.

CONSOLIDATED SALES OF GOODS AND SERVICES
Sale of goods and rendering services rose three percent to ₱264.9 billion on higher revenues from Ayala Land’s sale of commercial lots and office spaces, middle-market residential products, and improved performance of its leasing segments. This was further supported by increments from AC Energy’s retail electricity supply unit and AC Health. However, this was partly offset by AC Industrials’ lower revenues.

REAL ESTATE
The conglomerate’s real estate arm, Ayala Land, saw a 13 percent growth in its bottom-line in 2019, which reached ₱33.2 billion for the year. Meanwhile, its total revenues increased by two percent to ₱168.79 billion from ₱166.25 billion the previous year, mainly supported by office and commercial and industrial lot sales as well as higher contribution of new leasing assets.

Property development revenues was slightly down two percent year-on-year, reaching ₱117.6 billion in 2019. The performance was due to an eight percent decline in residential revenues given the lower contribution of its AyalaLand Premier and ALVEO brands as most of its vertical projects recognized in 2019 were booked in previous periods and are nearing completion. On the other hand, it exhibited growth in office for sale developments and commercial and industrial lots, which rose 12 percent and 46 percent, respectively.

During the year, Ayala Land introduced three new estates and successfully launched ₱158.9 billion worth of property development projects.

On the other hand, commercial leasing saw double-digit growth from all its segments as it expanded 13 percent to ₱93.3 billion during the year. Revenues from shopping centers grew 11 percent and 46 percent, respectively. Following this, 26 percent was spent on the company’s rental assets, 17 percent on land acquisition, 14 percent on estate development and the rest on other investments.

Ayala Land, through its subsidiary, AREIT Inc., became the first Philippine company to file a real estate investment trust (REIT) offering to the Securities and Exchange Commission last February 7, 2020. AREIT is seeded with Grade A office assets located in Makati CBD and is expected to expand its portfolio with new acquisitions in the future. Through this initial capital market transaction, Ayala Land hopes to pave the way for the development of a REIT market in the country, bringing another milestone to the Philippine stock market. Ayala Land seeks to do an Initial Public Offering (IPO) of AREIT, Inc. after receiving the regulatory approvals from the SEC and the PSE.

WATER
Manila Water’s full-year net profits dipped 16 percent year-on-year to ₱5.5 billion as the water supply shortage in March severely impacted the East Zone concession while some cost-side challenges also weighed down on profitability.
The decline in La Mesa dam water levels caused water service availability to drop significantly, with the dam reaching its lowest level at 68.5 meters in April 2019. To assist severely affected customers, Manila Water implemented a one-time Bill Waiver Program. Additionally, in July, raw water allocation from Angat Dam hit its lowest, with releases limited to 35 cubic meters per second for the MWSS Concessionaires. To mitigate this, Manila Water pushed for network efficiency to maintain service availability by ensuring water service of at least 7 pounds per square inch (psi) of pressure, enough to reach the ground floor level, enabling it to serve more than 7 million people covering over 1.3 million households in the East Zone.

Throughout 2019, Manila Water also affirmed its wastewater commitment to reach the ground floor level, enabling it to serve more than 7 million people covering over 1.3 million households in the East Zone.

To achieve 51 percent voting interest in Manila Water. Upon the grant of proxy rights to Trident Water, Ayala’s effective voting interest in Manila Water will stand at 31.6 percent. The shareholders’ agreement will become effective after the closing of the subscription agreement, which will occur after certain conditions are met, including required lenders’ consent and regulatory approvals.

POWER
Ayala’s more recent core business, AC Energy, registered net profits of ₱34.6 billion in 2019, lifted by contribution from its solar projects in Vietnam, recovery of costs incurred from adjustments in the construction and operations of its power plants, and gains from the partial divestment of its thermal assets. AC Energy increased its attributable energy output in 2019 by 25 percent to 3,500 Gigawatt hours, of which 50 percent came from renewables sources.

As it shifts its portfolio towards renewable energy, AC Energy has a pipeline of more than 1,000MW in various renewable projects in the Philippines and overseas that are expected to reach financial close within 2020. This will bring AC Energy’s renewable energy capacity close to 2,000MW by the end of 2020, in line with its goal of achieving 5,000MW of renewables capacity by 2025.

AC Energy saw several developments that supported its international businesses. The start of operations of the company’s solar farms in Vietnam supported profits during the year. Three plants with a total of 410MW commenced commercial operations in the second quarter, in time to meet Vietnam’s solar feed-in tariff deadline.

AC Energy also announced a joint venture project with UPC Solar Asia Pacific, its existing partner in 410MW commenced commercial operations in the second quarter, in time to meet Vietnam’s solar feed-in tariff deadline. AC Energy also announced a joint venture project with UPC Solar Asia Pacific, its existing partner in the Philippines, for the development of solar projects in the Asia-Pacific region.

In addition, AC Energy and Yoma Strategic Holdings Ltd. also announced its decision to form a 50:50 joint venture to drive the growth of Yoma Micro Power (S) Pte. Ltd., and jointly explore developing around 200MW of additional renewable energy projects within Myanmar including participation in large utility scale renewable projects.

Locally, subsidiary AC Energy Philippines signed share purchase agreements to increase its stakes in the North Luzon Renewables wind project, and the Sacasol and IslaSolar solar plants. It also started the construction of the 120MW Alaminos solar plant and the 150MW Ingrid peaking plant.

In line with its commitment to scale up its renewable energy investments, AC Energy issued two green bonds in 2019, effectively raising US$810 million in fresh capital to support its pipeline of renewable energy projects. The first issuance, which happened in January-February 2019, was the power company’s maiden green bonds and fetched a total amount of US$410 million. The bonds were the first publicly syndicated Climate Bond Initiative-certified US$ Green Bonds in Southeast Asia. Subsequently in November, AC Energy raised US$400 million through the first ever US dollar denominated fixed-for-life green bond issued globally. The perpetual green bonds were listed on SGX-ST and certified under the ASEAN Green Bonds Standards by the Philippine Securities and Exchange Commission on 18 November 2019.

INDUSTRIAL TECHNOLOGIES
AC Industries recorded a net loss of ₱2.4 billion as headwinds in both the electronics manufacturing services industry and the global auto industry hampered earnings across its several business lines. The company’s EMS platform, Integrated Micro-Electronics Inc., continued to weather challenges in its main market segments, particularly the industrial and consumer spaces. As the automotive sector contracted globally, mostly notably in China, IMI’s revenues, dropped 17 percent year-on-year. Additionally, investments in capacity and technical capabilities for future growth increased the company’s overhead expenditures, which partly affected gross profit margins. Overall, these factors hindered IMIs growth in 2019, with the company posting a net loss of US$7.8 million for the year. Revenues from IMI’s wholly owned operations tailed at US$1 billion, down 7 percent from the previous year. The company’s Asian operating units dropped a total of 11 percent, as a function of the aforementioned slowdown in China’s automotive market for the year. This was offset by the performance of IMI Europe, also largely automotive based, which grew three percent year-on-year as the company’s newest production facility in Serbia continued its ramp-up in its first full year of operations. In parallel, IMI’s Mexico operations, which serve the North American markets, continued their robust trajectories with a 50 percent revenue growth in 2019.

IMI’s core subsidiaries, Via Optronics and STI, Ltd., posted combined revenues of ₱248 million, a decline of 21 percent from the previous year. VIA’s drop was mainly driven by the slump in the overall computing consumer segment and the delay in the release of a new generation component from one of its major customers. Meanwhile, the uncertainty over Brexit, which persisted at least through 2019, caused some delays in the awarding of several contracts where STI is a key competitor.

AC Industries’ Philippine vehicle distribution and retail arm, AC Motors, recorded a net loss of ₱137 million on lower sales volumes across its Honda, Isuzu, Kia, and Volkswagen brands. As the industry recovers from the previous year’s sizable, policy-driven decline, competition continues to be highly competitive, with over 50 players vying for slowly recovering customer demand.

Meanwhile, AC Industries’ startup investments, Merlin Solar, MT Technologies, and C-CON, recorded higher net losses during the period as they continue to grow their revenue pipelines, invest in capacity and infrastructure, and manage underutilization of capacity resulting from the global downturn in automotive and manufacturing.

SHARE IN NET PROFITS OF ASSOCIATES AND JOINT VENTURES
Share in net profits of associates and joint ventures expanded 13 percent to ₱22.3 billion on Globe’s higher revenues and lower non-operating expenses and BPI’s higher interest and non-interest income. This was, however, partly offset by lower earnings from AC Energy’s investee companies.
BANKING

BPI’s net earnings, which was supported by solid core income, higher securities trading gains, and steadily growing fee-based businesses, jumped 25 percent to ₱28.8 billion in 2019.

