

INTO THE FUTURE





*The transformation of grassland into the Makati Central Business District was led by Col. Joseph McMicking after World War II.*



# AYALA CORPORATION IS MOVING INTO THE FUTURE

To transform our businesses and harness disruptive innovation,  
so we can create more shared value.

The faster we keep moving, the sooner we can generate more opportunities,  
reach other markets, and help improve lives.



**Integrated Report 2017**

# ABOUT THIS INTEGRATED REPORT

**Ayala remains committed to sustainability and integrated thinking with the publication of this Integrated Report. To further improve the quality of our reporting, we re-evaluated our capitals, value creation, risks, strategy, and performance for a more cohesive presentation. We provide a more in-depth look at our organization's strategy, governance, performance, and outlook, in the context of our external environment. Finally, this report also allows us to present the alignment and contributions of our businesses to the United Nations Sustainable Development Goals.**

The development of this year's Integrated Report was a more rigorous process, enabling us to better understand and apply the principles of materiality towards improving data collection. We undertook an assessment of how our diverse businesses create and deliver value to society, while meeting our financial targets. Financial and non-financial performance analysis conducted for this report allowed us to take better stock of our accomplishments, as well as identify opportunities for scaled impact moving forward. All information presented was reviewed by the group's Investor Relations and Sustainability Councils, and approved by Ayala's management and Board before publication.

## **Reporting scope** (102-50, 102-51, 102-52)

This report details the value created by the conglomerate for our key stakeholders through our consolidated financial, economic, social, and environmental performance, including both listed and unlisted subsidiaries and affiliates, from January 1, 2017 to December 31, 2017. All necessary notes, explanations, and definitions are provided in the text or accompanying tables. More metrics have also been included from unlisted subsidiaries and affiliates as they pursued further expansion. A summary of 2016 data restatements is found on pages 178-

179. Furthermore, the table on pages 176-177 outlines the companies and the scope of data that is included in this report.

Our previous integrated report published in 2017 and additional references for targeted stakeholders are all available online at [www.ayala.com.ph](http://www.ayala.com.ph).

## **Reporting standards** (102-54)

Ayala Corporation adopted global best practices in reporting non-financial information. This report has been prepared according to the integrated reporting <IR> guidelines provided by the International Integrated Reporting Council. We engaged BlackSun Asia Pacific, an independent consultant that assists organizations in corporate reporting in line with the <IR> framework, to provide guidance on the quality of our integrated report. We also aligned reporting on our sustainability performance with the standards of the Global Reporting Initiative. This report has been prepared in accordance with the GRI Standards: Core option.

By preparing our 2017 Integrated Report in line with these global standards, we have been able to present our value creation and outlook in a clearer, more cohesive, and more transparent manner.

Learn more about the IIRC and integrated reporting at [www.integratedreporting.org](http://www.integratedreporting.org) and the GRI at [www.globalreporting.org](http://www.globalreporting.org).

## **Our approach to external assurance** (102-56)

Our Board's Audit Committee oversees the performance of external and internal auditors. It is mandated to review and approve the audit, audit-related, and non-audit services rendered by the company's external auditor. Our senior management is involved in the decision and appointment of the independent external assurer.

## **On our financial statements**

SyCip Gorres Velayo & Co. is the external auditor of the company's financial statements, with Lucy L. Chan as the partner-in-charge. In accordance with regulations issued by the Securities and Exchange Commission, the audit partner principally handling the company's account is rotated every five years. More information about our audit process is found on pages 166-167, while our Management's Discussion and Analysis of Financial Condition and Results of Operation can be found on pages 172-175.



**A copy of our 2017  
financial statements  
can be accessed at  
[www.ayala.com.ph](http://www.ayala.com.ph).**

### **On our sustainability performance**

Senior management appointed DNV GL, an independent organization and global provider of certification, assurance assessment, and training services, for the third consecutive year to validate the figures and information we presented pertaining to our sustainability performance and <IR> frameworks presented in this report. The external assurance process was completed in two weeks, which included interview sessions between DNV-GL auditors and senior executives in the conglomerate.

The Independent Assurance Statement found on pages 189-192 outlines the assurer's findings and recommendations.

### **Feedback** (102-53)

We are committed to building stronger stakeholder relationships and welcome any inquiries or comments to help us improve our corporate reporting in the years ahead. Please send your feedback to [investorrelations@ayala.com.ph](mailto:investorrelations@ayala.com.ph) and [sustainability@ayala.com.ph](mailto:sustainability@ayala.com.ph).

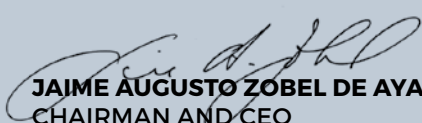
### **Statement From The Board**

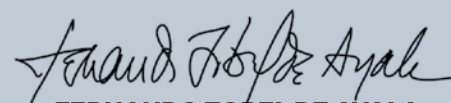
(102-32)


The Board acknowledges its responsibility in ensuring the integrity of this report, which includes the fair representation of performance and impact on key material topics. The Board was supported by Ayala management, which convened internal teams with the relevant skills and experience to undertake the reporting process. Internal parties have devoted significant effort to ensure that the Ayala story is presented the best way possible. Ayala also engaged external parties 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 this report.

The Board unanimously approved this report on 9 March 2018, and authorized its release on 20 April 2018.

  
**JAIME AUGUSTO ZOBEL DE AYALA**  
CHAIRMAN AND CEO

  
**FERNANDO ZOBEL DE AYALA**  
PRESIDENT AND COO

  
**JOSE TEODORO K. LIMCAOCO**  
CHIEF FINANCE, RISK, AND  
SUSTAINABILITY OFFICER

### **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.



A nighttime photograph of a city street in Makati, Philippines. The foreground is dominated by vibrant, multi-colored light trails from moving vehicles, creating a sense of motion and energy. In the background, modern high-rise buildings with illuminated windows and balconies line the street. A pedestrian crossing with a zebra pattern is visible, with a few people walking across. The overall atmosphere is one of a bustling, modern urban environment.

## VISION

We will be the most relevant, innovative, and enduring Philippine-based business group, enabling shared value and prosperity for the many stakeholders we serve.

## MISSION

Anchored on values of integrity, long-term vision, empowering leadership, and with a strong commitment to national development, Ayala fulfills its mission to ensure long-term profitability and value creation. Ayala creates synergies as it builds mutually-beneficial partnerships and alliances with those who share its philosophy and values.



# TABLE OF CONTENTS

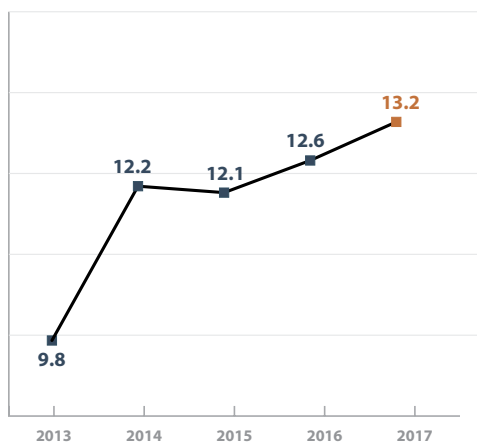
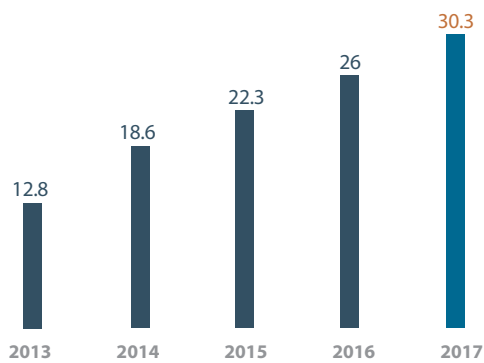
19	OUR LEADERSHIP
37	OUR VALUE CREATION
111	BUSINESS REVIEW
157	OUR CORPORATE GOVERNANCE
171	ANNEXES

# AYALA AT A GLANCE

(102-2, 102-3, 102-6)

Ayala Corporation is one of the largest and most diversified business groups in the Philippines, with business interests in real estate, banking, telecommunications, water, power, industrial technologies, infrastructure, healthcare, and education. Its social commitment arm, Ayala Foundation, has programs that focus on education, youth leadership, sustainable livelihood, and the promotion of arts and culture. 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.

**NET INCOME  
(IN BILLION PESOS)**







**22%**  
Six-year net  
income CAGR



**11.5%**  
Six-year average  
return on  
common equity



**22%**  
Six-year TSR  
CAGR



**P266.8B**  
Revenues



**P64.3B**  
Cash and cash  
equivalents



**P1 T**  
Total assets



**P46.67**  
Earnings per  
share (in pesos)



**1.31**  
Current ratio



**23.2%**  
Six-year market  
capitalization  
CAGR



**63.4M**  
Globe customers



**410.3 GWH**  
Renewable energy  
generated



**139,074**  
Jobs generated  
across the group



**P201.8B**  
in loans provided  
for sustainable  
development  
projects



**65,102**  
FamilyDOC  
unique patients



**570M**  
Cubic meters  
water supplied in  
the Philippines

# OUR 2017 MILESTONES



## JANUARY

BPI Asset Management and Trust Group receives from the Bangko Sentral ng Pilipinas a license to operate as a standalone trust corporation

**Ayala Foundation signs a memorandum of understanding with the Marawi City local government to establish Siyapen, a 70-bed drug rehabilitation center**

AC Energy signs investment agreements with UPC Renewables Indonesia for the development, construction, and operation of a wind farm project in Sidrap, South Sulawesi, Indonesia

## FEBRUARY

Ayala Land announces plan to be carbon neutral by 2022

Ayala, Ayala Land, BPI Capital Corporation, and Globe's Kickstart Ventures Inc., acquire ownership stakes in Zalora Philippines

Ayala and Alibaba's Ant Financial sign an investment agreement to subscribe to new shares of Mynt

Manila Water launches its pilot Waste-to-Energy project at the South Septage Treatment Plant in Taguig City

AC Health invests in MedGrocer, an FDA-licensed ePharmacy and health benefits management service

## MARCH

Ayala Land launches Clock In, its first serviced office and co-working space

Globe becomes the first Philippine telecommunications operator to commercially deploy LTE-Advanced 4 component carrier (4cc) spectrum aggregation using the 2600MHz band

Globe launches the Globe Advanced Security Operations Center, which houses the infrastructure that delivers cybersecurity and related services for its network and customers

Ayala consolidates electronics manufacturing and automotive businesses into AC Industrials

AC Energy acquires 100 percent ownership of Bronzeoak's development platform, for renewable energy development, management, and operations

AC Infrastructure partners with SM Investments for a ₱25 billion unsolicited proposal for an 8.6-kilometer toll road linking Sta. Mesa, Manila to the Mall of Asia Complex in Pasay City via the Central Business District to be named C3X

## APRIL

IMI acquires an 80 percent stake in UK-based STI Enterprises, which provides electronics design and manufacturing solutions in both printed circuit board assembly and full box-build manufacturing for high-reliability industries

**AC Energy, as part of a consortium, completes the acquisition of Salak and Darajat Geothermal asset in Indonesia**

Ayala releases its annual report under the Integrated Report Framework—the first Integrated Report in the Philippines—which captures in greater detail its alignment with the UN SDGs, its ESG performance along with its financial and operational results against GRI-G4, and its commitment to the 10 Principles of the UN Global Compact

## MAY

Ayala Land launches Evo City, a 200-hectare sustainable estate in Cavite

BPI acquires a 10 percent stake in Rizal Bank of CARD MRI, a leading microfinance institution serving over 260,000 customers

## JUNE

Manila Water increased its stake in Vietnam-based Saigon Water from 31 to 38 percent

Ayala Museum launches the first fully immersive virtual reality experience of Philippine history

**AC Industrials acquires 94.9 percent of Germany-based, MT Technologies, a niche Tier 1 supplier that provides tooling, moulding, and specialized parts manufacturing services**

AC Industrials begins domestic production of KTM motorcycles in IMI's facility in Laguna

## JULY

Ayala Land launches The Flats Amoroso in Makati, its first co-living development designed for young professionals





BPI relaunches BPI Direct BanKo, which is aimed at serving small business loans to self-employed micro-entrepreneurs

Globe launches MIMO (multiple input, multiple output) technology to enhance mobile internet connectivity for its customers in high-density areas

AC Energy enters into a development funding arrangement with UPC Renewables for the development of small island power projects in Indonesia

#### AUGUST

Ayala land launches the 25-hectare Azuela Cove in Davao, in partnership with the Alcantara group

Globe's GCash launches the nation's first QR payment via smartphone

Globe launches a \$250-million submarine fiber cable system in Davao, which directly links Asia to the US and allows faster data transmission, more efficient connectivity, and greater network resiliency

Manila Water signs 25-year concession agreement with the Obando Water District for the construction, operation, and maintenance of the water and sanitation services in Obando, Bulacan

**Manila Water wins the project to develop the water supply system in Calasiao, Pangasinan for a 25-year concession period**

Manila Water Asia Pacific signs a memorandum of understanding with the International Finance Corporation to identify, evaluate, develop, and



implement water projects primarily in Southeast Asia and in Asia-Pacific

#### SEPTEMBER

Jaime Augusto Zobel de Ayala is recognized as one of ten 2017 UN SDG Pioneers by the UN Global Compact

BPI partners with UK-based remittance giant WorldRemit to expand its international fund transfer service offerings

Globe partners with EMQ, a remittance-focused financial technology startup based in Hong Kong

Manila Water signs contract for the ₱5.3 billion landmark Novaliches-Balara Aqueduct 4 project

Generika receives the first ASEAN Inclusive Business Award, a new category introduced during the 10th ASEAN Business Awards

APEC Schools record a student population of approximately over 16,200

AC Energy enters into a retail electricity supply agreement with Manila Water

#### OCTOBER

Ayala Malls and Globe launch the GCash scan-to-pay service for the benefit of consumers and business owners

**Ayala holds the 3rd annual group-wide Investor Relations Summit**

Ayala holds the 7th annual group-wide Sustainability Summit



#### NOVEMBER

BPI opens a refurbished flagship branch in Makati City that features a bright and modern look and specialized services for customers

FamilyDOC launches FamilyDoc Express, a new store format that features a doctor's clinic inside a Generika branch

Project Kasibulan continues, with this year's first batch of volunteers planting 750 seedlings in Pagudpud, Ilocos Norte

#### DECEMBER

Manila Water partners with the Leyte Metropolitan Water District for the water supply and sanitation facilities and services of the province

AC Energy achieves financial close for the second unit of GNPower Dinginin, a 2 x 668MW super-critical coal-fired power plant in Dinginin, Bataan

AC Infrastructure announces the formation of a consortium with Aboitiz InfraCapital, Alliance Global Group, AEDC, Filinvest, JG Summit, and Metro Pacific that will submit an unsolicited bid for the redevelopment and upgrading of the Ninoy Aquino International Airport

FamilyDOC reaches 65,000 in unique patients served

**Project Kasibulan's biggest and last batch of volunteers for the year plants 1,214 seedlings, resulting in a total of 3,498 trees planted in Pagudpud, Ilocos Norte throughout the duration of the project**

# OUR GEOGRAPHIC PRESENCE

(102-4, 102-6)

## Europe



## Middle East



## Southeast Asia

*"This sustained earnings momentum validates our long-term growth strategy, which is largely focused on expanding into new markets and customer segments, diversifying geographically, strengthening our core markets, and entering new businesses to create a platform for future growth."*

*Fernando Zobel de Ayala*



# NCR



# FIVE-YEAR FINANCIAL HIGHLIGHTS

	AYALA CORPORATION					AYALA LAND				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
<b>FOR THE YEAR (IN MILLION PESOS)</b>										
Revenues	159,412	184,276	207,667	237,286	266,786	81,523	95,197	107,183	124,629	142,297
Net Income Attributable to Equity Holders	12,778	18,609	22,279	26,011	30,264	11,742	14,803	17,630	20,908	25,305
Cash Dividends to Common Shareholders	2,877	2,928	3,569	3,572	4,299	4,067	5,871	6,094	6,999	7,065
Cash Dividends to Equity Preferred Shareholders	529	1,281	1,281	1,285	1,285	62	62	62	62	62
<b>AT YEAR-END (IN MILLION PESOS)</b>										
Total Assets	599,664	726,048	794,075	911,705	1,021,546	325,474	388,944	442,342	536,433	573,992
Cash and Cash Equivalents	65,655	90,770	82,154	60,223	64,259	40,761	34,586	19,540	20,904	20,998
Short-Term Investments	119	1,103	2,052	1,009	5,400	17	301	164	208	4,740
Total Borrowings	205,681	258,845	263,341	295,854	350,612	101,902	124,666	130,996	159,801	174,386
Equity Attributable to Equity Holders	143,476	185,664	208,657	230,993	256,348	98,470	106,940	133,731	147,705	166,755
<b>PER SHARE (IN PESOS)</b>										
Earnings - Basic	20.53	29.83	33.89	39.88	46.67	0.84	1.05	1.20	1.43	1.71
Earnings - Diluted	20.39	29.35	33.38	39.31	45.99	0.83	1.05	1.20	1.43	1.71
Book Value of Common Shareholders	230.68	261.63	298.80	334.40	374.75	6.86	7.44	9.01	11.70	12.97
Cash Dividend to Common Shareholders	4.80	4.80	5.76	5.76	6.92	0.29	0.41	0.42	0.48	0.48
<b>FINANCIAL RATIOS</b>										
Current Ratio	1.46	1.50	1.28	1.22	1.31	1.45	1.23	1.14	1.12	1.18
Debt-to-Attributable Equity Ratio	1.43	1.39	1.26	1.28	1.37	0.91	1.02	0.87	0.93	0.91

BANK OF THE PHILIPPINE ISLANDS					GLOBE TELECOM					MANILA WATER				
2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
52,498	55,787	59,359	66,551	71,020	90,500	99,025	113,679	119,990	127,906	15,926	16,357	16,936	17,712	18,516
18,811	18,039	18,234	22,050	22,416	4,960	13,372	16,484	15,888	15,084	5,752	5,813	5,958	6,065	6,147
6,401	7,077	7,078	7,086	7,091	8,877	9,953	11,017	11,682	12,092	1,560	1,611	1,669	1,712	1,744
-	-	-	-	-	24	286	553	552	554	346	323	326	333	339
1,195,364	1,450,197	1,516,356	1,725,696	1,903,905	159,079	179,507	195,680	249,863	277,766	72,858	74,860	80,608	85,479	102,482
270,179	250,373	250,641	275,206	291,081	7,421	16,757	11,814	8,633	11,222	6,780	6,052	6,850	4,066	9,021
92,153	67,171	50,371	38,904	28,645	-	-	-	-	-	94	400	-	-	-
28,230	33,680	21,372	62,643	84,735	69,301	65,276	72,229	105,729	131,529	26,252	25,471	26,220	27,619	39,724
104,535	144,063	150,284	165,134	180,689	41,639	54,542	59,392	63,440	66,515	30,477	34,508	38,825	43,384	47,555
5.19	4.62	4.64	5.60	5.69	37.25	98.64	120.11	115.45	109.22	2.34	2.36	2.41	2.45	2.49
5.19	4.62	4.64	5.60	5.69	37.22	98.41	119.92	115.27	109.01	2.34	2.36	2.41	2.44	2.49
29.37	36.64	38.22	41.94	45.87	308.05	330.03	366.62	397.30	420.01	14.92	16.66	18.96	20.93	22.96
1.80	1.80	1.80	1.80	1.80	67.00	75.00	83.00	88.00	91.00	0.76	0.81	0.82	0.83	0.85
-	-	-	-	-	0.65	0.77	0.72	0.64	0.72	1.12	1.16	0.80	1.10	1.20
-	-	-	-	-	1.66	1.20	1.22	1.67	1.98	0.86	0.74	0.68	0.64	0.84





United Nations  
Global Compact



## A 2017 SDG PIONEER

FOR SUSTAINABLE  
BUSINESS STRATEGY  
AND OPERATIONS

---

**Jaime Augusto  
Zobel de Ayala**  
Philippines

#SDGPioneers



**“Ignoring the challenges faced by both global and national communities today threatens our ability to create long-term value and jeopardizes enterprises, markets, and entire societies. In the Philippines, our need to address economic inclusivity and build on sustainable business practices remains of paramount importance.”**

*- Jaime Augusto Zobel de Ayala in his New Year letter to the Ayala group*

Beginning in 2016, the United Nations Global Compact embarked on an initiative designed to both raise awareness on the Sustainable Development Goals, and to identify SDG Pioneers—individuals who are doing an exceptional job of acting on sustainable development issues within their own companies, or by mobilizing other businesses.

From hundreds of nominations received around the world, Ayala Chairman and CEO Jaime Augusto Zobel de Ayala was chosen as a 2017 SDG Pioneer for Sustainable Business Strategy and Operations. He is the first Pioneer from Southeast Asia, and the first Filipino to be given this distinction.

His leadership drove Ayala’s group-wide efforts to adopt a more inclusive approach to capitalism, by implementing strategies and business models that help to address the Philippines’ economic and development challenges. As part of

Ayala’s commitment to shared value, businesses across the entire group have sought to reach a wider segment of the market—entering sectors with critical gaps in affordability, access, and scale, and that are crucial to the development of the country. This includes our investments in energy, industrial technologies, infrastructure, healthcare, and education.

Adopting a mindset that prioritizes long-term sustainability has changed how Ayala works. Recognizing the breadth and depth of the impact that our group of businesses has on the Philippine landscape, we are determined to work even harder to build better businesses and have a stronger, positive impact on the lives of more Filipinos.