Total revenues grew 20 percent to ₱94.3 billion as both net interest income and non-interest income saw robust growth for the full year. BPI’s net interest income was up 18 percent to ₱65.9 billion on the back of a 9-percent improvement in average asset base and a 24-basis point expansion in net interest margin. Net interest margin increased from 3.11 percent in 2018 to 3.35 percent in 2019, as a result of asset yields rising 69 basis points, partially offset by higher cost of funds.

Total loans grew 9 percent year-on-year, reaching ₱1.48 trillion, primarily driven by consumer loans which grew 13 percent, much faster than corporate and SME loans, which also grew 8 percent and 6 percent, respectively. Total deposits rose 7 percent to ₱1.70 trillion during the year. The bank’s CASA ratio stood at 69.1 percent, while the loan-to-deposit ratio was at 87.0 percent.

Non-interest income was ₱28.4 billion, an increase of 25 percent versus 2018, primarily from higher securities trading gains and fee-based income. Fees, commissions, and other income increased by 12 percent, driven by higher fees from credit cards, transaction banking, branch services, and digital channels.

Operating expenses totaled ₱50.1 billion, higher by 15 percent from the previous year. Cost-to-income ratio was at 53.1 percent, lower than the 55.5 percent recorded in the prior year. Provision for losses for 2019 was ₱5.8 billion, increasing the Bank’s loss coverage ratio to 104.8 percent. NPL ratio improved to 1.66 percent from 1.85 percent in 2018.

The bank’s total assets stood at ₱2.21 trillion, higher by 6 percent year-on-year, with return on assets at 1.38 percent. Total equity amounted to ₱269.6 billion, with a common equity tier 1 ratio of 15.17 percent and capital adequacy ratio of 16.07 percent, both well above regulatory requirements. Return on equity for 2019 was at 10.97 percent.

BPI also issued over ₱3.1 billion of Long-Term Negotiable Certificates of Time Deposit (LTNCTDs) in October 2019. The LTNCTDs have a tenor of 5.5 years and an interest rate of 4 percent p.a. In December 2019, BPI Family Savings Bank (“BFSB”), the Bank’s wholly-owned thrift bank and consumer lending unit, issued ₱9.6 billion of 2.5-year bonds with an interest rate of with 4.3 percent p.a.

TELCO

Globe’s net income ended at ₱22.3 billion, up 20 percent, boosted by the company’s data-related products and services.

Overall, Globe’s total service revenues were up 12 percent to ₱149 billion, lifted by data-related services, which accounted for 71 percent of the total.

The company’s strategy is aligned to the evident growth in data driven customers across all segments. Mobile data users rose 7 percent to 39.6 million subscribers, which consequently pushed mobile data traffic up substantially by 78 percent to 1.7 petabytes. Likewise, the company’s home broadband subscriber base increased 25 percent to over 2 million customers as Globe Home Pre-paid Wifi gained more traction in its segment. In order to further solidify its foothold in the home broadband space through an expanded portfolio of data offerings, Globe also launched At Home Air Fiber 5G on July 2019.

Globe’s EBITDA ended at ₱76 billion, up 17 percent due to robust service revenues as well as subdued operating expenses. Operating expenses grew a modest eight percent despite higher costs related to marketing, subsidies, and staff as interconnect charges dropped significantly during the period. The company’s EBITDA margin was steady at 51 percent for 2019.

Capital expenditure reached a record-high of ₱51 billion, 18 percent higher year-on-year. This was allocated to fast-tracking network rollout. During the year, Globe put up more sites and added more 3G and 4G base stations.

COSTS AND EXPENSES

General and administrative expenses rose 24 percent to ₱32.1 billion, mainly driven by AC Energy’s higher manpower costs, professional fees, and restructuring costs related to the partial divestment of its thermal assets drove the increase.

AC Industrial’s manpower and advertising costs as well as AC Health’s clinic network expansion and the consolidation of Generika and Entrego into AC Health and AC Infra, respectively, likewise drove the higher GAE.

BALANCE SHEET HIGHLIGHTS

The company’s balance sheet remains strong with enough capacity to support its future investments and cover dividend and debt obligations.

At the end of 2019, Ayala’s total assets stood at ₱1.3 trillion. Investment properties expanded 8 percent to ₱246.7 billion on the back of ALI’s malls and office expansion. Investments in associates and joint ventures, meanwhile, ended at ₱246.7 billion on account of higher equity in net earnings contribution of BPI and Globe as well as additional investments made by Ayala Land, AC Health, AC Infra, and AC Ventures.

At the end of 2019, total debt at the consolidated level stood at ₱405.3 billion, two percent lower from its end-2018 level, despite additional borrowings of Ayala Land and AC Energy as MWCI’s total debt of ₱56.4 billion was reclassified to liabilities under PFRS 5.

Ayala’s parent level cash stood at ₱22.6 billion, with net debt at ₱83.2 billion. Ayala’s parent net debt-to-equity ratio stood at 63 percent. The conglomerate’s loan-to-value ratio, the ratio of its parent net debt to the total value of its assets, was at 6.5 percent at the end of 2019.

The consolidated capital expenditure of the group reached ₱215 billion in 2019, mainly driven by Ayala Land and Globe, which respectively tallied ₱109 billion and ₱51 billion in capital outlay for the year. Parent-only capital expenditure, on the other hand, reached ₱30 billion, which went mostly to the newer businesses of Ayala. For 2020, the Ayala Group has programmed ₱275 billion in capital expenditures, of which ₱20.8 billion has been earmarked under the parent to support the emerging businesses in its portfolio.

At the end of 2019, BPI’s CASA ratio stood at 69.1 percent, while the loan-to-deposit ratio was at 87.0 percent.
Introduction
DNV GL AS Philippines Branch ("DNV GL") has been commissioned by the management of Ayala Corporation ("Ayala Corp." or the "Company", SEC Identification Number: 34218) to undertake an independent assurance of the sustainability/non-financial disclosures in Ayala Corporation’s 2019 Integrated Report (the "Report") in its printed format for the year ended 31st December 2019. This Report is prepared by Ayala Corporation based on the Guiding Principles and Content Elements of the International <IR> Framework ("<IR> Framework") and presenting the Company’s performance related to its identified material topics for both listed and unlisted subsidiaries and affiliates as detailed in section "Reporting Scope" of the Report. The intended users of this Assurance Statement are the management of the Company.

We performed this assurance engagement using DNV GL’s assurance methodology VeriSustain™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. The verification engagement was carried out from December 2019 to April 2020.

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.

Responsibilities of the Management of Ayala Corporation and of the Assurance Provider
The Board of Ayala Corporation has sole responsibility for the preparation of the Report and is responsible for all information provided as well as the processes for collecting, analysing and reporting the information presented in the Report. Ayala Corporation has stated that this Report was based on the <IR> Framework and has adopted general disclosures and selected performance indicators for disclosures related to identified material topics from the GRI Standards 2016.

Our verification engagement included limited level of verification of sustainability performance disclosures for the identified material topics of Ayala Corporation in the section "Materiality" of the Report. DNV GL’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. Our verification applies a ±5% uncertainty threshold towards errors and omissions for the performance data brought out in the Report

DNV GL was not involved in the preparation of any statement or datum included in the Report except for this Assurance Statement. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Basis of our Opinion and Limitations
A multi-disciplinary team of sustainability and assurance specialists performed assurance at the Head Office at Makati City, and selected sites of subsidiaries of Ayala Corporation. We undertook the following activities:

- Review of the non-financial sustainability disclosures in this Report;
- Planned site visits to review the processes and systems for preparing site level sustainability data and data consolidation at site and corporate levels.
- Performed desk review of selected sustainability parameters for sampled entities, and discussed findings with the Corporate Sustainability Team;
- Planned site visits to review the processes and systems for preparing site level sustainability data and implementation of sustainability strategy. We were free to choose the sites for verification;
- Review of supporting evidence for key claims and data disclosed in the Report. Our verification processes were prioritised based on 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 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 assurance engagement undertaken, nothing has come to our attention to suggest that Ayala Corporation’s 2019 Integrated Report does not properly describe the non-financial performance of identified material topics based on the International <IR> Framework.

Without affecting our assurance opinion, we also provide the following observations:

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 has brought out key stakeholders (eg. investors and shareholders, employees, government agencies and regulators, creditors and suppliers, customers, communities, industry associations) to engage with, to build trust based on significant influence on Ayala Corporation’s sustainability performance. The Process considers the influence that each stakeholder has in the range of businesses and overall decision-making processes. The Report also describes the engagement modes such as consulting, involving, or collaborating with each stakeholder considering based on theextent of influence and articulates the value Ayala Corporation seeks to deliver through various engagement platforms.
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 describes the process adopted by Ayala Corporation in reviewing the material topic i.e. review of material topics considering rapidly shifting business and Environment Social and Governance (ESG) landscape, including review of its 360o Sustainability Reporting Framework in the context of emerging trends and urgent issues that affect its stakeholders. Further the Report states materiality is aligned to GRI Standards, SASB industry-specific topics and disclosures, and the 10 Principles of the UN Global Compact and WBCSD programs for business transformation and integrated Material topics to relevant Sustainable Development Goals (SDG's).

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.

The Report brings out the Company’s responses to identified material topics and significant issues which have arisen during the reporting period through disclosures on Corporate Governance, Business Review, Business model, strategic responses to key stakeholders’ concerns, to deliver shared values. Further the Report also brings out its non-financial performance related to its material topics through selected GRI Topic Specific Standards as Performance Indices and its linkages to Six Capitals of <IR> framework.

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 onsite and 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 reporting period 2019 related to its material issues using appropriate GRI Topic Specific Standards, for the identified boundary of operations and covering the Company’s approaches to value creation and responses to key challenges faced during the reporting period.

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’ opinion made based on the reported data and information.

Statement of Competence and Independence
DNV GL 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 GL Code of Conduct2 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 GL was not involved in the preparation of any statement or datum included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward internal stakeholders interviewed during the assurance process.

DNV GL has provided assurance to Bank of the Philippine Islands, Ayala Land Inc., AC Energy, Manila Water Company Inc. and Globe Telecom, Inc. In our opinion, there is no conflict of interest in the assurance engagement provided to the business units of Ayala Group. DNV GL did not provide any services to Ayala Corporation in 2019 that could compromise the independence or impartiality of our work.

For and on behalf of DNV GL AS Philippines Branch

Vadakepatt Nandkumar, Assurance Reviewer, Head - Sustainability Operations, DNV GL – Business Assurance India Private Limited.

Heng Chwin Mak, Operations Manager – South East Asia DNV GL Technology Centre, Singapore 118227

Prasun Kundu, Assurance Reviewer, DNV GL – Business Assurance India Private Limited.

06th April 2020, Manila, Philippines

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2 The DNV GL Code of Conduct is available from the DNV GL website (www.dnvgl.com)
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<td>Description of the management of risks associated with the use of critical materials</td>
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This Integrated Report has used and referenced relevant SASB Standards and GRI Standards in disclosing performance across material topics.
**MATERIALITY THEMES** | **MATERIAL TOPICS** | **RELEVANT UN SDG** | **UNGIC PRINCIPLES**  
--- | --- | --- | ---  
Workplace experience and future of work | Training and Education | SDG 8 | Principles 1, 2, 3, 4, 5 and 6  
Occupational health and safety | SDG 8  
Non-discrimination | SDG 8, 9 and 10  
Child labor | SDG 8  
Forced labor | SDG 8  
Customer experience and protection | Product and service quality and safety | SDG 1, 4, 6, 9, 11 and 12 | Principles 1 and 2  
Customer privacy | SDG 9  
Security practices | SDG 8  
Equitable business practices | Business ethics | SDG 16 | Principles 1, 2, and 10  
Economic value distribution | SDG 8  
Supply chain sustainability | SDG 12  
Community engagement | SDG 1, 10 and 11  

https://www.unglobalcompact.org/what-is-gc/mission/principles

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| SASB ACCOUNTING METRICS | GRI STANDARDS DISCLOSURES | PAGE NUMBER OR RESPONSE  
--- | --- | ---  
IF-EU-320a.1 and 404-2 242-243  
TC-ES-320a.1 (1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR) 403-9 97  
TC-ES-330a.3 (1) Total recordable incident rate (TRIR) and (2) near miss frequency rate (NMFR) TC-ES-320a.1 for (a) direct employees and (b) contract employees 403-9 97  
CG-MR-330a.1 Percentage of gender and racial/ethnic group representation for (1) management and (2) all other employees 102-7 240  
TC-SI-330a.3 Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees 408-1  
No cases filed against Ayala group for child labor. p. 97  
No cases filed against Ayala group for forced labor. p. 97  
FN-CB-240a.4 Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers 413-1 104  

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There were no reported cases of negative environmental impacts in our companies' supply chain. p. 103  
205-1 195-205  
201-1 237  
308-2 414-2  
205-1 237  
308-2 414-2  
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110-111  
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102-7 101  
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## PERFORMANCE INDICES

### MATERIALS & NON-HAZARDOUS WASTE

#### MATERIALS USED AND WEIGHT BY TYPE IN TONNES (201-1)

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<th>2018</th>
<th>2019</th>
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<tr>
<td>Rebar/steel</td>
<td>163,625.0</td>
<td>171,755.7</td>
<td>196,011.0</td>
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<tr>
<td>Consumed cement</td>
<td>355,876.0</td>
<td>277,718.1</td>
<td>249,560.0</td>
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**TOTAL** 525,503.0 449,473.8 465,610.0

#### REBAR CONSUMPTION INTENSITY (Tonnes per million dollars revenue)

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<thead>
<tr>
<th>Company</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Land</td>
<td>1.2</td>
<td>1.0</td>
<td>1.2</td>
</tr>
</tbody>
</table>

#### CEMENT CONSUMPTION INTENSITY (Tonnes per million dollars revenue)

<table>
<thead>
<tr>
<th>Company</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
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<tbody>
<tr>
<td>Ayala Land</td>
<td>2.5</td>
<td>1.7</td>
<td>1.5</td>
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</tbody>
</table>

#### IN KG (306-4)

**IMI** 6,363.2 8,735.9 11,793.5

**Recyclables** 6,363.2 8,735.9 11,793.5

**Residual** 17,174.4 26,874.5 22,312.5

**Compostable and Food Waste** 14,229.6 35,346.8 14,626.0

**TOTAL** 37,767.2 50,957.2 48,652.0

- **Waste productivity (Million pesos revenue per ton non-hazardous waste generated)**
  - 8.9 7.6 10.0

#### IN KG (306-3)

<table>
<thead>
<tr>
<th>Company</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
</table>
| Ayala Land       | 14,229.6 16,626.9 16,626.0

#### RESIDUALS IN TONNES

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<th>2018</th>
<th>2019</th>
</tr>
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<td>People</td>
<td>-</td>
<td>1.9</td>
<td>77.5</td>
</tr>
<tr>
<td>AC Health</td>
<td>-</td>
<td>315.0</td>
<td>29.0</td>
</tr>
<tr>
<td>AC Infra</td>
<td>-</td>
<td>62.1</td>
<td>77.6</td>
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<tr>
<td>Ayala Land</td>
<td>16,867.0 25,866.7 29,484.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Globe</td>
<td>155.5</td>
<td>150.9</td>
<td>153.6</td>
</tr>
<tr>
<td>IMI</td>
<td>151.9</td>
<td>478.8</td>
<td>770.1</td>
</tr>
<tr>
<td>Manila Water</td>
<td>-</td>
<td>-</td>
<td>156.4</td>
</tr>
</tbody>
</table>

**TOTAL** 37,174.4 26,874.5 22,312.5

#### RESIDUAL CONSTRUCTION WASTE FROM AYALA LAND

<table>
<thead>
<tr>
<th>Company</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Land</td>
<td>1,546,272.0 1,460,284.5 411,954.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This table refers to the non-hazardous waste generated by Ayala companies which can no longer be recycled, reused or composted.

#### EXPIRED MEDICINES

<table>
<thead>
<tr>
<th>Company</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Health</td>
<td>-</td>
<td>3,542.2</td>
<td>602.0</td>
</tr>
<tr>
<td>Globe</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>IMI</td>
<td>330.0</td>
<td>1,182.0</td>
<td>1,893.6</td>
</tr>
</tbody>
</table>

#### BATTERIES IN KG

<table>
<thead>
<tr>
<th>Company</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manila Water</td>
<td>16,564.0 7,449.0 558.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** 69,520.0 28,873.5 8,315.6

#### BURSTED FLUORESCENT LAMPS IN KG

<table>
<thead>
<tr>
<th>Company</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Globe</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>IMI</td>
<td>2,793.0 27,799.3 64,774.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** 2,793.0 28,072.3 64,766.5