Ayala Corporation is a founding member of the UN Global Compact Network Philippines.



# OUR CONTRIBUTION TO THE UNITED NATIONS

## 1 NO POVERTY



BPI Direct BanKo provided

**₱445.5 MILLION**

of microfinance loans for self-employed micro-entrepreneurs

Ayala companies distributed

**₱422.5 MILLION**

in community investments for various poverty alleviation and social welfare projects in livelihood, education, and healthcare among others

## 2 ZERO HUNGER



BPI provided

**₱156 BILLION**

worth of agribusiness loans to support agriculture and food security

## 3 GOOD HEALTH AND WELL-BEING



FamilyDoc provided affordable primary care services to **more than 65,000** unique patients through its 21 community-based clinics in Luzon

Generika had

**41.7 MILLION**

sales transactions, 32.8 million of which were generic medicine sales, through its 750 drugstores nationwide

## 6 CLEAN WATER AND SANITATION



Manila Water delivered

**570 MILLION**

cubic meters of water to over **1 million** billed connections in its service areas

Manila Water treated

**56.4 MILLION**

cubic meters of used water from more than 147,000 sewer connections in its service areas

## 4 QUALITY EDUCATION



Ayala Foundation and Globe provided ICT education facilities to 11 public schools through Global Filipino Schools Program, benefitting **10,896 students** nationwide

APEC provides affordable quality secondary education to **OVER 16,000** students, 60 percent of which are from the D & E market, across 23 schools

University of Nueva Caceres produced

**647**

college graduates

## 5 GENDER EQUALITY



**1:1.33**

male : female employee ratio for the Ayala group

## 7 AFFORDABLE AND CLEAN ENERGY



AC Energy through its operating companies generated

**6,552.1 GWh**

of power

AC Energy's renewable energy generation assets generated

**410.3 GWh**

of power

## 8 DECENT WORK AND ECONOMIC GROWTH



Ayala companies spent

**₱173.5 BILLION**

in capital expenditures

Ayala companies generated a total of

**139,074 JOBS**

## 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



With over 37,000 base stations, Globe served

**63.4 MILLION**

customers and enabled the exchange of 600 petabytes of information

IMI manufactured more than

**31 MILLION**

units of automotive, connectivity, and smart energy technology components



# SUSTAINABLE DEVELOPMENT GOALS

10 REDUCED INEQUALITIES



Ayala group provides equal opportunities and fosters **non-discrimination** in the workplace.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



IMI and Globe diverted 98 percent and 9 percent of waste from landfill, respectively

Globe through Project 1 Phone hauled

**216,816 kg** of e-waste

Manila Water generates **1.3kWh** of electricity per day from 0.67 cubic meters of septage through its waste-to-energy facility

11 SUSTAINABLE CITIES AND COMMUNITIES



Muntinlupa-Cavite Expressway served **29,000** vehicles per day, generating savings of ₱519 million in fuel consumption and man-hours

Ayala Land has developed a total of **25 masterplanned** estates that are resilient, pedestrian-friendly, public-transport connected, and eco-efficient

Light Rail Manila Corporation served **157 million** passengers in LRT 1 with 99.39 percent train punctuality

Ayala Malls provide space for terminals for **9 Point-to-Point** bus routes to encourage commuters to use public transportation

13 CLIMATE ACTION



Ayala Land maintains **450 hectares** of carbon forest

Ayala companies planted **3,498 seedlings** through Project Kasibulan

AC Energy's renewable energy assets avoided **196,224 tonnes** of CO2e emissions

14 LIFE BELOW WATER



Manila Water removed **9,087 tonnes** of organic pollutants from used water

Light Rail Manila Corporation planted **2,000 mangrove** propagules in Lobo, Batangas

Ayala Land protects 9 threatened aquatic animals in El Nido Resorts, Lio Estate, and Anvaya Cove

15 LIFE ON LAND



Ayala Land protects 5 threatened plants and 20 threatened land animals in El Nido Resorts and Lio Estate

North Luzon Renewables' biodiversity study yielded **29 to 60 bird species**, 14 to 21 of which are endemic, year-round in Pagudpud, Ilocos Norte

Manila Water planted **15,800 seedlings** in 79 hectares of land in La Mesa Watershed and **1,700 trees** in 4.3 hectares of land in Ipo Watershed

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



Ayala continues to uphold good governance and respects human rights

17 PARTNERSHIPS FOR THE GOALS



BPI disbursed **₱201.8 BILLION** worth of loans for sustainable development projects in food and agriculture, sustainable energy, education, nutrition, and other sectors

Ayala sustained its partnership with the UN Global Compact Network Philippines



*Ayala Corporation is headquartered in Tower One, Ayala Triangle, Makati.*



# OUR LEADERSHIP







## MESSAGE FROM THE CHAIRMAN

(102-14)

### **Fellow shareholders,**

Let me start with a broad overview of the external economic environment to put our review of the past year into perspective.

The improving trajectory for the global economy continued in 2017, with a recovery in trade, investment, and manufacturing recorded in a majority of economies across the world. However, economists cited the need for productivity-enhancing structural reforms in both advanced and developing economies to sustain this level of growth. Aging populations, most evident in advanced economies, are expected to depress the expansion of employment. In the case of developing economies, the challenge lies in improving physical infrastructure and human capital, aggravated by the fast pace at which disruptive technologies are changing the business landscape.

Strong domestic consumption, continued investor confidence, and the government's aggressive infrastructure plan have created significant potential for sustained growth.



*“In recent years, we have made it a strategic imperative to search for opportunities beyond our shores, particularly across Southeast Asia. In our country, our businesses are recognized leaders that have established important presence in their respective industries with advanced skills and capabilities that can be deployed globally.”*

In ASEAN, despite worries of a slowdown brought about by protectionist initiatives in the US and geopolitical tensions in the Asia-Pacific and the Middle East nations, the region continued to perform strongly in 2017, bolstered by strong private consumption and exports.

Here at home, we continue to be optimistic about the Philippine economic environment. Even with the absence of election-driven economic growth from the previous year, our economy continued to perform strongly, recording a 6.7 percent expansion in 2017. The Philippines remains a top performer in ASEAN, trailing Vietnam, which registered 6.8 percent economic growth.

Many anticipate the momentum to continue this year as the government's aggressive infrastructure spending plans move to an execution phase and disposable incomes rise as a result of tax reforms. However, concerns around inflation

have emerged as a result of rising commodity prices arising from higher global energy prices and a weaker peso.

Ayala has been a beneficiary of the country's significant economic growth. This has served as a catalyst for us to unlock many opportunities and push us to develop new ideas to incubate new businesses, and to explore prospects for disruptive innovation. We took advantage of this encouraging domestic environment to create a portfolio that creates some hedges against specific macroeconomic and socio-political trends and balances our two major pillars—our publicly-listed industry leaders in real estate, banking, telecom, and water; and our wholly-owned emerging businesses in power, industrial technologies, infrastructure, healthcare, and education.

We are happy to report that our portfolio has sustained its robust growth trajectory in the last six years



despite some economic volatility and political changes. Our profitability has seen consistent double-digit growth since 2012, with compounded annual growth rate and total shareholder return both at 22 percent. In parallel, our market capitalization reached ₱630.5 billion at the end of 2017, reflecting a compounded annual growth rate of 23 percent.

Overall, the steady improvement in our financial performance puts us on track to achieve our strategic aspirations for 2020 of improving our profitability and shareholder return while diversifying our earnings stream. As you know, in 2016, we set out a target to double our net income to ₱50 billion by 2020 with a return on common equity of 15 percent, as well as generate earnings contribution of 20 percent from our emerging businesses and 10 percent from our international portfolio.

We are pleased to report the significant progress we have made in our diversification strategy by establishing new pillars of growth and moving into new geographies. In particular, the investments we made to develop a significant presence in the energy sector have started to bear fruit. Over the past five years, AC Energy has grown rapidly—starting with only 80 megawatts of attributable generating capacity from its inception in 2011 and achieving 1,600 megawatts in its pipeline in 2017. With its sizeable portfolio of reliable and affordable thermal and renewable energy platforms, AC Energy is becoming a meaningful

driver of our earnings stream and value creation.

Furthermore, across the Ayala group, we have made significant progress in expanding our international presence in new economies where we have the ability to bring our expertise and capital to address opportunistic. In recent years, we have made it a strategic imperative to search for opportunities beyond our shores, particularly across Southeast Asia. In our country, our businesses are recognized leaders that have established important presence in their respective industries with advanced skills and capabilities that can be deployed globally. AC Industrials, Manila Water, AC Energy, and Ayala Land are natural players on this front and have all started to develop regional and global businesses.

AC Industrials is our most global business in the Ayala group and now counts Germany, the UK, Serbia, and Thailand as new markets in

addition to their existing operations in China, Singapore, the US, Mexico, Bulgaria, and Czech Republic. Since its formation in 2016, the team has made progress in taking advantage of opportunities around disruptive trends in global manufacturing by assembling a portfolio of complementary assets in emerging technologies to deepen its presence in the automotive industry.

Already the largest foreign investor in Vietnam's water sector, Manila Water now services half of the consumer and industrial demand in Ho Chi Minh and has expanded to other parts of the country. As part of its ongoing expansion in Southeast Asia, Manila Water has entered the Thai market with the acquisition of an 18 percent stake in East Water, a publicly-listed water supply and distribution company. Moreover, it is establishing a footprint in Indonesia with the purchase of a 20 percent stake in PT Sarana Tirta Ungaran, a bulk water supply company.

*KTM's facility in IMI Laguna started production in June 2017.*





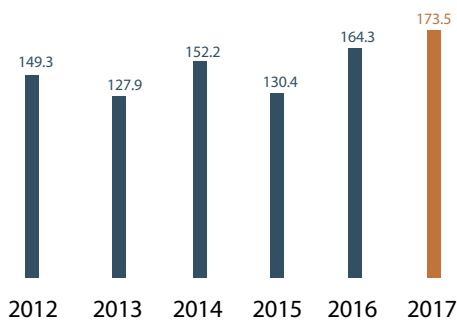
*BPI Banko helps to bring underserved and unbanked Filipinos into the formal economy, through access to critical services.*

In support of its diversification strategy, AC Energy is laying the foundation to be a regional player following its first overseas investment in acquiring a stake in Salak and Darajat Geothermal, which was part of Chevron’s energy assets in Indonesia. Since then, AC Energy has been exploring other opportunities in the region, and is currently developing a wind farm also in Indonesia and a solar project in Vietnam.

Moving forward, we remain optimistic about our growth trajectory as we adjust to monitor major global, domestic, and industry trends that affect our businesses and open new opportunities.

More importantly, beyond our financial metrics and aspirations, we measure ourselves against the broader progressive contributions that we make to society through our businesses. In the Philippines, economic inclusivity remains a challenge. We have made great improvements on this front and have, over time, readjusted our business models to cater to underserved Filipinos.

**6 YEAR CAPITAL EXPENDITURES  
(IN BILLION PESOS)**



Finally, Ayala Land is leveraging its widely recognized leadership in large-scale, masterplanned estate development in Malaysia through MCT Berhad, a real estate company it acquired in 2015. Ayala Land has over time increased its stake in MCT and in early 2018, raised its interest to hold a majority ownership of the company. This investment allows Ayala Land to participate in the growth prospects for Malaysia’s real estate market and affirm its role as a growing investor in Southeast Asia.

Our business lines in real estate, banking, telecom, water, power, industrial technologies, infrastructure, healthcare, and education have all developed new, innovative ways to provide products and services that bridge gaps in capacity, quality, accessibility, and affordability.

As an example, both our banking and telecom businesses have made financial inclusion a priority in business plans. Bank of the Philippine Islands and Globe Telecom have created ancillary businesses focused on servicing unbanked Filipinos, which today account for 50 percent of our adult population. Our bank runs BPI Direct Banko, focused on delivering affordable financing solutions to self-employed microentrepreneurs. Meanwhile, Globe operates Mynt, a financial technology joint venture with Ant Financial, that leverages mobile technology to provide payments and lending solutions to the underserved.

The investments we have made across our group are all in support of the country's development agenda. We have deployed ₱898 billion in combined capital expenditure over the last six years, which is equivalent to approximately 50 percent of the Philippines' foreign direct investments over the same period.

We will continue to put the resources, knowledge, expertise, and talent that we have across our group

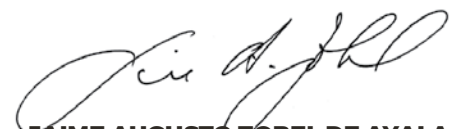
to harness our sustainable business practices and find new and improved ways to broaden economic inclusivity and remain relevant to our specific markets.

I want to thank you all for sharing this commitment we have to align our business strategies to broader sustainability imperatives as defined by the United Nations Sustainable Development Goals framework.

As a final note, I thank our Board of Directors for providing active management oversight and engagement as we address challenges and market opportunities. With diversity in thinking and a useful combination of knowledge, business experience, and expertise, our Board encourages a culture of trust, openness, and constructive dissent. In particular, with their breadth of business experience and focus on our long term interests, they have all provided guidance to many of our major strategic decisions.

I also thank our management team and staff for their spirit of corporate engagement and creativity to serve

our communities in progressive and sustainable ways. Finally, I thank our business partners, shareholders, and all our stakeholders for their continued trust and support to the Ayala group.



**JAIME AUGUSTO ZOBEL DE AYALA**  
CHAIRMAN AND CHIEF  
EXECUTIVE OFFICER



*In October 2017, Jack Ma joined the Ayala group in launching GCash's scan-to-pay system in the Ayala Malls.*



# REPORT OF THE PRESIDENT

## Fellow shareholders,

Underpinned by the strong fundamental drivers of our economy that continued to be in place, we are pleased to report that 2017 was another year of strong earnings growth. The aggressive growth agenda we embarked on several years ago bolstered the sixth year of Ayala's strong performance.

Our net profit climbed 16 percent to ₱30.3 billion, boosted by the solid performance of our real estate and power units. This sustained earnings momentum validates our long-term growth strategy, which is largely focused on expanding into new markets and customer segments, diversifying geographically, strengthening our core markets, and entering new businesses to create a platform for future growth.

This brings us closer to our strategic aspirations for 2020. On our profitability targets, we ended the year with a return on common equity of 13.2 percent against our target of 15 percent for 2020. Our diversification strategy is also increasingly coming to fruition. Our emerging businesses, primarily AC Energy and AC Industrials, contributed 16 percent to our equity earnings in 2017, versus our target of 20 percent at the end of the decade. Meanwhile, international platforms contributed 7 percent to our equity earnings during the year, against our goal of 10 percent in 2020.





*In April 2017, as part of a consortium, AC Energy completed its acquisition of Chevron's assets in Indonesia, including the Salak and Darajat geothermal fields in West Java.*

Our businesses continue to make significant progress in support of our strategic aspirations.

**Ayala Land** continued to work towards achieving a more resilient portfolio by rebalancing its income mix across geographies and business lines.

In terms of location, established estates such as Makati, Nuvali, Bonifacio Global City, Alabang, and Cebu accounted for 54 percent, while new estates and growth centers made up for 46 percent of Ayala Land's net earnings in 2017. In terms of business line, Ayala Land's recurring income, namely mall and office leasing, hotels and resorts, and property management segments accounted for 35 percent. Meanwhile, development income such as property sales and construction contributed 65 percent of Ayala Land's net income during the year.

All in all, the resurgence of property sales combined with a solid leasing business drove Ayala Land's net earnings during the year, jumping 21 percent to ₱25.3 billion.

**Bank of the Philippine Islands** continues to strengthen its market-leading businesses and core franchises through the expansion of lending activities, particularly in the consumer, small and medium enterprises, and microfinance segments.

It has created a business banking segment, a new client group focused on the needs of small and medium scale enterprises. To help augment financial inclusion in the country, the bank expanded the footprint of its microfinance unit, BPI Direct BanKo, from nine to 103 branches and microbanking offices. This platform provides small business loans to self-employed microentrepreneurs.

BPI's net income in 2017 was tempered by the absence of one-off gains realized in the previous year. It recorded net profits of ₱22.4 billion, up 1.7 percent from a year ago. Excluding one-off gains from the sale of securities in 2016, its net income actually grew 30 percent in 2017.

**Globe Telecom** continued to benefit from the high demand for data-related services. It accounted for 54

percent of its service revenues in 2017, which reached ₱127.9 billion, six percent higher from a year ago.

Globe continued to expand its data network nationwide to meet the growing customer preference for content-rich offerings. It deployed ₱42.5 billion in capital expenditure in 2017 for network infrastructure enhancement in support of its vision to deliver first world internet connectivity in the country.

This increased investment in network infrastructure resulted in higher operating and non-operating expenses and depreciation charges, which weighed down on Globe's profitability. Its net earnings dropped five percent to ₱15.1 billion in 2017.

Globe is ramping up its financial technology platform, Mynt, to accelerate financial inclusion and upgrade the electronic payment systems in the country. Together with Ayala, Globe partnered with Ant Financial through Ant's equity investment in Mynt. Leveraging on Ant's experience and expertise in digital financial services will enable Mynt to ramp up its vision of becoming a world-class online and offline payment provider, scale its mobile wallet services, and provide a wider range of digital financial services to its customers.

**Manila Water** continued to make progress in establishing a significant presence in various parts of the Philippines and in ASEAN. In the Philippines, it was given Notices of Award by the Leyte Metropolitan Water District and the City of Ilagan in Isabela for the construction and operation of water supply and sanitation facilities and services in those areas. This is in addition to its operations in Clark, Laguna, Cebu, Boracay, Bulacan, Zamboanga, and Tagum.



Furthermore, Manila Water is deepening its footprint in the region. In early 2018, it successfully entered the Thailand market with the acquisition of an 18.7 percent stake in East Water, a publicly-listed water supply and distribution company. East Water operations are strategically located along the Eastern Economic Corridor, which is targeted to be a leading economic zone in the region.

Shortly after, Manila Water acquired a 20 percent stake in PT Sarana Tirta Ungaran, a bulk water supply company in Indonesia. Sarana has a capacity of 21.5 million liters per day, servicing the water utility PDAM Kabupaten Semarang in the Regency of Semarang and industrial customers in Central Java Province.

Manila Water's active business development initiatives resulted in higher operating expenses, moderating its earnings growth in 2017. It recorded a net income of ₱6.2 billion, a modest improvement of one percent despite higher billed volume across all its business lines.

*"The past years have seen Ayala building businesses that meet some of the most basic needs of the Filipino people, as well as critical requirements to national development."*

**AC Energy** sustained its positive momentum as it scales up its portfolio of renewable and thermal energy platforms and executes on its diversification strategy.

In particular, its acquisition of a stake in Indonesia-based Salak and Darajat Geothermal, the asset previously owned by Chevron, has started to boost AC Energy's earnings capacity. Its net income jumped 31 percent to ₱3.5 billion in 2017, primarily driven by fresh equity earnings contribution from SD Geothermal. This was further lifted by solid contributions from its wind energy assets as well as services income derived from the financial close of a new power plant.

Following the acquisition of SD Geothermal, AC Energy continues to pursue investments overseas as it establishes itself as an emerging player in the region.

Similarly, AC Energy is boosting its conventional energy portfolio. In December 2017, the project financing for the second unit of its 2 x 668 MW super-critical coal fired power plant in Bataan, GNPowder Dinginin, achieved financial close. AC Energy has a stake of approximately 50 percent in the project. This will support the increasing electricity demand of Luzon and Visayas.

Finally, AC Energy is transitioning into a full-fledged energy platform with development, operation, and retail capabilities. It acquired the Bronzeoak development platform, which has a strong track record in renewable development.

In the area of industrial technologies, **AC Industrials** is building a portfolio of businesses to capture the disruptions taking place in the global manufacturing space.

With automotive as its key business line, it has anchored its strategy around key megatrends in the sector, such as the increasing percentage of electronic components in the car, the advent of autonomous vehicles, and the accelerating adoption of cleaner forms of alternative power, such as electricity.

In anticipation of these megatrends, AC Industrials has made a series of strategic acquisitions in various platforms since its formation in 2016. First, it partnered with KTM AG, the largest motorcycle manufacturer in Europe. The partnership covers the full motorcycle value chain – from parts manufacturing, vehicle assembly, local and international distribution, and dealership.



*Globe's Iconic store offers customers a dynamic and interactive retail experience.*

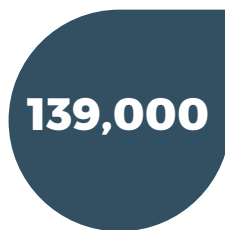
Second, it acquired 76 percent of VIA Optronics, a display solutions provider headquartered in Germany with production facilities in China. Third, it acquired 95 percent of German-based MT Technologies, a niche Tier 1 supplier which provides tooling, moulding, and specialized parts manufacturing services to leading European car manufacturers. Most recently, it acquired a controlling stake in Merlin Solar, an emerging company that develops differentiated solar solutions applied in transportation and infrastructure.

While these platforms are still in their early stages, our long-held businesses in electronics manufacturing and vehicle dealership serve as the foundation for AC Industrials' growth. In 2017, it registered a net income of ₱1.2 billion, up four percent from its year-ago level, on better performance of both business segments.

**AC Infrastructure** continues to execute on the three public-private partnership projects in its portfolio. Similarly, it is pursuing opportunities to expand its presence in the transport and infrastructure network space.

In partnership with SM Investments, AC Infra submitted an unsolicited proposal to the Department of Public Works and Highways for the construction and operation of an 8.6-kilometer elevated toll road that would link Sta. Mesa, Manila to the Mall of Asia Complex in Pasay City via the Central Business District. The proposal is currently under review by the Department of Public Works and Highways.