**IN KG (306-4)

**IMI** 3,730.5 4,169.5

**MANILA WATER** 14,229.6 16,626.9 16,626.0

### HAZARDOUS WASTE

#### HAZARDOUS WASTE GENERATED BY TYPE IN KG (2018-4)

<table>
<thead>
<tr>
<th>Type</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Used Oil</td>
<td>523,748.4</td>
<td>726,600.3</td>
<td>1,347,372.4</td>
</tr>
<tr>
<td>Electronic Wastes</td>
<td>402,644.0</td>
<td>574,099.1</td>
<td>1,151,487.3</td>
</tr>
<tr>
<td>Used Batteries</td>
<td>161,886.6</td>
<td>208,524.1</td>
<td>1,040,269.8</td>
</tr>
<tr>
<td>Chemical Waste</td>
<td>35,630.0</td>
<td>331,297.9</td>
<td>135,145.0</td>
</tr>
<tr>
<td>Grease Waste</td>
<td>12,263.0</td>
<td>42,809.0</td>
<td>38,340.0</td>
</tr>
<tr>
<td>Contaminated Waste</td>
<td>2,793.0</td>
<td>28,072.3</td>
<td>64,766.1</td>
</tr>
<tr>
<td>Busted Fluorescent Lamps</td>
<td>69,520.5</td>
<td>28,873.5</td>
<td>8,315.6</td>
</tr>
<tr>
<td>Medical Waste</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Expired Medicines</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Hazardous Wastes</td>
<td>582,466.0</td>
<td>391,243.2</td>
<td>482,100.4</td>
</tr>
</tbody>
</table>

**TOTAL** 1,790,981.3 2,134,890.1 4,277,736.2

- **Other hazardous wastes include industry-specific wastes such as spent resins for water treatment plants of Manila Water and IMI**

### CHEMICAL WASTE IN KG

<table>
<thead>
<tr>
<th>Company</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMI</td>
<td>35,478.0 130,796.6 104,965.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Globe</td>
<td>27,842.8</td>
<td>27,842.8</td>
<td>27,842.8</td>
</tr>
<tr>
<td>Manila Water</td>
<td>160.0</td>
<td>233.1</td>
<td>337.1</td>
</tr>
</tbody>
</table>

**TOTAL** 12,263.0 42,009.0 139,149.1

### GREASE WASTE IN KG

<table>
<thead>
<tr>
<th>Company</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Energy</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Globe</td>
<td>12,263.0 6,067.0 896.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IMI</td>
<td>-</td>
<td>30,367.0 29,522.0</td>
<td></td>
</tr>
<tr>
<td>Manila Water</td>
<td>-</td>
<td>6,375.0 7,720.0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** 12,263.0 42,009.0 30,340.0

### EXPENDED MEDICINES

<table>
<thead>
<tr>
<th>Company</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Health</td>
<td>-231</td>
<td>5,343.5</td>
<td></td>
</tr>
<tr>
<td>Globe</td>
<td>3,542.2</td>
<td>602.0</td>
<td></td>
</tr>
<tr>
<td>IMI</td>
<td>330.0</td>
<td>1,182.0</td>
<td>1,893.6</td>
</tr>
</tbody>
</table>

**TOTAL** - 6,454.2 6,454.2

### MEDICAL WASTES

<table>
<thead>
<tr>
<th>Company</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Energy</td>
<td>109.8</td>
<td>539.6</td>
<td></td>
</tr>
<tr>
<td>Globe</td>
<td>3,730.5 4,169.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manila Water</td>
<td>16,546.0 7,449.0 558.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** 69,520.0 28,873.5 8,315.6

### CONTAMINATED WASTES

<table>
<thead>
<tr>
<th>Company</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Globe</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>IMI</td>
<td>2,793.0 27,799.3 64,774.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** 2,793.0 28,072.3 64,766.5

### OTHER HAZARDOUS WASTES

<table>
<thead>
<tr>
<th>Company</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Motors</td>
<td>31,649.0</td>
<td>503.0</td>
<td></td>
</tr>
<tr>
<td>AC Energy</td>
<td>-7,048.5 847,877.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AC Infra</td>
<td>-60,380.4 659.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IMI</td>
<td>529,186.0 237,190.0 395,675.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** 582,466.0 391,243.2 482,100.4


**WATER**

**WATER CONSUMPTION FROM WATER UTILITIES IN CUBIC METERS (303-1)**

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Motors</td>
<td>38,818.0</td>
<td>73,594.1</td>
</tr>
<tr>
<td>iPeople</td>
<td>43,933.0</td>
<td>79,148.3</td>
</tr>
<tr>
<td>AC Energy</td>
<td>161,499.0</td>
<td>232,439.4</td>
</tr>
<tr>
<td>AC Health</td>
<td>21,191.1</td>
<td>125,734.4</td>
</tr>
<tr>
<td>AC Infra</td>
<td>80,950.0</td>
<td>80,938.5</td>
</tr>
<tr>
<td>Ayala Land</td>
<td>12,868,284.0</td>
<td>14,235,279.0</td>
</tr>
<tr>
<td>BPI</td>
<td>387,087.1</td>
<td>381,442.1</td>
</tr>
<tr>
<td>Globe</td>
<td>104,129.9</td>
<td>383,261.2</td>
</tr>
<tr>
<td>IMI</td>
<td>1,078,170.0</td>
<td>2,322,383.9</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>54,798,051.1</strong></td>
<td><strong>17,914,044.9</strong></td>
</tr>
</tbody>
</table>

Water Intensity (cubic meters/million pesos revenue)

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>33.46</td>
<td>35.53</td>
<td>28.79</td>
</tr>
</tbody>
</table>

Water Productivity (million pesos revenue/cubic meter)

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.03</td>
<td>0.03</td>
<td>0.03</td>
</tr>
</tbody>
</table>

This table refers to the water consumed by Ayala companies from utility providers, including Manila Water. Manila Water’s consumption is reported under Water Abstraction from Natural Sources.

**WATER ABSTRACTION FROM NATURAL SOURCES IN CUBIC METERS (303-2)**

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water abstracted from groundwater</td>
<td>89.0</td>
<td>85.2</td>
</tr>
<tr>
<td>Water abstracted from surface water</td>
<td>768.4</td>
<td>779.5</td>
</tr>
<tr>
<td>Total water abstracted from natural sources</td>
<td>857.4</td>
<td>864.8</td>
</tr>
<tr>
<td>Percent abstracted from groundwater</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Percent abstracted from surface water</td>
<td>90%</td>
<td>90%</td>
</tr>
</tbody>
</table>

**ENERGY**

**TOTAL DIRECT ENERGY CONSUMED WITHIN THE ORGANIZATION IN GIGAJOULES (302-1)**

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diesel</td>
<td>732,119.9</td>
<td>939,164.0</td>
</tr>
<tr>
<td>Gasoline</td>
<td>149,059.7</td>
<td>150,471.6</td>
</tr>
<tr>
<td>Sub-bituminous coal</td>
<td>370,827.0</td>
<td>370,827.0</td>
</tr>
<tr>
<td>Total Fuel Intensity (Gigajoules/million pesos revenue)</td>
<td>180.3</td>
<td>154.8</td>
</tr>
</tbody>
</table>

**TOTAL DIRECT ENERGY CONSUMED WITHIN THE ORGANIZATION IN GIGAJOULES (302-2)**

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diesel</td>
<td>732,119.9</td>
<td>939,164.0</td>
</tr>
<tr>
<td>Gasoline</td>
<td>149,059.7</td>
<td>150,471.6</td>
</tr>
<tr>
<td>Sub-bituminous coal</td>
<td>370,827.0</td>
<td>370,827.0</td>
</tr>
<tr>
<td>Total Fuel Intensity (Gigajoules/million pesos revenue)</td>
<td>180.3</td>
<td>154.8</td>
</tr>
</tbody>
</table>

**COAL CONSUMPTION FROM AC ENERGY’S THERMAL PLANTS IN GIGAJOULES**

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>SLTEC</td>
<td>2,139,802.0</td>
<td>837,305.8</td>
</tr>
<tr>
<td>GMCP</td>
<td>2,867,062.0</td>
<td>3,161,711.0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>4,106,864.0</strong></td>
<td><strong>1,999,016.8</strong></td>
</tr>
</tbody>
</table>

**ENERGY CONSUMED FROM PURCHASED ELECTRICITY IN GIGAJOULES (302-3)**

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diesel</td>
<td>732,119.9</td>
<td>939,164.0</td>
</tr>
<tr>
<td>Gasoline</td>
<td>149,059.7</td>
<td>150,471.6</td>
</tr>
<tr>
<td>Sub-bituminous coal</td>
<td>370,827.0</td>
<td>370,827.0</td>
</tr>
<tr>
<td>Total Fuel Intensity (Gigajoules/million pesos revenue)</td>
<td>180.3</td>
<td>154.8</td>
</tr>
</tbody>
</table>

**Purchased ELECTRICITY IN KILOWATT- HOURS**

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Motors</td>
<td>7,418,861.0</td>
<td>7,405,169.5</td>
</tr>
<tr>
<td>iPeople</td>
<td>2,725,324.0</td>
<td>4,402,754.9</td>
</tr>
<tr>
<td>AC Energy (household and purchased through Wesm)</td>
<td>3,274,373.0</td>
<td>3,274,373.0</td>
</tr>
<tr>
<td>AC Health</td>
<td>3,562,504.9</td>
<td>3,779,789.0</td>
</tr>
<tr>
<td>AC Infra</td>
<td>49,460,595.0</td>
<td>50,682,977.1</td>
</tr>
<tr>
<td>Ayala Land</td>
<td>374,007,590.0</td>
<td>405,799,405.4</td>
</tr>
<tr>
<td>BPI</td>
<td>48,832,505.0</td>
<td>50,063,314.7</td>
</tr>
<tr>
<td>Globe</td>
<td>482,564,069.0</td>
<td>484,421,708.8</td>
</tr>
<tr>
<td>IMI</td>
<td>125,678,679.0</td>
<td>176,060,198.4</td>
</tr>
<tr>
<td>Manila Water</td>
<td>220,659,947.0</td>
<td>212,571,296.0</td>
</tr>
<tr>
<td><strong>HCX</strong></td>
<td><strong>103,000.0</strong></td>
<td><strong>114,230.0</strong></td>
</tr>
<tr>
<td>AffinityX</td>
<td>173,968.0</td>
<td>238,336.0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,335,819,206.3</strong></td>
<td><strong>1,411,988,075.9</strong></td>
</tr>
</tbody>
</table>

Electricity Intensity in kWh per million peso revenue

| 2.9 | 2.7 | 2.9 |
## Emissions

**Scope 1 Emitting Sources**

<table>
<thead>
<tr>
<th>Organization</th>
<th>2017 (Tonnes CO2e)</th>
<th>2018 (Tonnes CO2e)</th>
<th>2019 (Tonnes CO2e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Motors</td>
<td>135,488.9</td>
<td>64,160.1</td>
<td>71,169.6</td>
</tr>
<tr>
<td>AC Energy</td>
<td>146,000.0</td>
<td>310,244.3</td>
<td>214,681.2</td>
</tr>
<tr>
<td>AC Health</td>
<td>-</td>
<td>39,154.0</td>
<td>-</td>
</tr>
<tr>
<td>AC Infra</td>
<td>20,752.9</td>
<td>39,843.4</td>
<td>562,116.0</td>
</tr>
<tr>
<td>BPI</td>
<td>769,742.9</td>
<td>355,354.8</td>
<td>450,105.7</td>
</tr>
<tr>
<td>IMI</td>
<td>915,385.0</td>
<td>476,423.0</td>
<td>770,550.3</td>
</tr>
<tr>
<td>Manila Water</td>
<td>597,717.4</td>
<td>601,046.2</td>
<td>450,105.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,585,087.9</td>
<td>1,866,225.8</td>
<td>2,068,622.8</td>
</tr>
</tbody>
</table>

**Scope 1 Energy Intensity**

<table>
<thead>
<tr>
<th>Organization</th>
<th>2017 (Tonnes CO2e per MPhp revenue)</th>
<th>2018 (Tonnes CO2e per MPhp revenue)</th>
<th>2019 (Tonnes CO2e per MPhp revenue)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Motors</td>
<td>1,465.1</td>
<td>2,233.9</td>
<td>82,877.7</td>
</tr>
<tr>
<td>AC Energy</td>
<td></td>
<td>27,386.7</td>
<td>22,550.0</td>
</tr>
<tr>
<td>AC Infra</td>
<td></td>
<td>43,963.0</td>
<td>32,700.3</td>
</tr>
<tr>
<td>IMI</td>
<td>35,000.0</td>
<td>63,473.0</td>
<td>32,700.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>37,256.3</td>
<td>137,056.5</td>
<td>138,128.1</td>
</tr>
</tbody>
</table>

**Scope 2 Emitting Sources**

<table>
<thead>
<tr>
<th>Organization</th>
<th>2017 (Tonnes CO2e)</th>
<th>2018 (Tonnes CO2e)</th>
<th>2019 (Tonnes CO2e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Motors</td>
<td>1,133.3</td>
<td>769.1</td>
<td>455.8</td>
</tr>
<tr>
<td>AC Energy</td>
<td>7,359,204.3</td>
<td>6,949,775.3</td>
<td>5,479,081.7</td>
</tr>
<tr>
<td>AC Infra</td>
<td>147.0</td>
<td>198.2</td>
<td>334.3</td>
</tr>
<tr>
<td>Ayala Land</td>
<td>89,171.6</td>
<td>31,388.1</td>
<td>66,603.0</td>
</tr>
<tr>
<td>Globe</td>
<td>38,531.8</td>
<td>36,167.2</td>
<td>36,574.2</td>
</tr>
<tr>
<td>IMI</td>
<td>369.0</td>
<td>402.9</td>
<td>406.7</td>
</tr>
<tr>
<td>Manila Water</td>
<td>3,702.1</td>
<td>3,620.5</td>
<td>4,510.7</td>
</tr>
<tr>
<td>AC Energy (renewables)</td>
<td>196,224.2</td>
<td>342,070.6</td>
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<tr>
<td><strong>Total</strong></td>
<td>7,492,257.0</td>
<td>7,022,321.2</td>
<td>5,588,029.4</td>
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</table>

**Scope 2 Intensity**

<table>
<thead>
<tr>
<th>Organization</th>
<th>2017 (Tonnes CO2e per MPhp revenue)</th>
<th>2018 (Tonnes CO2e per MPhp revenue)</th>
<th>2019 (Tonnes CO2e per MPhp revenue)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Motors</td>
<td>1,131.3</td>
<td>769.1</td>
<td>491.9</td>
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<tr>
<td>AC Energy</td>
<td>1,790,232.1</td>
<td>1,603,275.9</td>
<td>967,742.7</td>
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<tr>
<td>AC Infra</td>
<td>51.4</td>
<td>69.4</td>
<td>334.3</td>
</tr>
<tr>
<td>Ayala Land</td>
<td>41,999.8</td>
<td>34,749.3</td>
<td>39,771.7</td>
</tr>
<tr>
<td>Globe</td>
<td>11,948.8</td>
<td>11,386.5</td>
<td>11,312.4</td>
</tr>
<tr>
<td>IMI</td>
<td>188.2</td>
<td>205.5</td>
<td>207.4</td>
</tr>
<tr>
<td>Manila Water</td>
<td>1,910.3</td>
<td>1,860.9</td>
<td>2,376.6</td>
</tr>
<tr>
<td>AC Energy (renewables)</td>
<td>92,192.6</td>
<td>115,669.7</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,847,457.9</td>
<td>1,632,116.5</td>
<td>1,012,019.1</td>
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**Scope 3 Emitting Sources**

<table>
<thead>
<tr>
<th>Organization</th>
<th>2017 (Tonnes CO2e)</th>
<th>2018 (Tonnes CO2e)</th>
<th>2019 (Tonnes CO2e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Motors</td>
<td>4,445.5</td>
<td>5,365.9</td>
<td>4,855.1</td>
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<td>1,644.0</td>
<td>3,135.6</td>
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<td>AC Infra</td>
<td>765.5</td>
<td>8,703.5</td>
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<tr>
<td>AC Health</td>
<td>823.1</td>
<td>1,717.1</td>
<td>2,788.5</td>
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<td>AC Infra</td>
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<td>30,181.5</td>
<td>12,585.5</td>
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<td>Ayala Land</td>
<td>310,931.0</td>
<td>242,727.5</td>
<td>258,606.0</td>
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<tr>
<td>BPI</td>
<td>28,700.6</td>
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<td>32,947.0</td>
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<td>Globe</td>
<td>27,145.8</td>
<td>352,398.6</td>
<td>435,073.8</td>
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<td>IMI</td>
<td>89,508.4</td>
<td>123,966.0</td>
<td>102,436.1</td>
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<td>Manila Water</td>
<td>157,058.6</td>
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<td>173,750.6</td>
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<tr>
<td>HCX</td>
<td>62.1</td>
<td>81.4</td>
<td>1,022.8</td>
</tr>
<tr>
<td>AffinityX</td>
<td>104.9</td>
<td>169.7</td>
<td>183.3</td>
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<tr>
<td><strong>Total</strong></td>
<td>794,131.2</td>
<td>959,923.1</td>
<td>1,072,448.4</td>
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**Scope 3 Intensity**

<table>
<thead>
<tr>
<th>Organization</th>
<th>2017 (Tonnes CO2e per MPhp revenue)</th>
<th>2018 (Tonnes CO2e per MPhp revenue)</th>
<th>2019 (Tonnes CO2e per MPhp revenue)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Motors</td>
<td>104.9</td>
<td>169.7</td>
<td>183.3</td>
</tr>
<tr>
<td>AC Energy</td>
<td>0.8</td>
<td>0.9</td>
<td>0.8</td>
</tr>
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</table>

Our Scope 3 emissions include the direct combustion of various diesel and gasoline among our companies’ generator sets and company-owned vehicles, as well as, the combustion of coal in AC Energy’s thermal plants.