Moreover, as part of a consortium with Aboitiz InfraCapital, Alliance Global Group, Asia's Emerging Dragon, Filinvest, JG Summit Holdings, and Metro Pacific, AC Infra submitted an unsolicited proposal to rehabilitate and operate the



JOB'S PROVIDED  
IN THE AYALA  
GROUP

Ninoy Aquino International Airport. The consortium is prepared to spend ₱102 billion over the next five years to improve and expand the airport's capacity to serve passenger traffic, which has grown significantly and will continue to grow in the coming years.

Finally, in partnership with the Global Fashion Group, our partners in Zalora Philippines, AC Infra is entering the logistics space with the acquisition of up to 60 percent in a fulfillment solutions services company. This investment forms part of Ayala's strategy to develop infrastructure that will result in better efficiencies and improve the fulfillment processes of its existing businesses in real estate, banking, telecommunications, and e-commerce.

AC Health and AC Education continue to scale up their platforms to provide quality and affordable basic services to a broader segment of Filipinos.

Generika, **AC Health's** retail pharmacy network for affordable quality generic medicines, recorded ₱3.3 billion in revenues, up 15 percent from a year ago on higher retail sales and store expansion. It opened 100 stores in 2017, bringing total store count to 750. AC Health is targeting to ramp up Generika's total store count to 850 by the end of 2018.



TAXES PAID TO THE  
GOVERNMENT OVER  
SIX YEARS

In primary care, FamilyDOC, our chain of community-based clinics, served over 65,000 unique patients from its 21 locations in Cavite, Laguna, Las Piñas, Parañaque, Taguig, Pateros, Pasig, and Quezon City. AC Health targets to open 50 new FamilyDOC clinics in 2018.

Meanwhile, **AC Education** is ramping up its investments in the education space. In January 2018, it announced the signing of a non-binding term sheet for a potential merger with iPeople, the listed holding company for the education sector of the Yuchengco-led House of Investments. iPeople's education portfolio includes Mapua University, Malayan Colleges Laguna, and Malayan Colleges Mindanao, with a combined population of approximately 17,000 students. Mapua is one of the leading private engineering and technical universities in the country. We are targeting to close this merger in 2018.

Also in early 2018, AC Education signed a share purchase agreement to acquire National Teachers College, which has a 90-year track record in teacher education with approximately 10,000 students.

**Our value creation model**

Recognizing the impact that our businesses have across the country, we strive to create value beyond success in financial and operating metrics. A commitment to national development has always been a defining pillar of the Ayala group.

In 2017, our Chairman and CEO was recognized by the United Nations Global Compact for steering Ayala's deep commitment to bringing sustainability at the forefront of our business strategy and operations. Anchoring our shared value creation process and sustainability framework on the United Nations Sustainable Development Goals has allowed us to clearly define, measure, and report the different ways by which we contribute to the development of the Philippines. The SDGs will also guide us in designing a set of concrete sustainability targets, which will formally become part of our companies' and management's key result areas.

In addition, Ayala remains committed to the UN Global Compact and its 10 principles, as these reflect our drive to institutionalize sustainability in our group of companies.

The past years have seen Ayala building businesses that meet some of the most basic needs of the Filipino people, as well as critical requirements to national development. In 2017, AC Energy generated approximately over 6,500 GWh for the national grid. Our infrastructure arm continued to

improve the operating efficiencies of the LRT-1, Muntinlupa-Cavite Expressway, and the beep™ card in order to provide a safer, more efficient commuting experience to hundreds of thousands of Filipinos daily. AC Education and AC Health have likewise ramped-up their operations, for the benefit of over 24,000 students and 65,000 patients.

Our core businesses continue to provide best-in-class products and services that empower Filipinos. Ayala Land has 25 masterplanned, sustainable estates around the country, and has put in place a target of net-zero carbon emissions by 2022.

As a pillar of the banking community, BPI continues to support economic growth by providing critical financial services to the underserved. Globe caters to the telecommunications and lifestyle needs of over 63.4 million customers, while harnessing digital and mobile technologies to empower startups and small businesses. Moreover, Manila Water supplies water to 6.3 million people in the eastern part of Metro Manila and has widened its reach to bring world-class water services to more

communities in the Philippines and in the region.

Beyond the operational success of our companies, Ayala helps to drive equitable and inclusive economic growth by creating employment opportunities for over 139,000 people and remitting ₱239.4 billion in taxes to the national government over the past six years. A shared drive for excellence ensures that we build critical infrastructure to support our operations, innovate in various sectors, and do our part in building world-class industries for the Philippines.

The success we have had in creating shared value is due to the hard work of our board, management, and employees, all of whom work to optimize our value creation through sound strategies and responsible operations. This has long been a hallmark of Ayala's culture, and we are fortunate that our employees share our determination to have a positive impact on the Philippines.

In closing, we thank all our stakeholders for their strong engagement. We invite you to continue investing in us as we set new tracks for Ayala.



Through LRMCA, AC Infrastructure has improved the operations of the LRT-1, the oldest rail line in the Philippines.

**FERNANDO ZOBEL DE AYALA**  
PRESIDENT AND CHIEF  
OPERATING OFFICER





**RAMON R.  
DEL ROSARIO, JR.**

**XAVIER P.  
LOINAZ**

**JAIME AUGUSTO  
ZOBEL DE AYALA**

**FERNANDO  
ZOBEL DE AYALA**

**ANTONIO JOSE U.  
PERIQUET**

**DELFIN L.  
LAZARO**

**KEIICHI  
MATSUNAGA**

# BOARD OF DIRECTORS

## **JAIME AUGUSTO ZOBEL DE AYALA**

Filipino, 58, Director of Ayala Corporation since May 1987. He has been the Chairman and CEO of Ayala Corporation since April 2006. He holds the following positions in publicly-listed companies: Chairman of Globe Telecom, Inc., Integrated Micro-Electronics, Inc. and Bank of the Philippine Islands; and Vice Chairman of Ayala Land, Inc. and Manila Water Company, Inc. He is also the Chairman of AC Education, Inc., 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.; Director of Alabang Commercial Corporation, Ayala International Pte. Ltd., AC Energy, Inc., Ayala Healthcare Holdings, Inc., Light Rail Manila Holdings, Inc., and AG Holdings Limited; Chairman of Harvard Business School Asia-Pacific Advisory Board and Endeavor Philippines; and member of the Harvard Global Advisory Council, Mitsubishi Corporation International Advisory Committee, JP Morgan International Council, Global Board of Advisors of the Council on Foreign Relations, Asia Society International Council, University of Tokyo Global Advisory Board, Singapore Management University Board of Trustees, and Eisenhower Fellowships Board of Trustees. He was the Philippine Representative to the Asia Pacific Economic Cooperation Business Advisory Council from 2010 to December 2015. In 2007, he received the Harvard Business School Alumni Achievement Award, the school's highest recognition. He was a recipient of the Presidential Medal of Merit in 2009 for enhancing the prestige and honor of the Philippines both at home and abroad. In 2010, he was bestowed the Philippine Legion of Honor, with rank of Grand Commander, by the President of the Philippines in recognition of his outstanding public service. In 2015, he received the Order of Mabini, with rank of Commander, for his vital contributions during the Philippines' hosting of the APEC Summit. In 2017, he was recognized as a United Nations SDG Pioneer for his work in sustainable business strategy and operations. He graduated with a B.A. in Economics (Cum Laude) at Harvard College in 1981 and obtained an MBA at the Harvard Graduate School of Business Administration in 1987.

## **FERNANDO ZOBEL DE AYALA**

Filipino, 57, Director of Ayala Corporation since May 1994. He has been the President and Chief Operating Officer of Ayala Corporation since April 2006. He holds the following positions in publicly-listed companies: Chairman of Ayala Land, Inc. and Manila Water Company, Inc.; and Director of Bank of the Philippine Islands, Globe Telecom, Inc., and Integrated Micro-Electronics, Inc.; and Independent Director of Pilipinas Shell Petroleum Corporation. He is the Chairman of AC International Finance Ltd., Liontide Holdings, Inc., AC Energy, Inc., Ayala Healthcare Holdings, Inc., Automobile Central Enterprise, Inc., Alabang Commercial Corporation, Accendo Commercial Corp., and Hero Foundation, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Vice-Chairman of ALI

Eton Property Development Corporation, Aurora Properties Incorporated, Vesta Property Holdings, Inc., Ceci Realty Inc., Fort Bonifacio Development Corporation, Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshires Holdings, Inc., and Bonifacio Art Foundation, Inc.; Director of Livelt Investments, Ltd., AG Holdings Ltd., AC Infrastructure Holdings Corporation, Asiacom Philippines, Inc., Ayala Retirement Fund Holdings, Inc., AC Education, Inc., and AC Ventures Holding Corp., Honda Cars Philippines, Inc., Isuzu Philippines Corporation, and Manila Peninsula; Member of the Philippine-Singapore Business Council, INSEAD East Asia Council, World Presidents' Organization, and Chief Executives Organization; Chairman of Habitat for Humanity's Asia-Pacific Capital Campaign Steering Committee; and Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, and the National Museum. He graduated with a B.A. in Liberal Arts at Harvard College in 1982 and holds a CIM from INSEAD, France.

## **DELFIN L. LAZARO**

Filipino, 71, Non-Executive Director of Ayala Corporation since January 2007. He holds the following positions in publicly-listed companies: Director of Ayala Land, Inc., Integrated Micro-Electronics, Inc., Manila Water Company, Inc., and Globe Telecom, Inc. His other significant positions include: Chairman of Atlas Fertilizer & Chemicals Inc., Chairman and President of A.C.S.T. Business Holdings, Inc.; Vice Chairman and President of Asiacom Philippines, Inc.; Director of AC Industrial Technology Holdings, Inc., AYC Holdings, Ltd., Purefoods International Limited, and Probe Productions, Inc. He graduated with a BS in Metallurgical Engineering at the University of the Philippines in 1967 and took his MBA (with Distinction) at Harvard Graduate School of Business in 1971.

## **KEIICHI MATSUNAGA**

Japanese, 53, has been a Director of Ayala Corporation since April 2017. He is the General Manager of Mitsubishi Corporation Manila Branch. Currently, he is also the Chairman of International Elevator & Equipment Inc.; President of MC Diamond Realty Investment Phils., MC Oranbo Investment, MC Cavite Holdings, Inc., FMT Kalayaan, Inc.; and Director of Century City Development II Corporation, Isuzu Philippines Corporation, Kepco Ilijan Corporation, Trans World Agro-Products Corp., Japanese Chamber of Commerce & Industry of the Philippines, and the Japanese Association Manila, Inc. He is not a director of any publicly-listed company in the Philippines other than Ayala Corporation. He entered Mitsubishi Corporation after graduating from the Faculty of Law at Waseda University in 1988 and has since held various leadership positions.

## **XAVIER P. LOINAZ**

Filipino, 74, Independent Director since April 2009. He is also an Independent Director of the Bank of the Philippine Islands, a publicly-listed company. He also holds the following positions: Independent

Director of BPI Family Savings Bank, Inc., and BPI/MS Insurance Corporation; Trustee of E. Zobel Foundation; Chairman of Alay Kapwa Kilusan Pangkalusugan and XPL Manitou Properties, Inc.; and Vice Chairman of XPL MTJL Properties, Inc. He was formerly the President of the Bank of the Philippine Islands from 1982 to 2004. He was also the President of Bankers Association of the Philippines from 1989 to 1991. He graduated with an AB Economics degree at Ateneo de Manila University in 1963 and took his MBA-Finance at Wharton School, University of Pennsylvania in 1965.

## **RAMON R. DEL ROSARIO, JR.**

Filipino, 73, Independent Director of Ayala since April 2010. He holds the following positions in publicly-listed companies: President and Chief Executive Officer of Phinma Corporation; and Chairman of PHINMA Energy Corp. and PHINMA Petroleum and Geothermal, Inc. He is the President and Chief Executive Officer of Philippine Investment Management, Inc.; Chairman of Araullo University, University of Iloilo, University of Pangasinan, Cagayan de Oro College, Southwestern University, United Pulp and Paper Co., Inc., PHINMA Power Generation Corporation, PHINMA Renewable Energy Corp., One Subic Power Generation Corp., PHINMA Microtel Hotels, Inc. and PHINMA Hospitality, Inc. He is Vice-Chairman of Phinma Foundation, Inc. and Phinma Property Holdings Corp., Director of Union Galvasteel Corp. and other PHINMA managed companies; Chairman of the National Museum of the Philippines and Philippine Business for Education; and Vice-Chairman of Caritas Manila and Philippine Business for Social Progress. He is a former chairman of the Ramon Magsaysay Award Foundation and Makati Business Club, where he remains a Trustee. Mr. del Rosario graduated from De La Salle College in 1967 with degrees in BSC-Accounting and AB Social Sciences (Magna cum Laude) and from Harvard Business School in 1969 with a Master in Business Administration degree. He has managed Phinma since 2002 and brings with him a wealth of experience in leading a diversified conglomerate.

## **ANTONIO JOSE U. PERIQUET**

Filipino, 56, Independent Director of Ayala Corporation since September 2010. He is Chairman of BPI Asset Management and Trust Corporation, the Campden Hill Group, and Campden Hill Advisors, Inc. He also sits as an independent director of the Bank of the Philippine Islands, ABS-CBN Corporation, DMCI Holdings, The Max's Group of Companies, The Philippine Seven Corporation, and the Albizia ASEAN Tenggara Fund. Mr. Periquet is a trustee of Lyceum of the Philippines University and a member of the Dean's Global Advisory Council at the University of Virginia's Darden School of Business. He graduated with an AB Economics degree from the Ateneo de Manila University in 1982 and took his Masters of Science in Economics at the Oxford University, UK in 1988 and Masters in Business Administration at University of Virginia, USA in 1990.



# MANAGEMENT COMMITTEE



**ALFREDO I. AYALA**  
President and CEO,  
AC Education

**JOSE TEODORO K. LIMCAOCO**  
Chief Finance Officer,  
Chief Risk Officer, Chief  
Sustainability Officer,  
and Group Head,  
Finance <sup>(102-20)</sup>

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

**JOHN PHILIP S. ORBETA**  
Chief Human Resource  
Officer and Group Head,  
Corporate Resources

**JAIME AUGUSTO ZOBEL DE AYALA**  
Chairman and  
Chief Executive Officer

**ARTHUR R. TAN**  
President and CEO,  
AC Industrials , and  
CEO, Integrated Micro-  
Electronics, Inc.

**RUEL T. MARANAN**  
President,  
Ayala Foundation

**CEZAR P. CONSING**  
President and CEO,  
Bank of the  
Philippine Islands





**JOSE RENE GREGORY D. ALMENDRAS**

President and CEO, AC Infrastructure, and  
Group Head, Public Affairs

**JOHN ERIC T. FRANCIA**

President and CEO,  
AC Energy

**BERNARD  
VINCENT O. DY**  
President and CEO,  
Ayala Land

**FERDINAND M.  
DELA CRUZ**  
President and CEO,  
Manila Water

**SOLOMON M. HERMOSURA**

Chief Legal Officer, Chief  
Compliance Officer, Corporate  
Secretary, Data Protection  
Officer, and Group  
Head, Corporate Governance

**PAOLO MAXIMO F.  
BORRAMEO**

President and CEO,  
AC Health, and Group  
Head, Corporate Strategy  
and Development

**FERNANDO ZOBEL  
DE AYALA**

President and  
Chief Operating Officer



*AC Energy has two wind farms in Ilocos Norte—the 81MW North Luzon Renewables and the 52MW NorthWind Power.*

# VALUE CREATION





# OUR PORTFOLIO



 <p><b>47.1%*</b></p> <p>Leading and most diversified property developer in the country with the largest landbank</p> <p>(approx. \$12B market cap)</p>	 <p><b>48.2%*</b></p> <p>Pioneering financial institution and one of the most profitable banks in the country</p> <p>(approx. \$8B market cap)</p>	 <p><b>31%*</b></p> <p>Purveyor of the Filipino digital lifestyle, supported by a robust telecom infrastructure</p> <p>(approx. \$6B market cap)</p>	 <p><b>51.6%*</b></p> <p>Regional player in water infrastructure services and development</p> <p>(approx. \$1.3B market cap)</p>
 <p><b>100%*</b></p> <p>A fast-growing regional energy platform with investments in renewable and conventional power assets and development, operations and retail supply capabilities</p>	 <p><b>100%*</b></p> <p>Industrial technologies investments focused on electronics manufacturing, vehicle retail, and enabling technologies</p>	 <p><b>100%*</b></p> <p>Growing portfolio of key infrastructure projects and businesses to support the growing needs of the Philippines</p>	 <p><b>100%*</b></p> <p>Developing an integrated ecosystem focused on affordable medicine and access to healthcare services</p>
 <p><b>100%*</b></p> <p>Investing in educational institutions to deliver affordable high quality education that improves employability of students</p>	 <p><b>100%*</b></p> <p>Holding company for Ayala's investments in international real estate, as well as opportunities in disruptive sectors and emerging business models</p>	 <p>The conglomerate's social development arm, with key program areas in education, youth leadership, sustainable livelihood, and the promotion of arts and culture</p>	 <p><b>ACCELERATING THE FUTURE</b></p>

\*Economic stake

# OUR FINANCIAL MANAGEMENT STRATEGY

Ayala sees itself as a steward of our core businesses and a builder of new enterprises. Our core businesses are those we have developed over the past decades, which have grown to be market leaders. These businesses provide us a steady stream of earnings and dividends that fund our operating expenses, allow us to meet our interest and dividend obligations, and enable us to raise capital to fund our new endeavors.

Ayala prides itself on being a builder of businesses. We seek to grow sustainable businesses of scale that meet the needs of society, or that conform to our view of the future. We look for areas where we can innovate, disrupt traditional business models, or build on opportunities where capital has been scarce. Moreover, we pursue opportunities where we can make a difference through our experience and existing businesses, and where we may have a strategic advantage through our partners and our ability to raise capital.

As a company, we allocate capital to investments that we believe can deliver significant value over time. We follow a process that evaluates opportunities; tests for business and financial viability; identifies risk; designates business owners and a responsible management team; provides capital over a period of time, allowing management to execute a defined plan; and reviews performance regularly. Our gating process involves many groups within the company, including Corporate Strategy and Development; Finance; the Board's Investment Committee and Finance Committee; and the Board of Directors.



*Ayala's Board of Directors and senior management participate in a thorough gating process when evaluating potential investments.*

## **Evaluating Opportunities**

As a company we are always open to new areas of investment. When presented with opportunities or as investment ideas are developed, the Corporate Strategy group is tasked with evaluating these. We examine whether Ayala can bring its unique advantages to these opportunities and disrupt or innovate existing business models. We study the industry carefully, mapping out its structure, major players, and potential competition in the areas we are contemplating. Assessments are conducted to determine if the proposed business can fill a need and if the business model conforms with our view of the future. For example, in 2015, we decided to develop AC Industrials largely due to IMI's position among the 10 largest auto EMS companies in the world, which gave us a unique vantage point for the automotive manufacturing landscape—which we believe will change dramatically, as electric vehicles and self-driving cars become the norm, rather than the exception.

## **Testing for Viability**

Following the evaluation, Corporate Strategy and Finance work together to build a business plan and test for viability. Assumptions are tested and challenged and financial models are built and stressed. Economic returns are measured under different

scenarios. While the Corporate Strategy and Corporate Finance teams are responsible for building the business case and financial model, the Comptrollership and Treasury teams model the proposed businesses effect on Ayala's overall performance – balance sheet, income statement and cash flows. This dual review ensures not only business viability but also an understanding of the potential risks to Ayala's strong and conservative balance sheet.

## **Gating Process**

All investment proposals that progress beyond the Corporate Strategy and Finance groups are presented to the Investment Committee. The Investment Committee is made up 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 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**

The Finance Committee of the Board is currently composed of

the CEO, the COO, and two non-executive directors, one of whom is an independent director. The Finance Committee is responsible for all finance matters of Ayala, including allocating capital to our different business ventures. The Finance Committee reviews investment proposals as endorsed by the Investment Committee and if it sees fit, will determine an amount of capital to assign to the proposed business. Capital is allocated and committed over a set time frame (usually 3-5 years), which ensures that management has the funds to execute their proposed business plan. The Finance Committee endorses the recommended capital allocation to the Board of Directors which has final approval over all investments.

### **Performance Review**

The Investment and Finance Committees review the performance of each business unit at least twice a year: a general review, which covers Ayala's portfolio of businesses; and a specific business unit review. In the latter, the business unit's performance is measured against several metrics including the current budget (*How are we doing this year?*), the latest medium-term plan (*Is execution in line with our goals?*), and often, against competitors (*How do we measure against others?*). The objective of the review is to refine capital allocation depending on performance, and if needed, suggest changes to business plans or strategies.

### **Funding Strategy**

Since 2011, the parent has invested over ₱119.6 billion in our different business units. While we have relied on debt to fund much of these investments, we have maintained our policy of ensuring that we have a strong balance sheet and a conservative stance towards our debt levels. We raise equity capital when

necessary as we did in November 2014 when we raised \$275 million of equity capital through the sale of 18.78 million common shares. We also raised a total of ₱23.5 billion in preferred shares in 2013 and 2014.

### **Capital Raising**

Our strategy as regards debt is to raise debt opportunistically in the public markets and rely on strong and transparent banking relationships in the loan markets. In October 2016 we raised ₱10 billion through a seven year peso bond that bears a coupon of 3.92 percent and followed this in January 2017 with another ₱10 billion eight year peso bond with a coupon of 4.82 percent. Both bonds set record lows for coupons for those tenors. In September 2017, we raised \$400 million through a groundbreaking perpetual bond with a fixed for life coupon of 5.125 percent. This perpetual, which as its name implies, has no maturity, was the first bond of its kind to be issued by an ASEAN corporation. We maintain lines and committed lines from both local and foreign banks that ensure we have sources of funds available when opportunities arise.

In February of 2017, we went back to the local capital markets to raise ₱10 billion, eight year bond with a coupon of 4.82 percent, which also achieved the tightest spread versus benchmark. The proceeds were used to pay off our ₱10 billion, 7.2 percent bond maturing in April 2017, which resulted in lower interest expenses for the company and smoothed our maturity profile.

### **Debt Policies**

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. These policies include:

1. Maintaining a pre-defined cash

flow adequacy ratio, which ensures that the 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 was funded by debt. It also acts as a tool to use in a market downturn, as it helps frame a decision as to whether we should sell assets to prune our debt levels or take on additional debt to buy undervalued assets.

3. Maintaining a maximum amount of debt due each year. We spread out debt maturities across many years and avoid concentrating maturities in a single year. This ensures that an external event that might affect refinancing in any given year does not cause significant problems.

4. That foreign currency denominated debt is used to finance foreign currency denominated investments or that if non-peso debt is used to fund peso investments, that such debt be hedged.

5. We maintain a minimum ratio for fixed rate loans to floating rate loans. This ensures that our cost of capital carries a similar characteristic to the investments we make as our investments are long term in nature.

### **Balance Sheet**

Our balance sheet continues to be strong with significant debt capacity and a well spread out maturity profile. This is also augmented by an optimal foreign exchange and interest rate mix and a healthy cash flow adequacy ratio.



## Loan to Value Ratio

LOAN-TO-VALUE			
(in million pesos)	2015	2016	2017
Parent Debt	94,797	76,002	83,313
Parent Cash	47,284	16,422	18,644
Net Debt	47,513	59,580	64,669
Gross Asset Value	539,962	538,288	702,480
Parent Net Debt to Equity Ratio	0.44	0.56	0.59
Loan to Value	8.8%	11.1%	6.4%
Cost of Debt	4.10%	4.31%	4.23%

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 these obligations. At the end of 2017, our loan to value ratio decreased to 6.4 percent from 11.1 percent in 2016. The LTV does not include the impact of the fixed-for-life perpetual bonds, as these are perpetual securities and do not have to be repaid. Gross debt increased to ₱83.3 billion, offset by a higher end-2017 cash balance, which brought net debt to ₱64.7 billion. At the parent level, net debt to equity ratio stood at 0.59 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 dropped slightly to 4.23 percent per annum during the year as a consequence of expensive fixed rate obligations that have already matured.

At the end of 2017, our debt maturities are well-spread out and in compliance with our internal policy of not having maturities exceeding 20 percent of total debt on a yearly basis. The 2019 maturity tower is accounted for by our US\$300 million exchangeable bond, which is currently in-the-money with US\$7 million already converted into shares

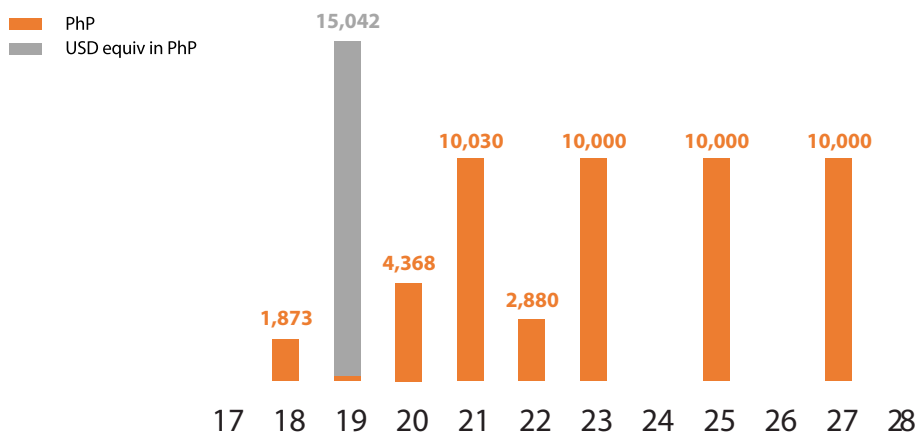
of Ayala Land.

Our fixed to floating rate mix of 93/7 last year puts Ayala in a favorable position in a rising interest rate environment. Peso obligations decreased to 58 percent of our total obligations, resulting from the issuance of US dollar-denominated fixed-for-life senior perpetual notes in September. Our US dollar-denominated obligations are more than offset by US dollar cash and long term foreign currency investments.

## Share Price Performance

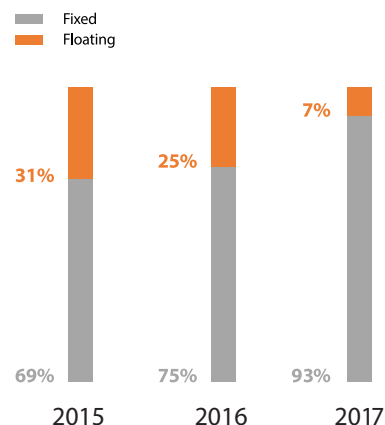
2017 was an overall positive year for the Philippine equities market, despite some headwinds

## Debt Maturity Profile (in millions of pesos)



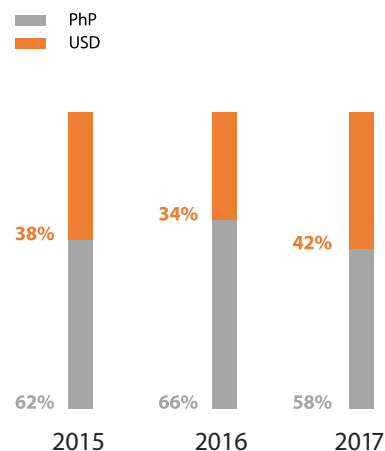
## Fixed/Floating Rate Debt Mix

(Percentage of Total Parent Debt Including Debt Guaranteed By Parent)



## Currency Mix of Debt

(Percentage of Total Parent Debt Including Debt Guaranteed By Parent)



## OUTSTANDING LISTED BONDS AND PREFERRED SHARES

Issuer	Type	Amount	Coupon	Issuance	Maturity	Details
Ayala	Preferred shares Pref B Series 2 (ACPB 2)	₱13.5 billion	5.575%	November 5, 2014	Perpetual	5th year repricing: 5-year PDST R2 + 175bps 10th year repricing: 10-year PDST R2 + 300bps
	Preferred shares Pref B Series 1 (ACPB 1)	₱10 billion	5.250%	November 15, 2013	Perpetual	10th year repricing: 5-year PDST R2 + 150bps 15th year repricing: 10-year PDST R2 + 300bps
	Voting preferred shares (non-listed)	₱200 million	3.695%	May 20, 2010	Perpetual	Every 3rd year repricing: 3-year PDST R2
	10-year multiple puttable bond, fixed coupon	₱10 billion	6.800%	May 12, 2011	May 12, 2021	First put option: May 12, 2016 (up to 20% of outstanding) Second put option: May 12, 2019 (up to 100% of outstanding)
	15-year callable bond, fixed coupon	₱10 billion	6.875%	May 11, 2012	May 11, 2027	May 11, 2022 (at 101.000%) May 11, 2023 (at 100.750%) May 11, 2024 (at 100.500%) May 11, 2025 (at 100.375%) May 11, 2026 (at 100.250%)
AYCFL (Guaranteed by Ayala)	Exchangeable bond to ALLI shares	US\$300 million	0.500%	May 2, 2014	May 2, 2019	Put option on May 2, 2017 Call option by issuer anytime after May 2, 2017 if ALLI price exceeds 130% of prevailing exchange price
Ayala	7-year callable bond, fixed coupon	₱10 billion	3.920%	July 7, 2016	July 7, 2023	January 7, 2022 (at 100.250%)
	8-year callable bond, fixed coupon	₱10 billion	4.820%	February 10, 2017	February 10, 2025	August 10, 2023 (at 100.250%)
AYCFL (Guaranteed by Ayala)	Perpetual bond, fixed coupon	US\$400 million	5.125%	September 13, 2027	Perpetual	Callable on September 13, 2022 (at 100.000%)

brought by global and domestic geopolitical concerns. The local stock barometer began 2017 in high spirits, riding on a global share price recovery following the sell-off late in 2016. At the end of the first quarter, the PSEi gained 6.89 percent year-to-date, while Ayala surged 15.7 percent, outperforming the bellwether index by a wide margin.

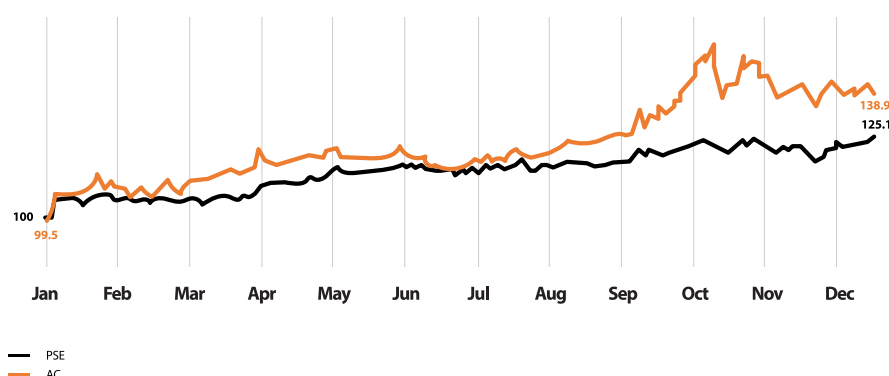
In the second quarter, the Marawi crisis erupted, prompting the declaration of Martial Law in Mindanao. However, investors seemed to focus on positive developments, such as Congress' approval of the landmark tax reform program of the Duterte administration. The PSEi breached the 8,000 level in early June, but gains were tempered following the

announcement of China A shares inclusion in the MSCI's Emerging Markets index beginning June 2018, which will have the effect of China shares displacing other emerging market shares. Despite this, the PSEi managed to extend its strong

performance, closing at 7,843.16 at the end of the second quarter—14.7 percent higher than its year-ago level. Ayala's year-to-date gain reached 16.4 percent in the same period, still outperforming the PSEi.

### Share Price Performance

AC Share Price Performance Versus PSE  
(2016 Year-end = 100)





The group nurtures its relationships with its banking partners, recognizing their contributions to our growth.

The index's gains were briefly derailed by geopolitical concerns from rising tension between North Korea and the US in the second half. The local market eventually regained its trajectory, reaching new highs as investors gained in optimism the implementation of tax reform by 2018. President Duterte signed into law the first tax reform package in mid-December of 2017, further boosting investor confidence. The PSEi ended the year on a high note, snapping two consecutive years of losses to close at a high of 8,558.42. Ayala tracked the market's trajectory, but posted a solid outperformance in 2017, gaining 38.9 percent versus the PSEi's 25.1 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 1.875 percent per annum. For non-voting Preferred B Series 1 and Series 2 shares, the dividends are given at 5.25 percent and 5.575 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 2017, we declared total dividends per common share of ₱6.92. 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.

<b>Dividends from Subsidiaries/ Associates</b> (in million pesos)	<b>2015</b>	<b>2016</b>	<b>2017</b>
ALI	2,935	3,358	3,385
BPI	5,128	3,418	3,419
Globe	3,349	3,575	3,745
MWC	1,005	1,096	1,113
IMI/ACI	167	209	215
Others	76	241	201
<b>Total</b>	<b>12,660</b>	<b>11,897</b>	<b>12,078</b>

<b>Dividends Payout Ratio</b>	<b>19%</b>	<b>16%</b>	<b>17%</b>
Cash dividends to common	3,568	3,572	4,299
Net income for prior year	18,609	22,279	26,011
<b>Dividend Yield - Common</b>	<b>0.80%</b>	<b>0.80%</b>	<b>1.00%</b>
Cash dividend per share	₱5.76	₱5.76	₱6.92
Market price per share, start of year	₱694	₱756	₱727



# OUR BUSINESS MODEL

## OUR PURPOSE

A singular purpose drives us at Ayala: making people's lives better. Through our businesses and investments, we harness today's disruptive trends to generate far-reaching impact in the markets where we operate. This drives everything we do as a company – from strategic development, financial management, talent management, and deployment of synergies.

We live out this purpose by building and managing a portfolio of long-term strategic holdings in key industries. We select sectors ripe for disruption and where our resources, expertise, and reputation can help unlock stakeholder value in a sustainable and risk-adjusted manner. By deploying and converting our various forms of capital into businesses and investments that are not only profitable but resilient, we believe we can consistently deliver returns above our cost of capital.

## OUR VALUES

Integrity

Long-term vision

Empowering leadership

Commitment to national development

## OUR INPUTS

### Financial Capital

Strong financial position (reliable cash flow and affordable access to debt), supported by a robust capital allocation process

### Human Capital

High-performing employees and management, who share the company's values and vision

### Intellectual Capital

Established brands, industry-specific expertise, and sustainability

### Social and Relationship Capital

Strong stakeholder relationships bolstered by consistent engagement, good governance, sustainability, and innovation

OUR  
PORTFOLIO



## OUR VALUE CREATION AS A HOLDING COMPANY

### Our major listed businesses:

As mature businesses, Ayala Land, BPI, Globe, and Manila Water no longer require constant operational attention and resources from the parent company. However, we continue to provide senior management talent and/or technical expertise. As of end-2017, for example, 24 Ayala employees in senior executive roles, have been seconded to our business units. Other advantages include access to growth platforms and networks housed at the conglomerate level. These include, for example, academic studies and key relationships with other business groups that can be leveraged into market entry and the creation of new products and services.

### Our wholly-owned emerging businesses:

Our wholly-owned companies which include our investments into energy, industrial technologies, infrastructure, healthcare, education, and other emerging sectors also receive the above benefits. However, as they are in various stages of starting up, they receive greater attention and resources from the parent. We actively influence their strategic direction, allocate new capital, implement proper governance, and help them operationalize by lending our corporate infrastructure. The Ayala brand is also usually of immense help as these startups attempt to secure key partnerships and complete crucial transactions. Finally, key talents are assigned to these business units early in their operating history, ensuring that the companies are infused from the beginning with Ayala's corporate culture and values.



Chairman and CEO Jaime Augusto Zobel de Ayala keynotes the government-organized Manufacturing Summit in November 2017.

## OUR STAKEHOLDERS

- Investors and other capital market participants
- Creditors and suppliers
- Business partners and affiliates
- Government agencies and regulators
- Employees
- Customers
- Industry associations and other stakeholders

Refer to pages 59-61 for more details.





# ENABLING ACCESS TO HEALTHCARE

## Value creation case study

Investing in human capital development is necessary to achieve inclusive growth. Healthcare is an important part of the Philippine national agenda. However, the sector has a number of critical issues. For example, it is estimated that six out of 10 Filipinos die without ever seeing a doctor. London-based Economist Intelligence Unit likewise ranked the Philippines 78th out of 80 countries in its Quality of Death index, which measures the quality of palliative care given to patients.

AC Health was established in 2015, as Ayala's way of disrupting the sector to meet Filipinos' basic need for quality and affordable healthcare. After conducting industry research, focus group discussions, and consumer studies, AC Health found persistent gaps in affordability and access, including in medicines.

While generic medicine had become more widely available in the Philippines, branded pharmaceutical products are in some cases 30 times more expensive than in other developing countries. AC Health acquired a 50 percent stake in Generika, a nationwide leader in affordable medicines with the third-largest footprint in the pharmacy industry. Generika offers quality, affordable generic medicines that allow patients as much as 85 percent savings on medicines. Apart from this, it also offers value-added services. One example is a Gamot (Medicine) Guide: a print-out that provides information about the dosage, administration, and side effects of the medicine they take. Generika helps to ensure that Filipinos can purchase the



savings on primary care, with discounted rates for FamilyDOC members.

One of these patients is Nina, an 86-year-old from Taguig. She visited a FamilyDOC clinic near her home because her blood pressure had shot up to dangerous levels and could no longer be managed by her usual medicine. FamilyDOC physicians assessed her condition, and prescribed her the appropriate medication

medicine they need, and that they are well-informed regarding its use.

The studies AC Health conducted also revealed that around 45 percent of middle-income Filipinos often go a year without visiting a primary care doctor. Those that do avail of health services often go to barangay health centers that are not well-equipped to treat patients properly. Other patients, meanwhile, have to travel long distances to visit a public hospital.

AC Health launched FamilyDOC—community-based clinics with a three-in-one model that combines primary care consultation, laboratory services, and a pharmacy. Clinics are located in high-density, residential communities, and are staffed by Primary Care Physicians with specialists in Internal Medicine, Pediatrics, and Obstetrics on call for referrals. It offers 10-40 percent







to alleviate her symptoms. Her doctor also took the time to conduct a comprehensive assessment, which revealed an underlying Urinary Tract Infection as a trigger to her increased blood pressure. She now visits the clinic regularly to monitor her blood pressure.

Nina's case highlights the impact that FamilyDOC strives to have: efficient and affordable medical care that ensures the well-being of patients, while heightening their awareness of the importance of primary healthcare.



# HOW WE MANAGE OUR CAPITALS

Ayala has maintained its strong position in the market in large part due to proactive and strategic management of its financial, intellectual, human, and relationship capital. Moving forward, the company shall continue to monitor these capitals, to ensure they are harnessed in a way that creates the best possible value for all our stakeholders.

	Indicators	2017	2016	How we manage our capitals
<b>Financial Capital</b> 	Capital expenditures (at parent)	₱16.1 billion	₱10.3 billion	Our main sources of funding are through regular cash dividends from our operating units, strategic divestments, and value realization opportunities, issuances of high-quality corporate debt, and equity that has historically met with keen demand from long-term shareholders. Using quantitative and qualitative criteria and a multi-step management approach, we allocate financial resources to those we believe provide the best risk-adjusted stakeholder returns over the long term.
	Average cost of debt	4.23%	4.31%	
<b>Intellectual Capital</b> 	Industry awards <small>*Not comprehensive</small>	Ayala Land is Most Socially Responsible Company of the Year (Asia Corporate Excellence and Sustainability Awards)	BPI is Best Bank in the Philippines (The Corporate Treasurer)	The strong and trusted Ayala brand, our deep expertise in key industries, as well as Philippine business experience borne out of 184 years of existence, allow us to create and grow businesses positioned for leadership in their sectors both locally and globally. We also apply a transformative approach to any sector we enter and empower synergies across our group of businesses.
		Manila Water is No. 1 Best Managed Utilities Companies in Asia (FinanceAsia)	Globe Telecom is Mobile Service Provider of the Year (Frost and Sullivan)	
			AC Energy named the fastest growing energy platform (International Finance Magazine)	
<b>Human Capital</b> 	Ayala employee engagement score <small>*conducted every two years</small>	88%, two points above the global high performing norm		We recruit, develop, and deploy high performing, motivated employees and leaders who not only have global mindsets, but also possess deep knowledge of regional and local markets. The diversity of this experience is further strengthened by regular training and focus on safety and health. In recent years, we have also begun to transform our talent base to not only ensure that we can compete in the industries of the future, but also take advantage of ongoing shifts in the nature of work—such as flexible working arrangements and the growing prevalence of freelancing.
<b>Relationship Capital</b> 	Strategic partnerships	Our businesses maintain strong partnerships with over 40 leading companies in the Philippines and from across the globe		We maintain close linkages and strive to balance the individual needs of our many stakeholders – investors, partners, suppliers, customers, employees, and the public sector. We aspire to build mutually beneficial strategic relationships that remain strong over generations, geographies, and through the economic cycle. We enhance and protect our collective interests and maintain transparency by adhering to the highest standards of corporate governance and risk management; this grants us the license to operate continually.
	Group-wide taxes paid to government	₱50.5 billion	₱44.5 billion	

# OUR OUTLOOK

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

## Rising Consumer Class

### *Description*

The Philippines is currently in the midst of a demographic dividend as the country's young and growing population gradually enters the workforce. This has resulted in an expanding base of urbanized, middle-income consumers with discretionary income that continues to unlock demand for not only fast-moving items like food, clothes, and personal technology, but also for large purchases like homes and vehicles. Following global trends, this consumer base is also more empowered and informed than any in history, owing largely to the transparency and access enabled by the Internet and social media.

### *How our strategy addresses this*

We continue to prioritize the Philippines with most of our businesses and investments in sectors that are well-positioned and aligned with the country's growth. Across the group, we have created many products and services that benefit the country's expanding middle class: Globe Telecom, for example, has over 63 million mobile subscribers. Catering to growing motorization in the country, AC Industrials' automotive retail arm sold over 28,000 vehicles in 2017.

## Challenging Regulatory Environment

### *Description*

Our businesses, at varying degrees, are exposed to risks associated with political transitions, shifts in laws and regulations, and populist views. Some of our businesses that support the country's physical infrastructure development, such as water, transport infrastructure, telecommunications, and power, operate in highly-regulated environments.

### *How our strategy addresses this*

We regularly adapt our portfolio, which includes managing our exposure to prevailing macro-political winds. While we remain supportive and continue to deploy resources to these sectors, we manage this potential risk by expanding outside highly-regulated spaces as in the examples of Manila Water and AC Infrastructure. In 2015, we created a Regulatory Council as a platform to collaborate, exchange insights, and be more proactive in tackling regulatory issues and enhancing our government relations mechanisms.