As a holding company, Ayala Corporation’s greenhouse gas emissions are reported based on equity ownership. By doing so, we are able to make informed investment decisions based on the carbon footprint of the assets we own.

Our Scope 1 emissions include the direct combustion of various diesel and gasoline among our companies’ generator sets and company-owned vehicles, as well as, the combustion of coal in AC Energy’s thermal plants.

Standards used for the computations are based on the GHG Protocol Corporate Accounting and Reporting Standard. The gases reported include carbon dioxide, methane, and nitrous oxide.

Our Scope 2 emissions include the indirect energy emissions from the purchase of electricity from the national grid.

Location-based grid emission factors used for local facilities are based on the Department of Energy (Philippines). Factors used for global sites are based on the GHG Protocol Corporate Accounting and Reporting Standard. The gases reported include carbon dioxide, methane, and nitrous oxide.
## ECONOMIC PERFORMANCE (201-1)

<table>
<thead>
<tr>
<th>ECONOMIC VALUE GENERATED (PHP MILLION)</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Motors</td>
<td>33,698.38</td>
<td>23,156.29</td>
<td>27,415.16</td>
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<tr>
<td>iPeople</td>
<td>34.96</td>
<td>48.45</td>
<td>3,617.16</td>
</tr>
<tr>
<td>AC Energy</td>
<td>2,215.64</td>
<td>6,547.66</td>
<td>7,067.55</td>
</tr>
<tr>
<td>AC Health</td>
<td>16.30</td>
<td>34.39</td>
<td>38.99</td>
</tr>
<tr>
<td>AC Infra</td>
<td>6.83</td>
<td>22.82</td>
<td>50.81</td>
</tr>
<tr>
<td>Ayala Land</td>
<td>142,297.00</td>
<td>163,746.80</td>
<td>168,793.70</td>
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<tr>
<td>Globe</td>
<td>137,550.40</td>
<td>151,910.07</td>
<td>168,250.55</td>
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<tr>
<td>IMI</td>
<td>55,028.26</td>
<td>65,731.03</td>
<td>64,277.48</td>
</tr>
<tr>
<td>Manila Water</td>
<td>18,877.51</td>
<td>20,266.82</td>
<td>22,273.11</td>
</tr>
<tr>
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<td>208.69</td>
<td>202.53</td>
<td>210.58</td>
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<tr>
<td>AffinityX</td>
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<td>1,784.01</td>
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<tr>
<td>AC Ventures</td>
<td>-</td>
<td>-</td>
<td>1,642.75</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>462,700.65</td>
<td>555,972.87</td>
<td>560,157.49</td>
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</table>

<table>
<thead>
<tr>
<th>OPERATING COST (PHP MILLION)</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Motors</td>
<td>31,148.60</td>
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<td>26,006.66</td>
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<td>82.60</td>
<td>50.94</td>
<td>1,564.35</td>
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<td>3,994.59</td>
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<td>AC Health</td>
<td>82.45</td>
<td>92.61</td>
<td>121.65</td>
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<tr>
<td>AC Infra</td>
<td>79.62</td>
<td>48.98</td>
<td>50.81</td>
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<td>Ayala Land</td>
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<td>17,420.00</td>
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<td>38,852.60</td>
<td>36,963.69</td>
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<tr>
<td>IMI</td>
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<td>56,722.25</td>
<td>52,705.53</td>
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<tr>
<td>Manila Water</td>
<td>4,481.38</td>
<td>5,211.61</td>
<td>7,078.42</td>
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<td>6.93</td>
<td>87.75</td>
<td>73.83</td>
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<td>AffinityX</td>
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<td>850.51</td>
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<td>AC Ventures</td>
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<td>-</td>
<td>1,555.95</td>
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<td><strong>TOTAL</strong></td>
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<td>226,060.54</td>
<td>231,634.98</td>
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<table>
<thead>
<tr>
<th>EMPLOYEE WAGES AND BENEFITS (PHP MILLION)</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
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<tbody>
<tr>
<td>AC Motors</td>
<td>1,416.73</td>
<td>671.25</td>
<td>639.30</td>
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<tr>
<td>People</td>
<td>47.03</td>
<td>47.19</td>
<td>1,197.71</td>
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<tr>
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<td>115.00</td>
<td>176.86</td>
<td>1,107.90</td>
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<td>34.03</td>
<td>38.45</td>
<td>56.46</td>
</tr>
<tr>
<td>AC Infra</td>
<td>24.81</td>
<td>28.57</td>
<td>38.10</td>
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<td>Globe</td>
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<td>13,163.66</td>
<td>15,364.19</td>
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<td>IMI</td>
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<td>2,342.74</td>
<td>2,355.24</td>
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<tr>
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<td>123.15</td>
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<td>116.96</td>
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<td>1,376.12</td>
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<td>AC Ventures</td>
<td>-</td>
<td>-</td>
<td>175.51</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>47,062.23</td>
<td>50,993.97</td>
<td>57,593.13</td>
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</table>

<table>
<thead>
<tr>
<th>PAYMENTS TO PROVIDERS OF CAPITAL (PHP MILLION)</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Motors</td>
<td>144.81</td>
<td>(60.78)</td>
<td>632.34</td>
</tr>
<tr>
<td>People</td>
<td>-</td>
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<td>200.19</td>
</tr>
<tr>
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<td>165.73</td>
<td>2,249.06</td>
</tr>
<tr>
<td>AC Health</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>AC Infra</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ayala Land</td>
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<td>BPI</td>
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<td>35,450.00</td>
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<td>19,920.75</td>
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<td>768.65</td>
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<td>907.65</td>
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<td>4,325.43</td>
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<td>-</td>
<td>-</td>
<td>150.73</td>
</tr>
<tr>
<td>AffinityX</td>
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<td>43.16</td>
</tr>
<tr>
<td>AC Ventures</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>59,473.71</td>
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</table>

<table>
<thead>
<tr>
<th>PAYMENTS TO GOVERNMENT (PHP MILLION)</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Motors</td>
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<td>261.21</td>
<td>313.68</td>
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<td>0.37</td>
<td>1.01</td>
<td>54.28</td>
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<tr>
<td>AC Energy</td>
<td>167.86</td>
<td>59.72</td>
<td>302.70</td>
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<tr>
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<td>2.79</td>
<td>6.32</td>
<td>0.70</td>
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<tr>
<td>AC Infra</td>
<td>18.34</td>
<td>4.44</td>
<td>7.92</td>
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<td>Ayala Land</td>
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<tr>
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<tr>
<td>Globe</td>
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<td>10,901.67</td>
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<td>682.25</td>
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<td>3,364.47</td>
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<tr>
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<td>1.85</td>
<td>1.67</td>
<td>8.74</td>
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<tr>
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<td>37.85</td>
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<tr>
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<td>-</td>
<td>-</td>
<td>18.39</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>39,072.07</td>
<td>41,635.40</td>
<td>56,750.84</td>
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<table>
<thead>
<tr>
<th>PAYMENTS TO COMMUNITIES (PHP MILLION)</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic value generated</td>
<td>259,655.58</td>
<td>293,487.79</td>
<td>309,565.00</td>
</tr>
<tr>
<td>Operating cost</td>
<td>168,029.26</td>
<td>189,465.58</td>
<td>187,297.05</td>
</tr>
<tr>
<td>Payments to providers of capital</td>
<td>21,274.78</td>
<td>23,786.59</td>
<td>28,694.33</td>
</tr>
<tr>
<td>Payments to government</td>
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<td>60,866.93</td>
<td>71,026.44</td>
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<td>Community investments</td>
<td>254.89</td>
<td>565.30</td>
<td>547.60</td>
</tr>
<tr>
<td>Economic value retained</td>
<td>(419.88)</td>
<td>(6,112.17)</td>
<td>(9,366.42)</td>
</tr>
</tbody>
</table>
## EMPLOYEE ENGAGEMENT

### DIRECT EMPLOYEES 2017 2018 2019
- **AC Motors** 1,759 1,827 1,886
- **iPeople** 1,297 1,610 2,721
- **AC Energy** 606 572 885
- **AC Health** 2,093 2,710 2,095
- **AC Infra** 1,553 1,777 1,917
- **AFI** 78 110 112
- **AlLi** 9,661 5,358 11,251
- **BPI** 17,036 18,911 21,429
- **Globe** 7,230 7,736 8,065
- **IMI** 16,748 16,698 17,215
- **Manila Water** 2,022 2,233 2,412
- **AffinityX** 564 531 645
- **HCX** 113 141 119
- **Ayala Corporation** 149 154 160
- **AC Industrials** - - 12
- **AC Ventures** - - 1,089

**TOTAL 60,009 60,368 72,013**

This table includes headcount of permanent and temporary employees in local and global operations.