## Regional Economic Growth

### *Description*

Southeast Asia, which has exhibited relatively stable growth over the last decade, continues to retain untapped economic potential. Aggregate GDP as of 2016 stood at \$2.6 trillion, making ASEAN the world's fifth-largest economic bloc. The Philippines's demographic advantages remain reflective of the region as well. ASEAN's 630 million-strong population could result in as many as 230 million additional workers – and by extension, consumers – in Southeast Asia by 2030. Longer-term projections continue to be positive, with studies projecting that the region could be the world's fourth largest economy by 2050.

### *How our strategy addresses this*

While the Philippines remains our primary base of operations, our current five-year strategic plan includes an emphasis on expanding our presence outside the home market. We have targeted growing the contribution of overseas operations to Ayala's equity earnings to 10 percent by 2020. Progress has been solid to date with international businesses now accounting for seven percent of total equity earnings in 2017, primarily from Ayala Land, Manila Water, AC Energy, AC Industrials, and selected investments by the parent company.

## Exponential Pace of Disruption

### *Description*

Many sectors and industries in the world are facing disruption. Freer flows of capital, technology, and information have enabled bold, entrepreneurial endeavors, hastened the development of transformative business models, and resulted in the market leaders disappearing in the span of just a few years. Traditionally stable sectors such as manufacturing and financial services have been challenged by unconventional competitors and business models making the most of technological advancement—for example, artificial intelligence, automation, and fintech. Incumbents will increasingly be forced to reinvent their business models to remain relevant, much less retain leadership, in their respective spaces.

### *How our strategy addresses this*

We have made disruptive innovation a guiding principle across the group. Our Innovation unit constantly searches for trends and operating models that may benefit or threaten our business units.

Our acquisitions of stakes in Zalora Philippines and Mynt have exposed us to the growing sectors of e-commerce and fintech—creating opportunities for synergies across our group of businesses.

In support of our strategic initiatives, we have institutionalized several platforms to reinforce innovation in our corporate culture, such as our annual Spark conference.

## Disruptive Trends in Automotive

### *Description*

The pace, breadth, and depth of disruption in the automotive sector has been particularly profound. Driven by shifts in technology, policy, and customer preferences, the vehicles of the future are rapidly moving toward alternative powertrains, autonomous driving, and shared mobility. Sales of electric vehicles, for example, are expected to surpass their internal combustion engine counterparts by 2038, enabled by rapidly declining component prices (a battery costing \$1000 today is projected to fall to \$73 by 2030) and an average assembly time of 40 percent less. The evolution of the automotive sector is not only expected to generate robust employment multiplier effects (4-7x), and also impact relatively unrelated sectors such as retail, media, and healthcare.

### *How our strategy addresses this*

In 2016, we brought together our automotive and manufacturing assets under AC Industrials, forming a platform for Ayala's entry into the industrial technology space as a strategic new sector and source of growth for the group. Since then, AC Industrials has committed or deployed a total of nearly \$100 million in capital to build its portfolio in automotive and other industrial sectors.

## Growing Social Tension

### *Description*

Disruption has also come in the form of rising social tension globally. Recent years have seen shifts in political landscapes, as a result of public dissatisfaction with inequity, corruption, and the failure of established institutions to spur equitable growth. Unconventional leaders have been elected across the world—from the United States, to the Philippines. In addition, the rise of populism and anti-globalization sentiment, most seen for now in advanced economies, reflects the acute need for more inclusive business models that create jobs.






### *How our strategy addresses this*

We have adapted our offerings over the last five to seven years to cater to a broader base of the Filipino population. For example, Ayala Land has expanded its offerings to include different price points, including socialized housing. BPI continues to drive financial inclusion, while our entry into the health and education sectors allows our businesses to provide quality healthcare and education at affordable price points.



# OUR STRATEGY

## FIVE VISION PILLARS

	STRATEGIC OBJECTIVES	2017 PERFORMANCE	KEY PERFORMANCE INDICATORS
	Build a strong, growing, and diversified portfolio that can withstand and take advantage of economic cycles	<ul style="list-style-type: none"> <li>Increased earnings capacity and quality exponentially for the 6th straight year</li> <li>Increasingly diversified returns through exposure in varied industries</li> </ul>	<ul style="list-style-type: none"> <li>Net income grew 16% to ₱30.3 billion</li> <li>ROCE improved from 12.6% to 13.2%</li> <li>Total shareholder return of 39.9%</li> </ul>
	Positively disrupt, transform, and impact the markets we serve	Rising earnings contribution of emerging businesses as we scale up AC Energy and AC Industrials	<ul style="list-style-type: none"> <li>Equity earnings contribution from emerging businesses grew to 15.9% from 12.4%</li> <li>Invested ₱16.1 billion in new growth platforms versus ₱10.3 billion in 2016</li> </ul>
	Strategically expand our presence and relevance globally, with focus on Southeast Asia	<ul style="list-style-type: none"> <li>Unlocked new markets in Thailand and Indonesia and deepened foothold in Vietnam</li> <li>Expanded foothold in the US and in Europe through UK, Germany, and Serbia</li> </ul>	<ul style="list-style-type: none"> <li>Equity earnings contribution from overseas operations grew to 7% from 5.4%</li> <li>Group-wide international revenues reached ₱61.6 billion from ₱43.1 billion in 2016</li> </ul>
	<ul style="list-style-type: none"> <li>Align our strategy to national development</li> <li>Partner with respected local and global institutions</li> <li>Attract the best possible talents</li> </ul>	<ul style="list-style-type: none"> <li>Recognized efforts on integrating sustainability with strategy</li> <li>Built a culture that attracts the best employees</li> </ul>	<ul style="list-style-type: none"> <li>Our Chairman and CEO was recognized as a UN SDG Pioneer (refer to pages 14-15)</li> <li>Ranked 18th best employer in the world by Forbes magazine</li> <li>Robust stakeholder engagement (refer to pages 59-61)</li> </ul>
	Create and support clear industry-leading businesses that show sustainable growth potential	<ul style="list-style-type: none"> <li>Listed businesses are leaders in their industries</li> <li>Recognized as among the best in the Philippines for management excellence, corporate governance, sustainability, and investor relations</li> </ul>	<ul style="list-style-type: none"> <li>Awarded CFO of the Year</li> <li>Ayala Corporation, Ayala Land, Globe Telecom, and Manila Water ranked in the Top 50 Publicly Listed Companies in ASEAN (ACGR 2016)</li> <li>Recognized as best Risk Management Program in the region</li> </ul>

# AYALA BEYOND THE PHILIPPINES: EXPORTING HOMEGROWN EXPERTISE

The expansion of Ayala's footprint outside our shores is driven largely through our business units, several of whom have mature, exportable strengths that allow them to add meaningful value in other geographies. Once a subsidiary has accessed a new market via their individual industry networks, we gradually bring to bear Ayala's resources, synergies, good governance, and broad array of complex technical skills.

2017 saw significant progress towards achieving our group-wide goal of increasing the equity earnings contribution of overseas operations to 10 percent. At year-end, equity earnings sourced from outside the Philippines stood at seven percent of the total amount. Strategic investments made over the last few years began to bear fruit, while additional pieces were added for the future. While we faced the challenges that naturally arise with going beyond Philippine borders, last year's successes followed four major themes.

## **Riding favorable macro-political environments: Ayala Land**

Malaysia's stable political environment and strong economic growth – averaging five percent over the last five years – provided a positive backdrop for Ayala Land's decision to take a 9.2 percent stake in then-publicly listed property developer MCT Berhad in April 2015. Management believed that MCT, with a mixed-use development strategy comparable to Ayala Land's, would be a platform to bring its industry leadership in large-scale estate developments and expand its exposure and knowledge into one of Southeast Asia's most vibrant economies.



*MCT Berhad's 417-acre Cybersouth township in the Cyberjaya-Putrajaya-Kuala Lumpur International Airport Corridor in Malaysia.*

Since then, Ayala Land has raised its stake in MCT multiple times, and today holds 72.3 percent of the company.

## **Taking advantage of strategic opportunities: AC Energy**

When the rare window to acquire already-operating assets in the power generation space – made possible by the exit of a global leader in exploration & production – became available, AC Energy and its partners seized the opportunity. The acquisition at the end of 2016 of a 19.8 percent stake in the Salak and Dajarat geothermal plants – totaling 637MW – in West Java, Indonesia, was immediately accretive, adding over ₱500 million in earnings in 2017 and representing nine months of attributable income.

## **Playing to business unit strengths: Manila Water**

As one of the most successful public-private partnerships in the Philippines, Manila Water Company spent two decades optimizing the water supply and distribution system in the eastern part of Metro Manila. Since it took over the concession in 1997, Manila Water reduced non-revenue water to 11 percent from 63 percent and enabled a 24/7 supply of water for its customers. It has developed a track record of deep operational expertise deployable in other emerging markets. In 2008, Ayala's water infrastructure arm

took its first steps outside the Philippines via a management contract with Vietnam's Saigon Water Company for a leakage reduction project. Today, Manila Water is one of the largest foreign direct investors in Vietnam, supplying almost 50 percent of Ho Chi Minh City's treated water requirements via multiple entities. Manila Water continues to explore opportunities actively within Southeast Asia, entering Indonesia and Thailand in early 2018.

## **Leveraging sector trends: AC Industrials**

As it continues to work toward its aspiration of becoming a globally competitive industrial group, AC Industrials rode the emerging trend of "nearshoring," or locating close to one's market, to lower costs, enable faster transfer of information, and unlock synergies. VIA Optronics, a company it acquired in 2016, posted record revenues in 2017 to help IMI cross \$1 billion in topline for the first time in 2017. The additions of STI Enterprises, which further strengthens IMI, and MT Technologies, a platform for directly participating in Europe's automotive industry, position AC Industrials well for continued growth. In early 2018, AC Industrials acquired a solar technology company based in California.

# RISK MANAGEMENT AT AYALA: FROM MITIGATION AND AVOIDANCE TO VALUE CREATION (102-11, 102-15)

## Risks and Opportunities

Risk management is an increasingly important business driver and part of successful corporate governance. Ayala believes that effective corporate governance entails risk intelligence: a philosophy that does not discourage risk-taking, and embeds appropriate risk management into the whole organization. This way, risk-taking for reward and growth becomes as significant as risk mitigation for protecting value.

To realize the value proposition of risk management, it is essential to

have a framework that has the right architecture, strategy, and protocols that support the risk management process. The risk architecture sets out the roles and responsibilities of concerned individuals and committees, as well as the structure for communicating and reporting on risks and opportunities. The risk strategy specifies the objectives of the risk management activities in the organization, while the risk protocol describes the methodologies, tools, and techniques by which the strategy will be implemented and risks managed. The assessment of significant risks

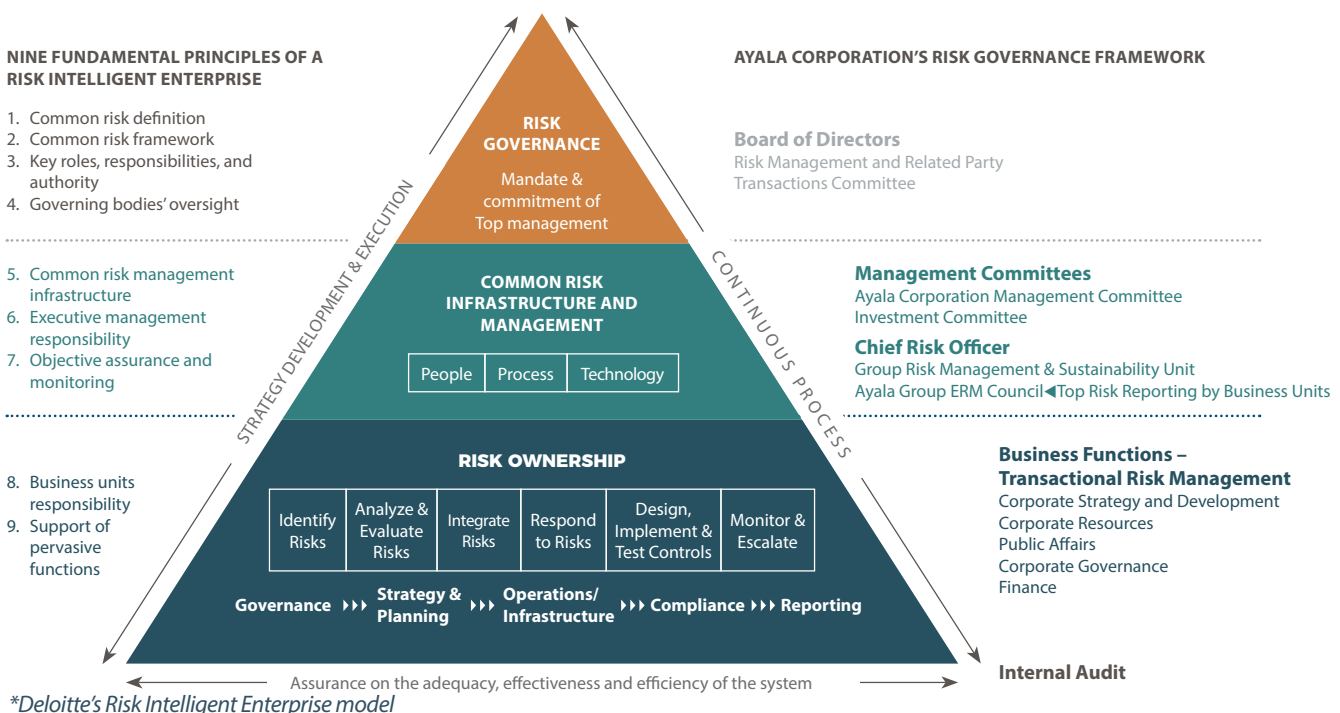
and the implementation of suitable responses are at the core of risk management. When done correctly, the maximum sustainable value from all the organization's activities can be achieved and delivered to all stakeholders. Furthermore, with the right approach, risks can be turned into opportunities.

and the implementation of suitable responses are at the core of risk management. When done correctly, the maximum sustainable value from all the organization's activities can be achieved and delivered to all stakeholders. Furthermore, with the right approach, risks can be turned into opportunities.

## Risk Architecture (102-19, 102-30)

For this reporting period and under the supervision of the Chief Risk Officer, the Group Risk Management & Sustainability Unit continued to align Ayala's risk governance with that of global risk consultant Deloitte,

## RISK INTELLIGENT ENTERPRISE\* VS. AYALA CORPORATION'S RISK GOVERNANCE FRAMEWORK





which espouses a best practice that goes beyond risk avoidance and mitigation, to utilize calculated risk-taking as a means to create value.

Similar to a risk intelligent enterprise, Ayala's risk governance is at the apex of the system. The Board of Directors is provided appropriate transparency and visibility into the organization's and the group's risk management practices. Through the Risk Management and Related Party Transactions Committee, the Board ensures the company has an effective risk management process and its risk appetite remains relevant to achieve its goals.

As the advocate for the company and the group, the CRO has the primary responsibility of designing, implementing, and maintaining an effective risk program. The Group Risk Management & Sustainability Unit supports the CRO by designing activities that enhance the organization and the group's risk intelligent culture, formulating risk management strategies, evaluating tools and techniques for risk assessment, and monitoring and reporting on key principal risks. It also convenes the ERM Council, a group comprising the risk officers of all Ayala's business units, for risk framework alignment, continuous risk process improvement, and other group-wide projects. On a semi-annual basis, the ERM Council provides the top risks of their respective organizations to the Group Risk Management & Sustainability Unit, for reporting to both the CRO and the Risk Management and RPT Committee. Management committees also provide support to the CRO by ensuring the existence of a structure at the operating level that will communicate and monitor key principal and emerging risks. They also ensure that risks are discussed during project and investment meetings.

As risk owners, the business unit leaders are responsible for managing the risks they face in the day-to-day operations within the established risk framework. They have the responsibility to identify, measure, monitor, control, and report on risks to management. Finally, the Internal Audit Unit provides independent assurance of the adequacy, effectiveness, and efficiency of the risk management process.

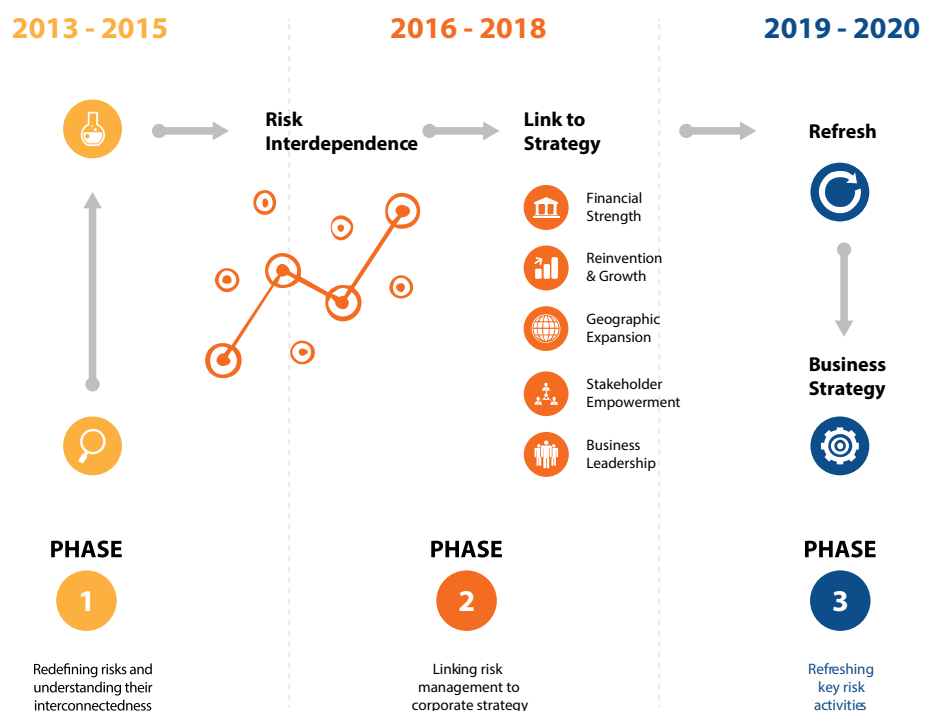
**Risk Management Strategy**

Our risk management practices are now among the most mature and extensive in the Philippines. Ayala has designed an enterprise risk management roadmap, which highlights milestones in the linking of risk management to strategy, and integration of risk management into sustainability. Ayala has successfully completed the first major phase of the roadmap and is currently aligning risk management with business strategy and daily operations.

From 2013 to 2016, Ayala moved from mere compliance in Phase 1, to integration in Phase 2. This involves a shift from the old view of risks as distinct and separate, towards a mindset that understands the interconnectedness of risk, which can be directly linked to strategy and profitability. This was achieved by redefining Ayala's ERM policy, particularly to strengthen the oversight role of the Board on risk management. Through a more vigilant Board, and the sharing of best practices and resources, the Group Risk Management and Sustainability Unit cascaded key risk strategies from the holding company down to all business units, where a comprehensive understanding of risk is needed most as the business units serve on the frontlines.

Beginning in 2016, Ayala has pursued the most number of risk-related activities compared to previous years in linking risk management to strategy. In 2017, Ayala picked up the

**2020 ENTERPRISE RISK MANAGEMENT ROADMAP**



pace by mounting more intensive activities to further strengthen and embed the practice of risk management at all levels of the organization. These activities helped us streamline our opportunities and positive impact, and prioritize our material factors. Our material factors and their positive impact may be found in our Materiality Section, pages 62-69.

**Optimizing the Ayala Group's risk transfer strategy**

To better understand the group's current risk transfer strategy, the Ayala group embarked on an insurance optimization study in 2016. The results showed that there is a decentralized purchasing strategy and mixed purchasing practice across the group, resulting in duplicate and varied covers. Significant uncovered exposures were noted despite high insurance premium spend.

Insurance optimization was implemented in 2017 to consolidate and centralize procurement, which is expected to deliver better coverage and wordings, as well as cost savings. As of the reporting period, the group has placed its first optimized motor car insurance program. This program generates an average premium savings of 20 percent per entity in the conglomerate, and allows for

wider coverage, as well as enhanced policy wording, administration, and employee benefits. The program is believed to be the first of its kind in the country with all terms combined in one policy. It will also help facilitate data analytics that will help us establish preventive initiatives in the long run.

Negotiations with the insurer for the other insurance lines, such as property damage and business interruption, general liability, political violence, and directors and officers liability, are currently ongoing and placements are expected to be completed by the end of April 2018.

**Establishing Ayala's risk appetite**

Recognizing that risk appetite is a relevant driver for strategic decision-making, the Group Risk Management and Sustainability unit organized a Risk Appetite Establishment workshop for the company. During the workshop, management identified non-negotiable risks and provided their risk appetite limit for each of the business strategies. They set the risk limits for each of the drivers of four impact areas (financial, people, compliance, and reputational), and used these limits as the basis for crafting risk appetite statements.

As an example, management set their risk appetite for workplace safety and ethics--one of the three key drivers of people impact--at risk-averse. Following this, the crafted risk appetite statement affirmed that Ayala is risk-averse towards risks related to workplace safety and ethical standards and any incident related to it will not be tolerated.

Risk officers of different business units then underwent training on the same subject to ensure consistency in the process of setting risk appetite within the group. They are expected to have their own risk appetite limits and statements in 2018, which will be consolidated at the group level.

**Increasing Risk Awareness**

Ayala held its 3rd ERM Summit with the theme "Building a Stronger Ayala amidst Emerging Risks". Regional experts and practitioners shared their knowledge on the top risks in the Asia Pacific region, status of emerging risks such as cyber, talent, innovation and technology, and political and regulatory risks, and risk management strategy to protect companies from such. The 2017 summit was well-attended by more than 160 senior and mid-level officers across the group, an increase of 25 percent in number of attendees.