### TEMPORARY EMPLOYEES 2017 2018 2019
- **AC Motors** - 26 18
- **iPeople** 118 709 1,219
- **AC Energy** - 22 21
- **AC Health** - 745 146
- **AC Infra** - 109 112
- **AFI** - 35 33
- **AlLi** 4,621 0 5,071
- **BPI** - 0 9
- **Globe** - 20 17
- **IMI** - 340 791
- **Manila Water** - 115 115
- **AffinityX** - 86 25
- **HCX** - 19 7
- **Ayala Corporation** - 2 4
- **AC Industrials** - - 0
- **AC Ventures** - - 12

**TOTAL 4,763 2,226 7,600**

Globe’s 2017 and 2018 data were corrected to align with groupwide definition.

### NEW EMPLOYEE HIRERS 2017 2018 2019
- **AC Motors** 450 470 651
- **iPeople** 444 478 731
- **AC Energy** 146 87 172
- **AC Health** 23 913 1,142
- **AC Infra** 188 260 301
- **AFI** 16 31 28
- **AlLi** 1,599 5,109 1,326
- **BPI** 3,652 3,649 4,575
- **Globe** 753 1,220 927
- **IMI** 4,891 6,773 8,528
- **Manila Water** 414 432 635
- **AffinityX** 15 123 322
- **HCX** 28 59 42
- **Ayala Corporation** 10 23 17
- **AC Industrials** - - 8
- **AC Ventures** - - 439

**TOTAL 12,249 15,646 19,834**

This table includes direct employees who retired, ended their contracts, left voluntarily, and left involuntarily.

### NEW EMPLOYEE HIRERS (0-11) 2017 2018 2019
- **AC Motors** - - -
- **iPeople** - - -
- **AC Energy** - - -
- **AC Health** - - -
- **AC Infra** - - -
- **AFI** - - -
- **AlLi** - - -
- **BPI** - - -
- **Globe** - - -
- **IMI** - - -
- **Manila Water** - - -
- **AffinityX** - - -
- **HCX** - - -
- **Ayala Corporation** - - -
- **AC Industrials** - - -
- **AC Ventures** - - -

**TOTAL 9,262 11,505 15,475**

This table includes employees who joined the group.

### TOTAL JOBS GENERATED 2017 2018 2019
- **AC Motors** 2,457 2,122 2,461
- **iPeople** 2,133 2,122 2,461
- **AC Energy** 1,426 1,332 1,733
- **AC Health** 1,183 2,920 2,119
- **AC Infra** 1,715 5,853 5,542
- **AFI** 146 161 163
- **AlLi** 63,435 59,727 55,635
- **BPI** 19,451 21,636 24,065
- **Globe** 15,403 11,761 11,490
- **IMI** 17,315 18,093 18,323
- **Manila Water** 2,427 2,893 2,608
- **AffinityX** 583 531 645
- **HCX** 124 151 124
- **Ayala Corporation** 202 210 268
- **AC Industrials** - - 12
- **AC Ventures** - - 1,328

**TOTAL 127,869 129,165 129,592**

This table includes jobs generated by the group.

### HEADCOUNT OF SUPPORT STAFF 2017 2018 2019
- **AC Motors** 698 295 651
- **iPeople** 105 161 163
- **AC Energy** 820 760 848
- **AC Health** 23 913 1,142
- **AC Infra** 16 31 28
- **AFI** 15 123 322
- **AlLi** 1,599 5,109 1,326
- **BPI** 3,652 3,649 4,575
- **Globe** 753 1,220 927
- **IMI** 4,891 6,773 8,528
- **Manila Water** 414 432 635
- **AffinityX** 15 123 322
- **HCX** 28 59 42
- **Ayala Corporation** 10 23 17
- **AC Industrials** - - 8
- **AC Ventures** - - 439

**TOTAL 67,360 68,797 57,579**

This table includes the support staff from the group-wide supply chain in local and global operations.
**TRAINING AND EDUCATION**

<table>
<thead>
<tr>
<th>Rank and File</th>
<th>Middle Management</th>
<th>Senior Management</th>
<th>Rank and File</th>
<th>Middle Management</th>
<th>Senior Management</th>
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<tr>
<td>Rank and File</td>
<td>Middle Management</td>
<td>Senior Management</td>
<td>Rank and File</td>
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<td>7,730.00</td>
<td>862.00</td>
<td>17,788.00</td>
<td>25,204.00</td>
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<td>554.00</td>
<td>57.00</td>
<td>397.50</td>
<td>542.50</td>
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<td>AffinityX</td>
<td>89,279.19</td>
<td>39,725.10</td>
<td>3,337.00</td>
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<td>Manila Water</td>
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<td>Ayala Corporation</td>
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<td>2,257.00</td>
<td>96.00</td>
<td>976.00</td>
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<tr>
<td>AC Ventures</td>
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<td>TOTAL</td>
<td>1,602,952.00</td>
<td>393,856.10</td>
<td>25,899.50</td>
<td>3,206,307.50</td>
<td>485,152.75</td>
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**PERMANENT EMPLOYEES BY RANK AND FILE**

<table>
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<th>PERMANENT EMPLOYEES BY RANK AND FILE</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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<td>Rank and File</td>
<td>Middle Management</td>
<td>Senior Management</td>
<td>Rank and File</td>
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<td>iPeople</td>
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<td>278.00</td>
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<td>AFI</td>
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<td>Globe</td>
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<td>IMI*</td>
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<td>Manila Water</td>
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<tr>
<td>AffinityX</td>
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<td>HCX</td>
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<td>42.00</td>
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<td>Ayala Corporation</td>
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<td>AC Industrials</td>
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<td>-</td>
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</tr>
<tr>
<td>AC Ventures</td>
<td>-</td>
<td>-</td>
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<tr>
<td>TOTAL</td>
<td>35,058.00</td>
<td>16,251.00</td>
<td>1,497.00</td>
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</table>

*No data available from IMI sites in Germany and United Kingdom for 2017 and 2018. No data available from IMI site in Suzhou China in 2019.*
AYALA CORPORATION 2019 INTEGRATED REPORT

AYALA GROUP MANAGEMENT COMMITTEE MEMBERS

JOSE RENE GREGORY D. ALMENDRAS, Filipino, 59
Senior Managing Director

President and Chief Executive Officer of Manila Water Company, Inc. and AC Infrastructure Holdings Corporation and member of the Ayala Corporation Management Committee and the Ayala Group Management Committee since August 2016

Academic/Professional Qualifications
• B.S. in Business Management degree from the Ateneo de Manila University in 1981
• Strategic Business Economics Program from University of Asia & the Pacific in 1999
• Former President of Manila Water Company, Inc.
• Former officer in Ayala Land, Inc.
• Secretary of Foreign Affairs for the Republic of the Philippines from March to June 2016
• Cabinet Secretary under the Office of the President from November 2012 to March 2016
• Secretary of the Department of Energy from July 2010 to October 2012
• Former CEO and President of City Savings Bank of the Abotiz Group at the age of 37
• Spent 13 years with the Citibank where he started as a management trainee

Present Directorship(s)/Position(s)
• Chairman of the Executive Committee of Manila Water Company, Inc.
• Director of AF Payments Inc. Light Rail Manila Holdings, Inc. MCX Tollway Inc. and AC Energy Philippines, Inc.

CEZAR P. CONSING, Filipino, 59
Senior Managing Director

President and CEO of Bank of the Philippine Islands and Member of the Ayala Group Management Committee since April 2013

Academic/Professional Qualifications
• B.B.A Accountancy from the University of Notre Dame in 1985
• Master's Degree in Business Administration in 1997 and in International Relations in 1989, both at the University of Chicago
• Worked as Head of the Ayala Land, Inc.'s Residential Business, Commercial Business and Corporate Marketing and Sales

BNEDARD VINCENT O. DY, Filipino, 56
Senior Managing Director

President and Chief Executive Officer of Ayala Land, Inc. and member of the Ayala Group Management Committee since April 2014

Academic/Professional Qualifications
• B.B.A Accountancy from the University of Notre Dame in 1985
• Master’s Degree in Business Administration in 1997 and in International Relations in 1989, both at the University of Chicago
• Worked as Head of the Ayala Land, Inc.'s Residential Business, Commercial Business and Corporate Marketing and Sales
JOSE TEDORO K. LIMCADCO, Filipino, 57
Senior Managing Director

Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer, Finance Group Head, and member of Ayala Corporation Management Committee and the Ayala Group Management Committee since 2015

Academic/Professional Qualifications

• BS Mathematical Sciences (Honors Program) from Stanford University in 1984
• MBA (Finance and Investment Management) from the Wharton School of the University of Pennsylvania in 1988
• Former President of BPI Family Savings Bank, and BPI Capital Corporation, Officer-in-Charge for Ayala Life Assurance, Inc. and Ayala Plans, Inc., Trustee

Present Directorship(s)/Position(s)

• Director of Board and Chief Executive Officer of PSi Technologies Inc. and Merlin Solar Technologies (Phils.), Inc.