Ayala's senior leadership participate in the Risk Appetite Establishment workshop.



Ayala Chairman and CEO Jaime Augusto Zobel de Ayala speaks at a panel on the future of risk management in the Philippine landscape.



Unit heads and senior management are involved in the group's risk management processes.



Ayala President and COO Fernando Zobel de Ayala speaks at the 2017 Ayala ERM Summit.

With its commitment to becoming a risk intelligent conglomerate, Ayala will continue to advocate and implement a robust risk management program, and share its findings and experiences across the group. Ayala's goal by 2020 is to fully maximize the value-creating proposition of risk management—one that is able to find opportunities in risks to create greater shared value for Ayala and its diverse stakeholders.

**Risk Management Protocol**

The Group Risk Management & Sustainability Unit continues to be innovative in the tools and methodologies it uses. In 2014, Ayala used the black swan approach to identify its value drivers and risks. In 2015, we deepened our understanding of risks and opportunities using the bow-tie methodology and risk interaction matrix. In 2016, principal risks were mapped against the five vision pillars. In addition, risk management was incorporated as a key result area in the performance evaluation of employees.

For 2017, the risk sensing methodology was introduced to management in identifying and assessing risks. It employs human insights and advanced analytic capabilities to identify, analyze,

and monitor emerging risks to the organization's business model, long-term viability, and ability to create value. This approach was chosen to emphasize that events currently not perceived as risks may pose a threat to the organization later on. With the introduction of this methodology, top management is now starting to be cognizant of emerging risks and how the fast-moving risk landscape can possibly affect their businesses. This is an area that we want to further develop in the years to come.

**Risk Management Process**

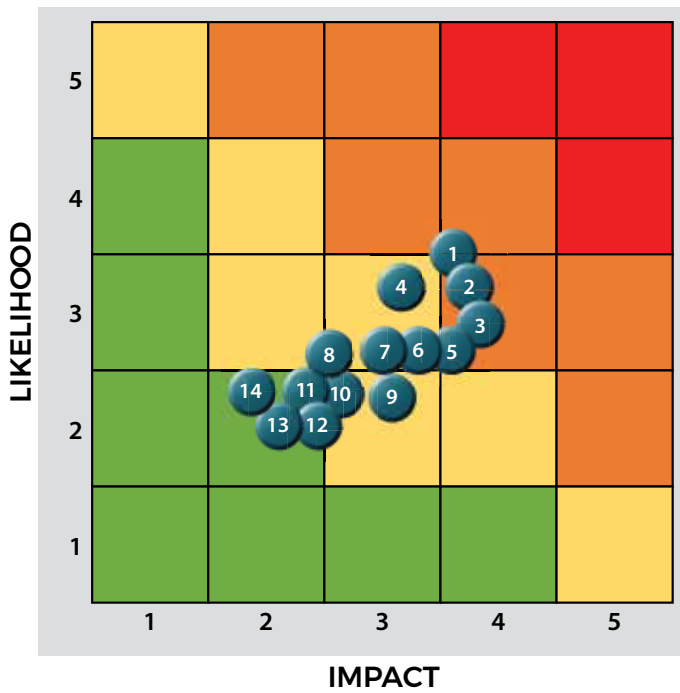
Following the provisions of ISO 31000, the risk management process at Ayala starts with establishing the context by identifying external and internal factors that may impact value creation and value protection objectives. We conduct research on current and emerging risk trends, engage risk management experts and collaborate with internal stakeholders to ensure that the right perspective is in place for the risk assessment – an activity where senior officers are gathered to identify and analyze risks, evaluate and prioritize risks, allocate resources, and plan risk mitigation strategy accordingly. The results of this activity are used to update the risk register.

As we go through the process, communication among different levels of the organization is encouraged. These interactions can form the basis of a continual process of alignment that allows people at all levels to understand the risks of any activity they undertake, and how this might affect the risks being managed by others. Correspondingly, each step undergoes monitoring and review for continuous improvement.

**Principal Risks and Uncertainties facing the Group**

Enabled by a comprehensive Enterprise Risk Management program, Ayala continues to refine its appreciation of the complex array of risks that affects its businesses. For this year, aside from giving us a better understanding of the various external factors affecting our operations, our annual risk assessment once again challenged our internal assumptions. As we pursued scientific approaches to realize opportunities, we also relied on our management's foresight and creativity, as not all risks can be quantified through a model. As a result of this discussion and in collaboration with the ERM Council, three risk categories were added in the risk register and included in the risk prioritization exercise.





# AYALA CORPORATION'S 2017 HEATMAP



- 1 Political and Regulatory
- 2 Information Security and Cyber
- 3 Brand and Reputation
- 4 Competition
- 5 Portfolio Management
- 6 Market
- 7 Business Resiliency
- 8 Innovation and Technology
- 9 Governance and Controls
- 10 Talent
- 11 Operational
- 12 Partnerships and Alliances
- 13 Funding
- 14 Synergy

Risk description	Potential impact	Current key risks, issues or areas of uncertainty	Risk exposure	Management and mitigation
<b>Political and Regulatory</b> <ul style="list-style-type: none"> <li>Inability to anticipate changes in the political and regulatory landscapes</li> </ul>	<ul style="list-style-type: none"> <li>Reduced income and margin</li> <li>Greater variability of returns</li> <li>Higher cost of compliance</li> <li>Delayed projects</li> <li>Difficulty in management and administration</li> <li>Weaker brand value</li> </ul>	<ul style="list-style-type: none"> <li>New national and local government officials with different mindsets and priorities</li> <li>New tax rulings</li> <li>Advocacy groups with opposing causes</li> <li>New laws and regulations without implementing guidelines, which are subject to varying interpretations</li> </ul>	Higher by 1 point from previous year 	<ul style="list-style-type: none"> <li>Strengthen relationships with the government through Public Policy Unit</li> <li>Periodically discuss new regulations that may affect business operations at the Ayala Regulatory Council</li> <li>Review regulatory risk framework previously developed for Ayala and its investee companies</li> </ul>
<b>Information Security and Cyber</b> <ul style="list-style-type: none"> <li>Failure to ensure strong and adequate information security controls to safeguard confidentiality, integrity, and availability of critical information</li> </ul>	<ul style="list-style-type: none"> <li>Data loss</li> <li>Higher cost of operations and compliance</li> <li>Eroded brand and reputation</li> </ul>	<ul style="list-style-type: none"> <li>Rise of social networking, mobile, cloud, and analytics</li> <li>Increasing malware and viruses</li> <li>Threat from Bring-your-own-device practice</li> <li>Increasing cyber attacks</li> </ul>	Higher by 5 points from previous year 	<ul style="list-style-type: none"> <li>Strengthen layers of control on both hardware and software assets</li> <li>Perform vulnerability tests prior to first use of hardware, software, and web hosts</li> <li>Establish centralized 24/7 security operation center</li> <li>Constantly improve knowledge of cyber attacks</li> <li>Regular cascade of IT policies and standards across the organization</li> <li>Benchmark with international companies on mitigating cyber risks</li> </ul>
<b>Brand and Reputation</b> <ul style="list-style-type: none"> <li>Inability to maintain our stature as a company of choice</li> </ul>	<ul style="list-style-type: none"> <li>Difficulty managing Ayala's growing portfolio</li> <li>Increased cost of capital</li> <li>Fewer top candidates for vacant positions</li> <li>Higher employee attrition rate</li> <li>Difficulty in maximizing value for stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Sway of social media</li> <li>Increase in internet-based systems and communications</li> <li>Superior products and services of competitors</li> <li>Good governance issues</li> <li>Shift in customer behavior</li> <li>Campaigns against Ayala and its business units by competitors</li> </ul>	Same ranking as last year 	<ul style="list-style-type: none"> <li>Regularly engage in meaningful discussion with investors and analysts</li> <li>Analyze local and global news and trends</li> <li>Regularly refresh Ayala's branding position</li> <li>Continue to actively identify opportunities for collaboration with partners</li> </ul>



Risk description	Potential impact	Current key risks, issues or areas of uncertainty	Risk exposure	Management and mitigation
<b>Competition</b> <ul style="list-style-type: none"> <li>Inability to meet the desired market position</li> </ul>	<ul style="list-style-type: none"> <li>Eroded market share</li> <li>Actual cash losses and volatility in profitability</li> <li>Difficulty managing Ayala's growing portfolio</li> <li>Difficulty in maximizing value for stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Superior products and services of competitions</li> <li>Shift in customer behavior</li> <li>Inability to competitively price products and services</li> <li>Campaigns against Ayala and business units by competitors</li> </ul>	New risk category for 2017	<ul style="list-style-type: none"> <li>Cultivate market intelligence (local, regional, and global) and compare key metrics with competition using an internal team</li> <li>Analyze annual innovation trends and new sectors</li> <li>Partner with competitors in some industries</li> <li>Leverage on the brand and reputation of Ayala</li> </ul>
<b>Portfolio Management</b> <ul style="list-style-type: none"> <li>Inability to align portfolio management strategy with business objectives</li> </ul>	<ul style="list-style-type: none"> <li>Inability to create value for stakeholders</li> <li>Eroded brand and reputation</li> <li>Expensive funding mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>Aggressive competition</li> <li>Technological disruptions</li> <li>Changes in regulatory policies and frameworks</li> <li>Market saturation</li> <li>ASEAN integration</li> <li>Talent shortage</li> <li>Weak partnerships or collaborations</li> <li>Shift in customer behavior</li> </ul>	Lower by 1 point from previous year 	<ul style="list-style-type: none"> <li>Analyze portfolio twice a year (capital management, valuation, investment and/or divestment)</li> <li>Cultivate market intelligence (local, regional, and global) and compare key metrics with competition using an internal team</li> <li>Conduct deep-dive analysis of portfolio and business unit performance</li> <li>Analyze annual innovation trends and new sectors</li> <li>Strengthen Ayala's gating process where all possible business ventures are discussed and monitored</li> <li>Strengthen relationships and establish networks with potential business partners and advisers</li> </ul>
<b>Market</b> <ul style="list-style-type: none"> <li>Inability to manage adverse impact of market factors such as foreign exchange, interest rates, among others</li> </ul>	<ul style="list-style-type: none"> <li>Unstable funding requirements and destabilized liquidity position</li> <li>Increased cost of doing business</li> <li>Delayed investment strategy execution</li> <li>Actual cash losses and volatility in profitability</li> </ul>	<ul style="list-style-type: none"> <li>Capital market dry-up</li> <li>Political or social instability</li> <li>Changes in global politics</li> </ul>	Same ranking as last year 	<ul style="list-style-type: none"> <li>Operationalize approved FX risk management policy</li> <li>Manage fixed/floating mix in anticipation of rising interest rates</li> <li>Apply hedging policies as approved by the Board</li> <li>Maintain FX position within approved limits</li> <li>Monitor FX and interest rate risk exposure of publicly-listed business units</li> <li>Guide wholly-owned subsidiaries in managing their FX and interest rate risk exposure</li> </ul>
<b>Business Resiliency</b> <ul style="list-style-type: none"> <li>Inability to restore normal operations following natural or man-made disasters and/or failure of business contingency processes and systems</li> </ul>	<ul style="list-style-type: none"> <li>Loss of lives</li> <li>Damage to properties</li> <li>Delayed business recovery</li> <li>Weaker public confidence</li> </ul>	<ul style="list-style-type: none"> <li>Climate change (i.e. higher temperature, rising sea levels, flooding, stronger typhoons)</li> <li>Vulnerability in the areas near the fault segments, particularly in West Valley Fault</li> <li>Quick spread of pandemic diseases like SARs, Ebola</li> <li>Heightened terrorism activities, whether local, regional, or global</li> </ul>	Lower by 6 points from previous year 	<ul style="list-style-type: none"> <li>Establish a business continuity management system that includes an IT Disaster Recovery Plan, Crisis Management Plan, and Business Continuity Plan</li> <li>Regularly review adequacy of insurance coverage</li> <li>Run training programs on crisis communication and disaster management, among others</li> <li>Collaborate with subsidiaries and government agencies towards shared resources and mutual assistance</li> </ul>
<b>Innovation and Technology</b> <ul style="list-style-type: none"> <li>Failure to remain relevant and cope with rapid changes</li> </ul>	<ul style="list-style-type: none"> <li>Loss of market share</li> <li>Lower margins</li> <li>Higher cost of operations</li> <li>Limited business viability</li> <li>Eroded brand and reputation</li> <li>Disrupted business model</li> </ul>	<ul style="list-style-type: none"> <li>Fast-paced technological advancements</li> <li>Presence of data analytics and cloud services</li> <li>Increasing presence of mobile applications and OTT players</li> <li>Shift in customer behavior</li> </ul>	Higher by 1 point from previous year 	<ul style="list-style-type: none"> <li>Regularly perform disruptive change assessments for subsidiaries and industries</li> <li>Publish annual trends with sector-specific input from each business unit</li> <li>Run group-wide Innovation Summit to increase awareness of possible disruptive trends</li> </ul>

Risk description	Potential impact	Current key risks, issues or areas of uncertainty	Risk exposure	Management and mitigation
<b>Governance and Controls</b> <ul style="list-style-type: none"> <li>Ineffective and inadequate governance and internal controls</li> </ul>	<ul style="list-style-type: none"> <li>Penalties and other possible fines</li> <li>Delayed investment strategy execution</li> <li>Lower profits</li> <li>Weaker brand and reputation</li> </ul>	<ul style="list-style-type: none"> <li>A more complex operating environment</li> <li>New regulations without clear implementing guidelines</li> </ul>	Lower by 1 point from previous year 	<ul style="list-style-type: none"> <li>Strengthen implementation of Code of Ethics and Conduct, Anti-Corruption Policy, Whistle Blowing Policy, among others</li> <li>Regularly review internal controls through the Internal Audit Group</li> <li>Ensure that policies and manuals are in place</li> <li>Form Board-level Committees to review critical transactions such as RPTs, mergers, acquisitions, among others</li> </ul>
<b>Talent</b> <ul style="list-style-type: none"> <li>Failure to ensure that we have the right people at all times</li> </ul>	<ul style="list-style-type: none"> <li>Prolonged investment strategy execution</li> <li>Waning confidence in brand</li> <li>Difficulty in achieving business objectives</li> </ul>	<ul style="list-style-type: none"> <li>New generation of incoming employees with differing mindsets and needs</li> <li>ASEAN integration</li> <li>Brain drain phenomenon</li> <li>Competitors offering superior compensation and benefits package</li> <li>Inadequacy of the academe to address the needs of businesses</li> </ul>	Same ranking as last year 	<ul style="list-style-type: none"> <li>Approach talent management comprehensively at all stages</li> <li>Engage employees in continuing opportunities for development</li> <li>Perform annual benchmarking of compensation and benefits</li> <li>Continuously review and update programs for leadership development based on participant feedback, current issues, and future trends</li> <li>Annual discussion of succession planning by senior leaders</li> </ul>
<b>Operational</b> <ul style="list-style-type: none"> <li>Failure of and/or inefficient operational processes, people and systems</li> </ul>	<ul style="list-style-type: none"> <li>Delayed or ineffective execution of business transactions</li> <li>Difficulty in achieving business objectives</li> <li>Non-compliance to local laws and international standards</li> <li>Mistrust by employees and customers</li> </ul>	<ul style="list-style-type: none"> <li>Fast-paced technological advancements</li> <li>Changes in business and operating models</li> <li>Increased dependence on technology</li> </ul>	New risk category for 2017	<ul style="list-style-type: none"> <li>Operational and financial audits conducted by Internal Audit Unit and external auditor, respectively</li> </ul>
<b>Partnerships and Alliances</b> <ul style="list-style-type: none"> <li>Inability to form and retain external partnerships and alliances that help us achieve business objectives</li> </ul>	<ul style="list-style-type: none"> <li>Inability to create value for stakeholders</li> <li>Eroded brand and reputation</li> <li>Expensive funding mechanisms</li> <li>Delayed investment strategy execution</li> <li>Difficulty in achieving business objectives</li> </ul>	<ul style="list-style-type: none"> <li>Aggressive competition</li> <li>ASEAN integration</li> <li>Weak partnerships or collaborations</li> <li>Changes in business models</li> </ul>	New risk category for 2017	<ul style="list-style-type: none"> <li>Strengthen relationships with current partners and establish networks with potential business partners and advisers</li> <li>Due diligence of potential business partners and third-party assessment for suppliers and vendors</li> <li>Engage in regular communication with external partners</li> </ul>
<b>Funding</b> <ul style="list-style-type: none"> <li>Insufficient funding strategy to meet its obligations</li> </ul>	<ul style="list-style-type: none"> <li>Increased cost of doing business</li> <li>Delay in investment strategy execution</li> <li>Weaker brand and reputation</li> </ul>	<ul style="list-style-type: none"> <li>Capital market dry-up</li> <li>Political instability</li> <li>Business units' failure to deliver dividends or income targets</li> <li>Possible impact from Brexit and Trump presidency</li> </ul>	Lower by 8 points from previous year 	<ul style="list-style-type: none"> <li>Align funding strategy with budgeted capital expenditure, operating expenses, and dividend payout</li> <li>Control mix of currencies (Peso and USD), interest rates (fixed and floating), and types of financing (bank loan, capital market)</li> <li>Establish contingency funds, both short-term and long-term lines</li> <li>Monitor major changes in funding requirements</li> <li>Evaluate funding opportunities as necessary</li> <li>Engage in regular banker/lender communication</li> </ul>
<b>Synergy</b> <ul style="list-style-type: none"> <li>Failure to collaborate in support of the group's competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>Loss of additional revenue streams</li> <li>Disrupted business processes</li> <li>Higher cost of doing business</li> <li>Eroded brand and reputation</li> <li>Lost opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Strong cross-selling of services and products by competitors</li> <li>Ayala business units partnering with direct competitors of other Ayala business units</li> </ul>	Lower by 3 points from previous year 	<ul style="list-style-type: none"> <li>Strengthen group focus to identify possible synergy opportunities</li> <li>A senior director was assigned to spearhead analytics on possible synergy activities</li> <li>Include synergy in the agenda of the Innovation Council</li> </ul>

# STAKEHOLDER ENGAGEMENT

(102-21, 102-40, 102-42, 102-43, 102- 44)

We uphold integrity, transparency, and accountability in all our dealings with our stakeholders. We continue to develop mechanisms for actively engaging and partnering with them as we create shared value across the group. Their feedback on our practices is as valuable as their contributions to our growth. As such, we ensure open communication with them through different engagement channels, as appropriate and applicable.

Our stakeholders	Investors and Shareholders	Creditors and Suppliers	Business Partners and Affiliates
How we engage them	<ul style="list-style-type: none"> <li>Annual stockholders' meeting</li> <li>Integrated Annual Report</li> <li>Four analysts' briefings in 2017 to discuss FY1016, 1Q2017, 1H2017, and 9M2017 results</li> <li>12 institutional investor conferences and non-deal roadshows in Asia, Europe, the United States, and the Philippines</li> <li>150 one-on-one and group meetings, and conference calls with institutional investors and analysts</li> <li>Site visits</li> <li>Corporate disclosures</li> <li>Website</li> <li>Investor relations mobile app</li> </ul>	<ul style="list-style-type: none"> <li>Regular company updates</li> <li>Meetings</li> <li>Roadshows, particularly for bondholders</li> <li>Formal correspondence</li> <li>Phone and e-mail communication</li> <li>Accreditation</li> <li>Trainings</li> <li>Focus Group Discussions</li> </ul>	<ul style="list-style-type: none"> <li>Dialogues</li> <li>Partnerships</li> <li>Due Diligence</li> <li>Meetings (Board and Executive Committee Level)</li> <li>Business organizations and/or clubs (e.g. World Economic Forum, Asia Business Council, ASEAN Business Club)</li> </ul>
What are their concerns	<ul style="list-style-type: none"> <li>Macroeconomic and socio-political environment</li> <li>Business outlook, viability, and growth</li> <li>Execution of Ayala's strategy and its business units</li> <li>Financial management</li> </ul>	<ul style="list-style-type: none"> <li>Timeliness and accuracy of payments</li> <li>Financial performance</li> <li>Compliance to covenants</li> <li>Minimum accreditation requirements and schedules</li> <li>Project pipelines</li> <li>New procurement policies</li> <li>Investments in coal/thermal energy (expressed by some banks)</li> </ul>	<ul style="list-style-type: none"> <li>Management team</li> <li>Governance</li> <li>Financial performance</li> <li>Business outlook</li> <li>Commercial viability</li> <li>Network and relationships</li> <li>Value that Ayala brings to the partnership</li> </ul>
Relevant material factors	<ul style="list-style-type: none"> <li>Economic performance</li> <li>Foreign and domestic investments</li> <li>Business resilience to climate change</li> </ul>	<ul style="list-style-type: none"> <li>Energy as a business</li> <li>Jobs supported in the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Economic performance</li> <li>Foreign and domestic investments</li> <li>Business resilience to climate change</li> </ul>
How we respond	<ul style="list-style-type: none"> <li>Regular engagement with institutional investors, analysts, corporate regulators, and the investing public through various channels</li> <li>Risk management, governance, and sustainability processes</li> <li>Transparency and timeliness of disclosures and reporting</li> </ul>	<ul style="list-style-type: none"> <li>Timely and accurate payments</li> <li>Compliance to covenants</li> <li>Regular engagement with bankers and suppliers to maintain and nurture relationships</li> <li>Forums for vendors and on safety</li> </ul>	<ul style="list-style-type: none"> <li>Transparency and timeliness of disclosures and reporting</li> <li>Risk management and other governance processes</li> <li>Regular engagement with business partners and affiliates through various channels</li> </ul>

Our stakeholders	Government agencies and regulators	Employees	Customers
How we engage them	<ul style="list-style-type: none"> <li>• Policy dialogues and consultations</li> <li>• Learning events</li> <li>• Invited lectures</li> <li>• Annual audits</li> <li>• Official correspondence</li> <li>• Reports (financial statements and other disclosure requirements) and publications</li> <li>• Regular briefings and updates</li> <li>• Formal proceedings</li> </ul>	<ul style="list-style-type: none"> <li>• Online portals</li> <li>• Meetings</li> <li>• Performance appraisals</li> <li>• Engagement surveys</li> <li>• Summer outings and Christmas party</li> <li>• Quarterly activities</li> <li>• Sports activities (JZA Cup, Ayala Olympics)</li> <li>• Special wellness events</li> <li>• Planning/training and learning sessions</li> <li>• Townhall meetings</li> <li>• Roadshows (rolling out of new policies)</li> <li>• Email blasts / bulletins / online publications</li> <li>• Social media</li> <li>• Focus group discussions</li> </ul>	<ul style="list-style-type: none"> <li>• Customer touch points (branches, personnel, phone, email, website, social media channels)</li> <li>• Annual and periodic satisfaction surveys</li> <li>• Regular visits to existing clients including area briefings</li> </ul>
What are their concerns	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Completeness and accuracy of data</li> <li>• Transparency and accountability</li> <li>• Policy alignment with areas of national interest (e.g., inclusive growth; healthy competition)</li> <li>• Public confidence</li> <li>• Potential areas for the public and private sectors to collaborate</li> </ul>	<ul style="list-style-type: none"> <li>• Strategy and direction</li> <li>• Employee salaries and benefits</li> <li>• Financial assistance</li> <li>• Career development programs / succession plans</li> <li>• Safe working environment</li> <li>• Work relationship</li> <li>• Work-life balance</li> <li>• Opportunity for external trainings, conventions, seminars, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Quality of service</li> <li>• Convenient, affordable, reliable, and efficient delivery of products and services</li> <li>• Sales process</li> <li>• Billing concerns (where applicable)</li> </ul>
Relevant material factors	<ul style="list-style-type: none"> <li>• Economic performance</li> <li>• Foreign and domestic investments</li> </ul>	<ul style="list-style-type: none"> <li>• Employee engagement</li> <li>• Workplace Conditions</li> <li>• Training and Development</li> <li>• Diversity, equal opportunity, and anti-discrimination</li> </ul>	<ul style="list-style-type: none"> <li>• Customer management</li> </ul>
How we respond	<ul style="list-style-type: none"> <li>• Regular engagement with government agencies and regulators through various channels</li> <li>• Transparency and timeliness of disclosures and reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Innovations in processes and company practices</li> <li>• Structured communication approach such as town hall and roundtable sessions</li> <li>• Career development programs</li> <li>• Employee engagement programs</li> </ul>	<ul style="list-style-type: none"> <li>• Timely resolution of customer complaints</li> <li>• Timely and regular feedback</li> <li>• Constant monitoring and upgrade of systems</li> <li>• Personnel capacity building through product briefings, seminars and training</li> </ul>





Our stakeholders	Industry Association/s	Other stakeholders <sup>1</sup>
How we engage them	<ul style="list-style-type: none"> <li>• Membership</li> <li>• Conferences, dialogues, forums and industry workshops</li> <li>• Sponsorships of special events</li> <li>• Industry meetings and working committee meetings</li> <li>• Industry surveys and studies</li> </ul>	<ul style="list-style-type: none"> <li>• Press briefings and conferences</li> <li>• Events/ social gatherings and meetings</li> <li>• Regular company updates through corporate websites, emails, phone calls, social media, etc.</li> </ul>
What are their concerns	<ul style="list-style-type: none"> <li>• Continuing support and long-term membership</li> <li>• Business developments and strategy</li> <li>• Financial performance</li> <li>• Adoption of new rules and regulations</li> <li>• Setting of industry standards and market practice</li> <li>• Building of collaborative networks</li> </ul>	<ul style="list-style-type: none"> <li>• New business operations, developments, and strategies</li> <li>• New products and services</li> <li>• Product availability and reliability</li> <li>• Sustainability practices, including sustainable development programs</li> <li>• Disaster preparedness and response programs</li> <li>• Economic/ financial performance</li> </ul>
Relevant material factors	<ul style="list-style-type: none"> <li>• Economic performance</li> <li>• Foreign and domestic investments</li> </ul>	<ul style="list-style-type: none"> <li>• Customer management</li> <li>• Economic performance</li> <li>• Community relationship</li> </ul>
How we respond	<ul style="list-style-type: none"> <li>• Sharing information on market trends</li> <li>• Participation in industry surveys and reports</li> <li>• Participation in meetings, exhibits, conferences, seminars, symposia, and fellowship activities</li> </ul>	<ul style="list-style-type: none"> <li>• Regular engagement through various channels</li> <li>• Transparency and timeliness of disclosures and reporting</li> </ul>

<sup>1</sup>Includes media, communities, NGOs and civil society



1 Ayala holds quarterly and annual analysts' briefings on its financial and operating results.

2 Chairman and CEO Jaime Augusto Zobel de Ayala joins CFOs, senior executives, and Investor Relations teams at an Ayala group investor day in Singapore.

3 President and COO Fernando Zobel de Ayala and Ayala group CEOs share their insights with investors at an Ayala group investors night.

4 Press briefings ensure the media are apprised of developments in the group.

5 An annual summit brings together Investor Relations practitioners to learn from thought leaders, global peers, and other resource speakers.

# MATERIALITY

(102-29)

Ayala has a varied range of material factors for each of its businesses. Guided by the GRI framework on defining material topics and processes, we undertook a collaborative review with the different business units to determine their material factors, taking into consideration the various stakeholders of the group and local and global sustainable development challenges. Further identification of external factors that affect Ayala's operations allowed us to identify the possible risks and opportunities per material factor.

The following table depicts our materiality process based on the GRI Standards: Core Option.

## DEFINING OUR MATERIAL FACTORS AND BOUNDARIES

Steps and Governing Principles	Our Process
<b>Identification</b> Sustainability Context  Stakeholder Inclusiveness	As Ayala supports the country's growth through its core businesses and contributes to the progress of emerging industries, we reviewed local and global sustainability topics relevant to the group and in alignment with the UN SDGs.  We worked with each company to align and identify the material factors related to their respective businesses, ensuring that the aspect boundaries are defined.  We used our existing stakeholder engagement channels to understand our stakeholders' areas of concern.
<b>Prioritization</b> Materiality and Stakeholder Inclusiveness	We prioritized key material factors based on the extent that these affect our businesses, stakeholders, and the sustainable development of the country.
<b>Validation</b> Completeness and Stakeholder Inclusiveness	We considered stakeholder interests and concerns vis-à-vis our list of material aspects and identified topics.
<b>Review</b> Sustainability Context and Stakeholder Inclusiveness	We analyzed three-year data to determine our businesses' performance in identified factors and qualified areas for improvement and the respective management approaches employed.  We also reviewed their relevance to our overall sustainability performance, to help improve our list of material factors for the next reporting cycle.



Materiality roadshows were conducted across business units to help them identify their material factors.

## IDENTIFYING OUR MATERIAL FACTORS

Ayala conducts its businesses in an ethical manner and contributes to the SDGs through our shared value creation process. Part of this is the commitment to continue managing our key economic, social and environmental impacts.

We established our materiality matrix in 2013, and since then, periodically review and assess our material factors. In 2017, we took a deeper look at our sustainability indicators. Acknowledging that economic, environmental and social aspects of our businesses have varying metrics and level of impact, we used fundamental questions to further identify our material factors.

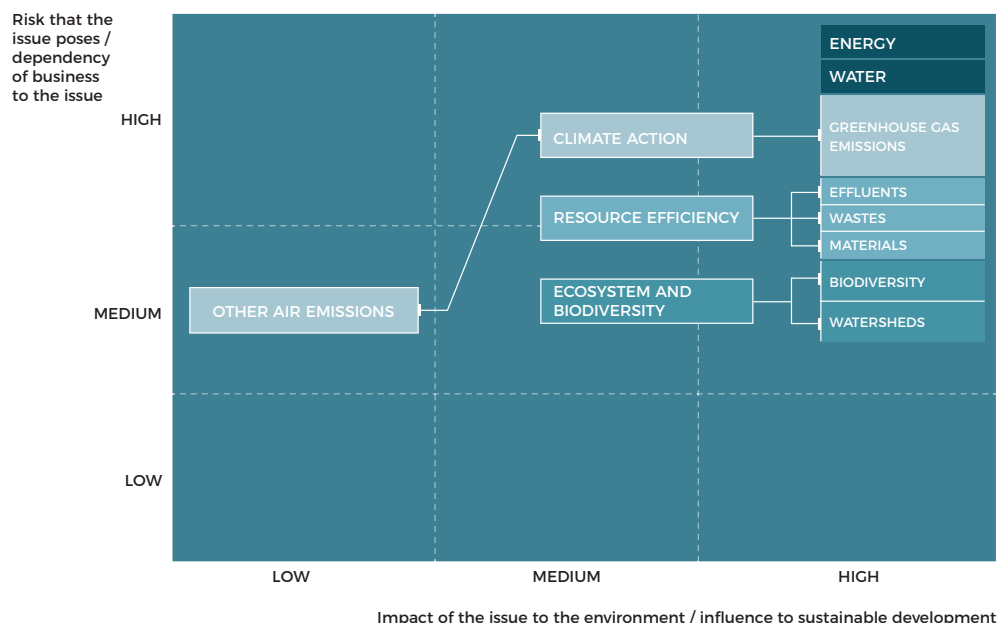
### Economic

We look at our economic performance based on how much value our companies contribute to society. Our direct contributions are material because they come from the economic value we generate and distribute to our stakeholders, as well as the foreign and domestic investments we have enabled. To further understand the breadth and depth of our economic efforts and performance, we also looked into our indirect contributions.

DIRECT CONTRIBUTIONS		INDIRECT CONTRIBUTIONS
ECONOMIC VALUE WE HAVE CONTRIBUTED TO PHILIPPINE SOCIETY	<p><b>Economic Performance</b> We distribute the economic value we generate to our capital providers, our suppliers, our employees, the government, and communities.</p> <p>In addition, we disclose our economic value retained.</p> <p><b>Foreign and Domestic Investments Enabled</b> We grow our businesses through strategic acquisitions, investing both locally and globally, and deployment of capital expenditures.</p>	<p><b>Impact of Use of Products and Services</b> Our products and services help promote the growth of SMEs.</p> <p><b>Jobs supported in the supply chain</b> We contribute to the growth of our partners in the supply chain.</p> <p><b>Impact to the vulnerable sector</b> We develop quality products and services, including those accessible to the underserved.</p> <p><b>Business resilience to climate change</b> We explore opportunities and address risks that will allow us and our customers to be more resilient to the effects of climate change.</p>

### Environmental

Our environmental impacts vary in nature and scale across our businesses. We clustered and assessed our material factors based on the similarity of companies' metrics. We further developed a group-wide matrix considering the business risks associated with material topics and the magnitude of their impact to the environment.



\*Refers to air pollutants

## Social

As we develop and promote shared value in our businesses, it is important that we fulfill our responsibilities to our key stakeholders. As such, we examine the fundamental topics and metrics that measure how we positively impact our employees, customers, and the communities that we serve.

Social Aspect	Fundamental Question	What topics / metrics / practices answer the question?
<b>EMPLOYEE ENGAGEMENT</b>	How do we ensure the well-being of our employees?	<p><b>Employee Engagement Assessment</b> We measure our ability to keep our employees sustainably engaged through regular surveys. We provide channels to promote open communication.</p> <p><b>Training and Development</b> We allot sufficient training hours for our employees' professional development.</p> <p><b>Hiring and Attrition</b> We measure our hiring statistics and understand the drivers of employee turnover.</p> <p><b>Occupational Health and Safety</b> We ensure that our health and safety management practices positively affect our employees' productivity and well-being.</p> <p><b>Labor Management Relations</b> We ensure that our employees exercise their right to freedom of association, and take part in important management decisions or organizational changes.</p>
<b>WORKPLACE CONDITIONS</b>	How effective are we in upholding human rights principles and good governance in our workplace?	<p>We ensure that our workplaces are guided by policies or standards on:</p> <p><b>Forced / Child Labor</b></p> <p><b>Anti-corruption</b></p> <p><b>Diversity, Equal Opportunity &amp; Anti-Discrimination</b></p> <p><b>Supplier Assessment</b> We ensure that our dealings with our suppliers and business partners remain professional and ethical through due diligence and assessment practices.</p>
<b>COMMUNITY RELATIONSHIPS</b>	How well have we included our communities in our value proposition?	<p><b>Indigenous Rights</b> We ensure that we consider indigenous rights in our dealings with the communities where we operate.</p> <p><b>Local Community Engagement including CSR, Education, Youth, and Culture</b> We constantly engage with local communities through programs on education, youth leadership and culture. We look at the beneficiaries of our community work and assess our impact on them.</p>
<b>CUSTOMER MANAGEMENT</b>	How well do we take care of our customers?	<p><b>Customer Satisfaction</b> We measure how our customers perceive our products and services through customer satisfaction surveys. We also gather feedback and address complaints accordingly.</p> <p><b>Product Quality</b> We offer quality products and services.</p> <p><b>Customer Data Privacy</b> We adhere to the protection of our customer and businesses' digital records. We track risks related to potential breaches of privacy and implement mitigating measures to address them.</p>



## Material Factors

Material Factor	Positive Impact (What kind of outcomes can be expected if the material factor is well addressed?)	Negative Impact (What kind of outcomes can be expected if the material factor is not well addressed?)	Link to Principal Risks	Management Approach	Performance scorecard indicator
Economic Performance	<ul style="list-style-type: none"> <li>Overall positive investment climate that supports the group's health agenda</li> <li>Sustained domestic consumption growth that benefits businesses</li> <li>Positive financial trajectory for the Ayala group</li> </ul>	<ul style="list-style-type: none"> <li>Inability to execute strategic agenda</li> <li>Business units failing to deliver dividends or income targets</li> <li>Increased cost of doing business</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio Management</li> <li>Capital Market</li> <li>Funding</li> <li>Partnerships and Alliances</li> <li>Competition</li> <li>Brand and reputation</li> </ul>	<ul style="list-style-type: none"> <li>Conduct deep-dive analysis of macro-economic and socio-political indicators and business units' performance.</li> <li>Align funding strategy with budgeted capital expenditure, operating expenses, and dividend payout.</li> </ul>	<ul style="list-style-type: none"> <li>Economic Value Generated, Distributed and Retained</li> </ul>
Foreign and Domestic Investments	<ul style="list-style-type: none"> <li>Strong contribution to national infrastructure spending</li> <li>Job creation</li> </ul>	<ul style="list-style-type: none"> <li>Delay in investment strategy execution</li> <li>Delay in project execution</li> <li>Increased cost of doing business</li> <li>Loss of potential revenues</li> <li>Business partners' failure to synergize with group ideals</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio Management</li> <li>Capital Market</li> <li>Funding</li> <li>Partnerships and Alliances</li> <li>Competition</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen relationships with current partners and establish networks with potential business partners and advisers.</li> <li>Diversifying and expanding portfolio through strategic acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>Spending on acquisitions of local and foreign companies</li> <li>Capital expenditures including investments for local infrastructure</li> </ul>
Jobs supported in the supply chain	<ul style="list-style-type: none"> <li>Local sourcing as strategy</li> </ul>	<ul style="list-style-type: none"> <li>Increased cost of doing business</li> <li>Higher cost of supplier goods due to new tax rulings</li> </ul>	<ul style="list-style-type: none"> <li>Political and Regulatory</li> <li>Operational</li> <li>Partnerships and Alliances</li> <li>Brand &amp; Reputation</li> </ul>	<ul style="list-style-type: none"> <li>Due diligence of potential partners through internal team or third-party assessments</li> <li>Implementation of vendor accreditation systems in some companies</li> </ul>	<ul style="list-style-type: none"> <li>Indirect hires or support staff</li> <li>Spending on local suppliers</li> <li>Operating costs</li> </ul>
Impact to the vulnerable sectors	<ul style="list-style-type: none"> <li>Creation of targeted inclusive business models for the vulnerable</li> </ul>	<ul style="list-style-type: none"> <li>Limited access to the vulnerable</li> <li>Limited market reach for emerging businesses</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio Management</li> <li>Funding</li> <li>Innovation and Technology</li> <li>Synergy</li> <li>Partnerships and Alliances</li> <li>Brand and Reputation</li> </ul>	<ul style="list-style-type: none"> <li>Investments in affordable quality education and healthcare</li> <li>Delivery of affordable water to marginalized communities</li> </ul>	<ul style="list-style-type: none"> <li>Student enrollees from low-income segment</li> <li>Number of students covered by government subsidies</li> <li>Number of transactions of generic medicines sold</li> <li>Number of unique patients</li> <li>Number of households connected through Tubig Para Sa Barangay Program</li> </ul>

Material Factor	Positive Impact (What kind of outcomes can be expected if the material factor is well addressed?)	Negative Impact (What kind of outcomes can be expected if the material factor is not well addressed?)	Link to Principal Risks	Management Approach	Performance scorecard indicator
Impact of use of products and services	<ul style="list-style-type: none"> <li>Positive consumer outlook</li> <li>Improved productivity of organizations involved</li> </ul>	<ul style="list-style-type: none"> <li>Negative consumer outlook</li> <li>Decreased customer loyalty</li> </ul>	<ul style="list-style-type: none"> <li>Brand and Reputation</li> <li>Innovation and Technology</li> <li>Partnerships and Alliances</li> <li>Operational</li> <li>Competition</li> <li>Portfolio management</li> <li>Synergy</li> </ul>	<ul style="list-style-type: none"> <li>Continuous innovation to develop relevant products and services</li> </ul>	<ul style="list-style-type: none"> <li>Number of SMEs and start-ups financed and supported</li> <li>Volume of bank corporate loans</li> <li>Number of GCash subscribers and monthly transaction amount</li> <li>Volume of fintech-enabled loans</li> <li>Customer satisfaction ratings and net promoter scores</li> <li>Total number of LRT-1 Passengers</li> <li>Total man-hours and fuel savings due to MCX</li> <li>Total number of contactless payments via beep™</li> </ul>
Business resilience to climate change	<ul style="list-style-type: none"> <li>More businesses resilient to climate change</li> <li>New business models and investments that address climate change issues</li> <li>Increased demand for products and services that address climate change</li> </ul>	<ul style="list-style-type: none"> <li>Physical damage to infrastructure</li> <li>Loss of lives</li> <li>Prolonged interruption or inability to restore operations</li> </ul>	<ul style="list-style-type: none"> <li>Business resiliency</li> <li>Operational</li> <li>Brand and Reputation</li> </ul>	<ul style="list-style-type: none"> <li>Business continuity management systems include crisis management plan, business continuity plan, and IT disaster recovery plan</li> <li>Insurance solutions</li> </ul>	<ul style="list-style-type: none"> <li>Energy efficiency initiatives</li> </ul>
Energy as a business	<ul style="list-style-type: none"> <li>Robust contribution of energy business to group equity earnings</li> <li>Improved efficiency of conventional and renewable plants</li> </ul>	<ul style="list-style-type: none"> <li>Lower revenue due to a highly competitive energy market</li> <li>Negative environmental consequences</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio Management</li> <li>Funding</li> <li>Capital Market</li> <li>Political and Regulatory</li> <li>Innovation and Technology</li> <li>Partnerships and Alliances</li> <li>Competition</li> <li>Brand &amp; Reputation</li> <li>Operational</li> </ul>	<ul style="list-style-type: none"> <li>Diversify portfolio of thermal and renewable energy businesses</li> </ul>	<ul style="list-style-type: none"> <li>Total power generated</li> <li>Total renewable energy generated</li> </ul>
Energy as consumption	<ul style="list-style-type: none"> <li>Lower energy consumption of companies</li> </ul>	<ul style="list-style-type: none"> <li>Increased group-wide energy consumption</li> </ul>	<ul style="list-style-type: none"> <li>Operational</li> <li>Brand and reputation</li> </ul>	<ul style="list-style-type: none"> <li>Continuous monitoring of energy consumption</li> <li>Energy efficiency initiatives by some of our companies</li> </ul>	<ul style="list-style-type: none"> <li>Energy consumed</li> <li>Energy intensity</li> </ul>