ARTHUR R. TAN, Filipino, 60
Senior Managing Director

President and Chief Executive Officer of AC Industrial Technology Holdings, Inc., Chief Executive Officer of Integrated Micro-Electronics, Inc. (IMI) and member of the Ayala Group Management Committee since 2002

Academic/Professional Qualifications

• B.S. in Electronics Communications Engineering degree from Mapua Institute of Technology in 1982
• Post-graduate programs at the University of Idaho, Singapore Institute of Management, IMD and Harvard Business School
• President of IMI from July 2001 to June 2016
• Former Managing Director for Asia Pacific Region/Japan of American Microsystems Inc. from 1998 to 2001

ALFREDO I. AYALA, Filipino, 58
Managing Director

President and Chief Executive Officer of Livest Investment Limited, Chief Operating Officer of iPeople, Inc., and member of the Ayala Group Management Committee since June 2006

Academic/Professional Qualifications

• B.A. in Development Studies (Honors) and Economics from Brown University in 1982
• MBA from the Harvard Graduate School of Business Administration in 1987

Present Directorship(s)/Position(s)

• Director of Affinity Express Holdings, Ltd., and Azalea International Venture Partners Limited
• Chairman and President of AC College of Enterprise and Technology, Inc., National Teachers College, and LINC Institute
• Chairman of Affordable Private Education Center, Inc., Newbridge International Investments Limited and University of Nueva Caceres
• Vice Chairman and Vice President of Affinity Express Philippines, Inc.
• Trustee of Ayala Foundation, Inc. and Philippines Business for Education (PBEd)

JOHN ERIC T. FRANCIA, Filipino, 48
Managing Director

President and Chief Executive Officer of AC Energy, Inc and member of the Ayala Corporation Management Committee and the Ayala Group Management Committee since January 2009

Academic/Professional Qualifications

• BA in Humanities and Political Economy (magna cum laude) from the University of Asia & the Pacific in 1993
• Master’s Degree in Management Studies (First Class Honors) at the University of Cambridge in the United Kingdom in 1995
• Former Corporate Strategy and Development Group Head of Ayala Corporation
• Former Senior consultant and member of the management team of Monitor Group, a strategy consulting firm based in Cambridge, Massachusetts, USA

Present Directorship(s)/Position(s)

• Director of Purefoods International Limited, Ayala Healthcare Holding, Inc., AC College of Enterprise
Present Directorship(s)/Position(s)
• Director of Asticom Technology, Inc. and People’s Management of the Philippines Foundation
• Member of the Board of Advisers of Natasha Goulbourn Foundation
• Member of the board of representatives of CIFAL Philippines

JOHN PHILIP S. ORBETA, Filipino, 58
Managing Director
Chief Human Resources Officer, Group Head for Corporate Resources, and member of the Ayala Corporation Management Committee since May 2005 and the Ayala Group Management Committee since April 2009

Academic/Professional Qualifications
• A.B. Economics from the Ateneo de Manila University in 1982
• Former President and CEO of Ayala Automotive Holdings Corporation and Automobile Central Enterprise, Inc. (Philippine importer of Volkswagen)
• Former Chairman and CEO of Honda Cars Makati, Inc., Isuzu Automotive Dealership, Inc. and Iconic Dealership, Inc.
• Former Vice President and Global Practice Director of the Human Capital Consulting Group at Watson Wyatt Worldwide (now Willis Towers Watson)

Present Directorship(s)/Position(s)
• Chairman of Ayala Aviation Corporation, Ayala Group HR Council, Ayala Group Corporate Security Council and Ayala Business Clubs
• Chairman and President of HXC Technology Partners, Inc.
• Vice Chairman of Ayala Group Club, Inc.

RUEL T. MARANAN, Filipino, 57
Managing Director
President of Ayala Foundation, Inc.

Academic/Professional Qualifications
• AB Social Sciences degree from the Ateneo de Manila University
• Bachelor of Laws degree from the University of Santo Tomas
• Leadership Management Program from Harvard University
• Group Director of Manila Water Company, Inc. (MWC)’s Corporate Human Resources Group from 2004 to 2014

SOLOMON M. HERMOSURA, Filipino, 57
Managing Director
Chief Legal Officer, Corporate Secretary, Chief Compliance Officer, Data Protection Officer and Corporate Governance Group Head, and member of the Ayala Corporation Management Committee since 2009 and the Ayala Group Management Committee since 2010

Academic/Professional Qualifications
• Bachelor of Laws (Valedictorian and top 3 in the 1986 Bar Examination) from San Beda College in 1986

Present Directorship(s)/Position(s)
• President and Chief Executive Officer of Ayala Group Legal
• Corporate Secretary and Group General Counsel of Ayala Land, Inc.
• Corporate Secretary and a member of the Board of Directors of a number of companies in the Ayala group
• Member of the faculty of the College of Law of San Beda University

MANAGING DIRECTOR
Emmanuel A. Aligada
Alfredo Antonio I. Ayala
Paolo Maximo F. Borromeo
Ma. Cecilia T. Cruzabra
John Eric T. Francia
Solomon M. Hermosura
Ruel T. Maranan
John Philip S. Orbeta
Ginaflor C. Oris
Virgilio C. Rivera
Sheila Marie U. Tan
Jaime E. Ysmael

CONSULTANT
Gerardo C. Abalaza
Delfin L. Lazaro
Simon C. Mossesgeld
Marciano A. Paynor

EXECUTIVE DIRECTOR
Josette Adrienne A. Abarca
Fatima P. Agbayani
Catherine H. Ang
Estelito C. Biacora
Josephine D. De Asis
Emily C. De Lara
Rosallie A. Dimaano
Felipe Antonio P. Estrella
Romualdo L. Katigbak
Noel Eli B. Kintanar
Jenara Rosanna F. Ong
Alfonso Javier D. Reyes
Ma. Victoria P. Sugapong
Ma. Victoria A. Tan
Norma P. Torres

SENOIR LEADERSHIP

ASSOCIATE DIRECTOR
Yla Patricia G. Alcantara
Maria Susana C. Babies
Robert Michael N. Baffrey
Celeste M. Jovenir
Guillemo M. Luz
Gabino Ramon G. Mejia
Reinabelle C. Reyes
Vivian L. Santamaria
Gabriel Q. Villaluz

CONSULTANT
Gerardo C. Abalaza
Delfin L. Lazaro
Simon C. Mossesgeld
Marciano A. Paynor

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AYALA CORPORATION

2019 INTEGRATED REPORT
BUILDING A DIGITAL AND FUTURE-READY AYALA

“The Ayala group is undergoing a transformation journey to build a digital and future-ready Ayala. We recognize that to continue to thrive under a rapidly changing environment, we must evolve from traditional analog thinking to incorporating a digital perspective into our strategy and operations. This perspective has become part and parcel of our strategic agenda as we embark on a group-wide digital transformation framework we rolled out in 2019. We are aware of the long and challenging road ahead in this digital transformation journey. However, with the engagement of our people across all levels, we are confident that the digital and future-ready Ayala that we are aspiring for can be built within the foreseeable future.”

- Jaime Augusto Zobel de Ayala, Chairman and CEO

CORPORATE INFORMATION

STAKEHOLDER INQUIRIES
Ayala Corporation welcomes inquiries from analysts, the financial community, institutional and retail investors, customers, media, and the general public. Please contact:

Investors: investorrelations@ayala.com.ph
Sustainability: sustainability@ayala.com.ph
Governance: corporatesecretary@ayala.com.ph
Data Privacy: acdataprivacy@ayala.com.ph
Customers: acquery@ayala.com.ph
Media: corpcomm@ayala.com.ph
Career: careers@ayala.com.ph

SHAREHOLDER SERVICES AND ASSISTANCE
For inquiries regarding dividend payments, change of address and account status, and lost or damage stock certificates, please write or call:

BPI Stock Transfer Office
3F BPI Buendia Center
372 Sen Gil Puyat Avenue
Makati City 1226 Philippines
Tel: +632 8580-4693 to 95
smpongol@bpi.com.ph
jmpelideros@bpi.com.ph
stocktransferoffice@bpi.com.ph

FINANCIAL STATEMENTS
Ayala’s 2019 Financial Statements are available for download on its website: www.ayala.com.ph

Developed and produced by Investor Relations and Group Risk Management and Sustainability Unit

Concept and design by Publicis Jimenez Basic
Execution by Whitewall Design Studio

Portraits by Tom Epperson
Operational photography by Rolly Barayang
Additional photographs from the Ayala group of companies