Material Factor	Positive Impact (What kind of outcomes can be expected if the material factor is well addressed?)	Negative Impact (What kind of outcomes can be expected if the material factor is not well addressed?)	Link to Principal Risks	Management Approach	Performance scorecard indicator
Water as a business	<ul style="list-style-type: none"> <li>Improved water distribution in more homes, including those in vulnerable areas</li> </ul>	<ul style="list-style-type: none"> <li>Disruptions in water supply</li> <li>Higher cost of operations</li> <li>Termination of water concession</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio Management</li> <li>Funding</li> <li>Capital Market</li> <li>Political and Regulatory</li> <li>Innovation and Technology</li> <li>Partnerships and Alliances</li> <li>Competition</li> <li>Operational</li> <li>Brand and Reputation</li> </ul>	<ul style="list-style-type: none"> <li>Expansion in areas outside of Manila Concession</li> </ul>	<ul style="list-style-type: none"> <li>Water abstracted</li> <li>Billed volume</li> <li>Used water treated</li> <li>Non-revenue water reduction</li> </ul>
Water as consumption	<ul style="list-style-type: none"> <li>Lower water consumption of companies</li> </ul>	<ul style="list-style-type: none"> <li>Increased group-wide water consumption</li> </ul>	<ul style="list-style-type: none"> <li>Operational</li> <li>Brand &amp; Reputation</li> </ul>	<ul style="list-style-type: none"> <li>Continuous monitoring of water consumption</li> <li>Improve water treatment operations in our industrial plants</li> </ul>	<ul style="list-style-type: none"> <li>Water consumed</li> <li>Water intensity</li> </ul>
Resource Efficiency	<ul style="list-style-type: none"> <li>Optimized purchases and use of materials</li> <li>Proper control of waste</li> </ul>	<ul style="list-style-type: none"> <li>Higher cost of compliance to environmental standards</li> <li>Higher cost of operations</li> </ul>	<ul style="list-style-type: none"> <li>Operational</li> <li>Brand and Reputation</li> <li>Business Resiliency</li> <li>Political and Regulatory</li> <li>Partnerships and alliances</li> </ul>	<ul style="list-style-type: none"> <li>Integrate resource efficiency within the supply chain</li> <li>Waste management disposal system, i.e. accredited third-party waste disposal, storage, and treatment facility</li> </ul>	<ul style="list-style-type: none"> <li>Volume of materials used</li> <li>Waste generated by type</li> <li>Percent of waste diverted from landfill</li> </ul>
Ecosystems & Biodiversity	<ul style="list-style-type: none"> <li>Potential increase in the population of endemic fauna and flora present in companies' operational sites and adjacent biodiversity areas</li> </ul>	<ul style="list-style-type: none"> <li>Continued decline of vulnerable fauna and flora in owned or leased sites, protected areas, and external areas of high biodiversity value</li> </ul>	<ul style="list-style-type: none"> <li>Operational</li> <li>Brand &amp; Reputation</li> </ul>	<ul style="list-style-type: none"> <li>Group-wide reforestation activities through Project Kasibulan</li> <li>Biodiversity studies and watershed protection programs across operational sites of some companies</li> </ul>	<ul style="list-style-type: none"> <li>Hectares of land and watersheds protected</li> <li>Number of trees planted</li> <li>Number of IUCN Red List Species monitored</li> </ul>
Greenhouse gas emissions	<ul style="list-style-type: none"> <li>Reduced emissions according to acceptable global standards</li> </ul>	<ul style="list-style-type: none"> <li>Higher greenhouse gas emissions</li> <li>Regulatory fines and penalties</li> <li>Stakeholder complaints</li> </ul>	<ul style="list-style-type: none"> <li>Operational</li> <li>Brand and Reputation</li> <li>Partnerships and Alliances</li> </ul>	<ul style="list-style-type: none"> <li>GHG Emission mitigation efforts through Project Kasibulan</li> <li>Energy efficiency initiatives</li> </ul>	<ul style="list-style-type: none"> <li>GHG Emissions</li> <li>GHG Intensity</li> </ul>
Employee Engagement	<ul style="list-style-type: none"> <li>Strong reputation and ability to attract diverse and qualified talent</li> <li>Strong employee engagement score</li> </ul>	<ul style="list-style-type: none"> <li>Inadequate mix of skills and expertise for the workforce</li> <li>Higher recruitment expenses</li> <li>Prevalence of labor disputes</li> </ul>	<ul style="list-style-type: none"> <li>Talent</li> <li>Political and Regulatory</li> <li>Operational</li> <li>Competition</li> <li>Brand and Reputation</li> </ul>	<ul style="list-style-type: none"> <li>Approach talent management comprehensively at all stages</li> <li>Conduct of employee engagement surveys</li> <li>Annual discussion of succession planning by senior leaders</li> <li>Regular dialogue and communication with labor groups</li> <li>Annual benchmarking of compensation and benefits</li> </ul>	<ul style="list-style-type: none"> <li>Direct employee headcount</li> <li>Employee engagement score</li> <li>Employee turnover</li> </ul>

Material Factor	Positive Impact (What kind of outcomes can be expected if the material factor is well addressed?)	Negative Impact (What kind of outcomes can be expected if the material factor is not well addressed?)	Link to Principal Risks	Management Approach	Performance scorecard indicator
Workplace Conditions	<ul style="list-style-type: none"> <li>Improved well-being of employees and partners across the supply chain</li> <li>Enhanced brand and reputation</li> </ul>	<ul style="list-style-type: none"> <li>Dissatisfied employees and partners across the supply chain</li> <li>Regulatory fines and penalties</li> <li>Increased complaints</li> <li>Eroded brand and reputation</li> </ul>	<ul style="list-style-type: none"> <li>Operational</li> <li>Political and Regulatory</li> <li>Brand and Reputation</li> <li>Talent</li> <li>Governance and Control</li> </ul>	<ul style="list-style-type: none"> <li>Due diligence of potential partners through internal team or third-party assessments</li> <li>Policies related to human rights and child/forced labor</li> </ul>	<ul style="list-style-type: none"> <li>Employee Engagement Score</li> </ul>
Diversity, Equal Opportunity, and Anti-Discrimination	<ul style="list-style-type: none"> <li>Engaged workforce</li> <li>Enhanced brand and reputation</li> </ul>	<ul style="list-style-type: none"> <li>Possibility of discrimination in the workplace</li> <li>Eroded brand and reputation</li> </ul>	<ul style="list-style-type: none"> <li>Operational</li> <li>Political and Regulatory</li> <li>Brand and Reputation</li> <li>Talent</li> <li>Governance and Controls</li> </ul>	<ul style="list-style-type: none"> <li>Group-wide policies on equal opportunity employment and diversity</li> </ul>	<ul style="list-style-type: none"> <li>Employee headcount by gender, by age group, and by rank</li> <li>Employee engagement score</li> </ul>
Community Relationships	<ul style="list-style-type: none"> <li>Continued license to operate within the community</li> <li>Well-managed social impact</li> </ul>	<ul style="list-style-type: none"> <li>Adverse impact on vulnerable groups</li> <li>Eroded brand and reputation</li> <li>Limited license of operations</li> </ul>	<ul style="list-style-type: none"> <li>Political and Regulatory</li> <li>Funding</li> <li>Synergy</li> <li>Partnerships and Alliances</li> <li>Operational</li> <li>Brand and Reputation</li> </ul>	<ul style="list-style-type: none"> <li>Development and implementation of sustainable programs for youth, culture, education, and livelihood</li> </ul>	<ul style="list-style-type: none"> <li>Community investments</li> <li>Total number of Mangyan weavers, and sales of Mangyan products</li> <li>Monthly income of farmers in the MDC Greens farms</li> </ul>
Training & Development	<ul style="list-style-type: none"> <li>Highly capable workforce</li> <li>Established career path for employees</li> </ul>	<ul style="list-style-type: none"> <li>Lack of future-proofing skills among employees</li> </ul>	<ul style="list-style-type: none"> <li>Talent</li> <li>Political and Regulatory</li> <li>Operational</li> <li>Brand and Reputation</li> </ul>	<ul style="list-style-type: none"> <li>Employee engagement</li> <li>Leadership development program</li> </ul>	<ul style="list-style-type: none"> <li>Total number of training hours</li> <li>Average training hours per employee</li> </ul>
Occupational Health and Safety	<ul style="list-style-type: none"> <li>Engaged workforce</li> </ul>	<ul style="list-style-type: none"> <li>Dissatisfied workforce</li> </ul>	<ul style="list-style-type: none"> <li>Talent</li> <li>Political and Regulatory</li> <li>Operational</li> <li>Brand and Reputation</li> <li>Governance and Controls</li> </ul>	<ul style="list-style-type: none"> <li>Employee health and wellness programs</li> <li>Continuous monitoring of incidences and injuries</li> </ul>	<ul style="list-style-type: none"> <li>Number of health and wellness programs</li> <li>Number and types of injuries</li> </ul>
Customer Management	<ul style="list-style-type: none"> <li>Enhanced brand and reputation</li> <li>Increased customer loyalty</li> </ul>	<ul style="list-style-type: none"> <li>Eroded brand and reputation</li> <li>Customer complaints</li> </ul>	<ul style="list-style-type: none"> <li>Operational</li> <li>Competition</li> <li>Brand and Reputation</li> </ul>	<ul style="list-style-type: none"> <li>Quality management system</li> <li>Customer satisfaction surveys</li> <li>Customer feedback and grievance mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction ratings and net promoter scores</li> <li>Customer complaints resolved</li> </ul>



Material Factor	Positive Impact (What kind of outcomes can be expected if the material factor is well addressed?)	Negative Impact (What kind of outcomes can be expected if the material factor is not well addressed?)	Link to Principal Risks	Management Approach	Performance scorecard indicator
Security Practices and Privacy	<ul style="list-style-type: none"> <li>Stronger customer confidence in products and services</li> </ul>	<ul style="list-style-type: none"> <li>Eroded brand and reputation</li> <li>Regulatory fines and penalties</li> <li>Higher cost of operations</li> </ul>	<ul style="list-style-type: none"> <li>Information Security and Cyber</li> <li>Innovation and Technology</li> <li>Operational</li> <li>Brand and Reputation</li> <li>Governance and Controls</li> <li>Business Resiliency</li> </ul>	<ul style="list-style-type: none"> <li>Policies on data privacy and IT security</li> <li>Centralized 24/7 security operations</li> </ul>	<ul style="list-style-type: none"> <li>Security practices and Data Privacy Policy</li> </ul>



Investor Relations, Corporate Communications, Sustainability, and other teams from across the Ayala group underwent a workshop on the Integrated Reporting framework in 2017.



# SUSTAINABILITY PHILOSOPHY AND FRAMEWORK

(102-31)

## The Ayala Sustainability Philosophy

Ayala is committed to contributing to the UN Sustainable Development Goals and we view our businesses as opportunities to create shared value. In 2012, our group management committee approved our sustainability philosophy. In 2013, the Ayala group underwent into a materiality process which resulted in its 360° Sustainability Framework. This was enhanced further through our alignment with the UN SDGs, which was declared in the 2014 Sustainability Report—even before the SDGs were formally launched in 2015. To ensure our framework is in line with the growth of our businesses, we conducted workshops in 2017 to improve and update our 360° Sustainability Framework. This updated model continues to prioritize three focus areas: Economic, Environmental, and Social. As part of our commitment to, and as a founding member of the UN Global Compact Network Philippines, we also incorporated its 10 Principles, resulting in a more holistic framework.

### Management Approach

In line with our commitment, we continue to improve the economic value we deliver as we responsibly manage our impact on the environment and society. The inputs and expectations of our stakeholders are important to us, and in response, we practice good governance and remain proactive in our engagement with them. We continue to pursue opportunities that will help us improve and be more effective.

### Business Sustainability

Long-term, sustainable growth is a key priority, and we strive to expand our businesses in both the local and global arena. Guided by the UN SDGs, we look at how we can further improve our bottomline while being transformational to society and the environment. We also continue to explore possibilities in underserved sectors.

### Operations

We are committed to the efficient use of our natural capitals, while ensuring the proper control of our waste and greenhouse gas emissions. We integrate environmental parameters into business operations and establish green practices in the workplace. We aim to go beyond

regulatory compliance, apply best practices, and adopt global voluntary standards on environmental and social responsibility.

### Products and Services

Improving quality of life is a main driver in the development of our products and services. We pursue excellence to empower more customers and enhance their experience. We keep the needs of marginalized communities in mind, and seek innovative ways to reach them and increase our support for nationbuilding. The design of our products and services also takes into consideration our environmental footprint.

### Supply Chain

We observe sustainability practices in dealing with our suppliers, and prioritize those that adopt sustainability principles. In line with the principles of good governance, we choose suppliers based on their adherence to human rights. We welcome community-based entrepreneurs and cooperatives.

### Human Resources

We recognize that our employees are our first customers. Their well-being is our priority and we ensure they

work in the safest and healthiest possible environment. We provide work that encourages professional and personal growth, and we ensure they have avenues to develop their interests. We encourage our employees to be proactive in contributing to sustainable business practices.

### Community Involvement

We value education, cultural development, gainful microenterprise, and health and wellness. We ensure that these are cultivated and promoted in the communities with whom we interact.



Ernest Cu speaks about Globe's experience in integrating sustainability in its products and services.



# THE AYALA 360° SUSTAINABILITY FRAMEWORK



**DIRECT IMPACT ON:**















**INDIRECT IMPACT ON:**























This 360° Sustainability Framework is the result of the materiality process across the Ayala group. It gives a comprehensive look at the factors, indicators, and metrics that we focus on. This framework is aligned with the 10 Principles of the UN Global Compact. We contribute to the UN SDGs through our various programs that drive positive economic, social, and environmental outcomes. Due to the nature of our businesses, we have a direct impact on 11 of the SDGs. Consequently, our activities also have an indirect impact on the remaining six SDGs.

# PERFORMANCE HIGHLIGHTS

## VALUE CREATION












Economic		
<b>Redistributing Economic Values back to Society</b>		
Ayala companies	17 percent increase in economic value distributed, from ₱321 billion to ₱377 billion by Ayala companies to its key stakeholders	
<b>Multiplying Gains by Supporting Other Businesses</b>		
Globe	Supported 35 start-ups in 5 countries in the fields of Enterprise Solutions/Software-as-a-Service (SaaS), Health-Tech, FinTech, Digital Lifestyle, eCommerce & Marketplace, and Edutech	
	Disbursed ₱332 million for 66,000 fintech-enabled loans for personal and business uses	
BPI	Provided ₱445.5 million of micro-finance loans for self-employed micro-entrepreneurs through BPI Direct Banko	  (indirect contribution)
	15.5 percent increase in total banks loans disbursed, from ₱1 trillion to ₱1.2 trillion	
ALI	22 percent increase in gross leasable area of offices, from 836,000 to 1.02 million sqm with the opening of six buildings	
	11 percent increase in malls' gross leasable area, from 1.62 million to 1.8 million sqm with the opening of five malls	
<b>Reviving the Philippine's position as a manufacturing hub: AC Industrials</b>		
IMI	Manufactured more than 31 million units of automotive, connectivity and smart energy technology components	 
<b>Addressing Pain points in Mobility</b>		
AC Infra	6 percent increase in LRT 1 passengers, from 148 million to 157 million due to improved train punctuality	
	Improved train quality, from 98.33 to 99.39 percent due to restoration of 9 non-working trains and extension of operating hours	
	21 percent increase in vehicles accommodated per day, from 24,000 to 29,000 by MCX, with potential savings of ₱519 million in fuel consumption and man-hours	
	241 million contactless payment transactions amounting to ₱4.6 billion for train, bus rides, retail and tollways through beep™	
ALI	8 Ayala malls serve as loading and unloading terminals for 9 Point-to-Point (P2P) bus routes	
<b>Managing Risks and Opportunities of Climate Change</b>		
GLOBE	347 percent increase in green solutions, from 750 to 3,350 ranging from fuel cells, lithium ion batteries, FCS, DC-HPU and DC generator sets	 
BPI	8 percent increase in total amount insured for catastrophies and natural hazards	



Social		
<b>Ensuring Community Health and Safety</b>		
AC Health	3.5 percent increase in total sales transaction count, from 40.3 to 41.7 million at Generika drugstores 4.5 percent increase in sales transaction count, from 31.4 to 32.8 million generic medicines  Three times more unique patients served, from 14,769 to 65,102 through FamilyDOC clinics  Engaged 100 corporate clients covering 60,000 employees for an improved health benefits management system and cheaper medicine through MedGrocer	
MWC	Total of 212,000 connections since the inception of Tubig Para Sa Barangay, affordable water program for the marginalized	
IMI	Two times more automotive cameras assembled, from 1.96 to 4.3 million to improve road safety	
<b>Education and Youth Leadership</b>		
AC Education	16,219 students enrolled in 23 APEC Schools in Metro Manila and Cavite for SY 2017-2018, 60 percent comes from D and E income segments	
AFI	Total of 1,449 Ayala Young Leaders Congress alumni since the program started in 1999	
<b>Fostering Financial Wellness</b>		
BPI	24 percent increase in Jumpstart accounts to promote saving to the youth	
<b>Building Sustainable Livelihood</b>		
AFI	21 percent increase in average monthly income, from ₱6,200 to ₱7,000, of farmers in a livelihood project in Calauan  Provided livelihood to 242 Mangyan weavers in Talipanan, Puerto Galera  14.2 percent increase in Mangyan product sales from ₱5.2 million to ₱5.94 million	 <i>(indirect contribution)</i>
Environmental		
<b>Smarter Energy Measures</b>		
AC Energy	1,349MW and 268MW attributable capacities for thermal and renewable energy assets, respectively  9 percent increase in power generated, from 5,992.6 to 6,552.1GWh. 1,774GWh of which is attributable to AC Energy  20 percent increase in power generated, from 342.1 to 410.3 GWh from renewable energy sources This led to a 22 percent increase in greenhouse gas avoidance, from 160,476.0 to 196,224.2 tonnes CO2e	 
MWC	Generates 1.3kWh of electricity per day from 0.67 cubic meters of septage through its waste-to-energy facility	  
<b>Advocating Climate Change Action</b>		
Ayala companies	Total of 3,498 seedlings planted in 2.19 hectares of land in Pagudpud, Ilocos Norte for Project Kasibulan	 
ALI	Established and protects 450 hectares of carbon forests	
BPI	36 percent increase, from ₱84.7 to ₱115.1 billion in loans disbursed for energy projects	 
<b>Water and Sanitation for All</b>		
MWC	4 percent increase in volume of water supplied, from 550.2 to 570.0 million cubic meters 7 percent increase in water abstracted, from 653.2 to 682.3 million cubic meters	
	6 percent increase in sewers, from 139,482 to 147,431 that are connected to sewage treatment plants  10 percent increase in volume of used water treated, from 51.5 to 56.4 million cubic meters avoiding 57,248 tonnes of carbon dioxide emissions	 
<b>Our Natural Capital: Ecosystems and Biodiversity</b>		
ALI	Protects 34 IUCN species and 14 threatened species as classified by DENR	 
MWC	Planted 15,800 seedlings in La Mesa watershed and 1,700 seedlings in Ipo watershed, covering 79 and 4.3 hectares respectively	

# PERFORMANCE HIGHLIGHTS

## ECONOMIC, ENVIRONMENTAL AND SOCIAL

		2017 Performance	Percent change from 2016	Relevant SDGs
<b>Economic</b>				
Economic Value Generated (Ayala Corporation)	Billion peso	259.66	19%	
Consolidated Revenues (Group-wide)*	Billion peso	463.84	15%	
Economic Value Distributed to Stakeholders (Group-wide)*	Billion peso	377.19	17%	
Capital Investments (Group-wide)	Billion peso	173.50	5%	
<b>Social</b>				
Direct Jobs Generated	Head count	55,264	13%	
Other Jobs Generated	Head count	83,810	11%	
Group-wide Turnover	Percent	7.5%	(69%)	  (indirect contribution)
Male: Female ratio		1:1.33	1:1.37	
Employee Engagement Score	Percent	88%	0	
Total Employee Training Hours	Million hours	1,288,875	52%	
Average Employee Training Hours	hours per employee	23.3	34%	
<b>Environment</b>				
Total Energy Generated	Gigawatt-hours	6,552.1	9%	
Total Energy Generated from Renewable Sources	Gigawatt-hours	410.3	20%	
Total Energy Consumed	Million gigajoules	27.9	28%	
Energy Intensity	Gigajoules per million peso	54.0	6%	
GHG Emissions (Scope 1 and 2)	Million tonnes of CO2e	3.0	23%	
GHG Intensity	Tonnes of CO2e per million peso	5.7	1%	
Total Water Delivered (m3)	Million cubic meters	570.0	4%	
Total Water Consumed (m3)	Million cubic meters	14.5	28%	
Water Consumption Intensity	Cubic meter per million peso	28.1	(5%)	
Hazardous Waste Generated	Tonnes	1,788.7	48%	
Non-hazardous Waste Generated	Tonnes	36,167.1	(9%)	
Construction Waste (Ayala Land)	Cubic meters	838,519.6	52%	
Consumed Cement and Steel (Ayala Land)	Tonnes	521,501.0	(5%)	

\*Excludes Ayala Corporation since portions of the individual companies' revenue are reflected in the parent company's economic value generated

\*\*The employee engagement survey of the Ayala group is done only every two years

Economic Section

# EXTENDING ECONOMIC PROGRESS

Ayala is committed to driving broad-based economic gains for more Filipinos. As one of the oldest and largest conglomerates in the country, we have played a key role, and shall continue to use our leading position, in working for inclusive economic growth.

We expand our business network and pursue strategic acquisitions in a bid to enlarge the value we generate and redistribute back to the economy. We also pursue innovative business strategies to support other businesses and increase the potential gains of entrepreneurship for start-ups and new players.

We develop large-scale infrastructure and growth centers that continue to attract top investors and spur economic growth for more people. We have also started to invest more in industrial manufacturing to revive the country's position as a manufacturing hub and exporter of quality industrial products.

By using our businesses as platforms for economic sustainability, we are able to generate greater economic values for society, fill gaps in developmental services, and forge wider pathways to inclusive growth across our supply chain.

## REDISTRIBUTING ECONOMIC VALUES BACK TO SOCIETY

Ayala's businesses are engines for economic growth as we continue to redistribute significant portions of our profits back to the national economy.

Our five-year cumulative group-wide capital expenditures are now at ₱748.3 billion. This includes our investments in shared-value business models, such as our new ventures in energy, industrial technologies, infrastructure, healthcare, and education.

## THE AYALA GROUP SUPPORTS THE NATIONAL ECONOMY (201-1)

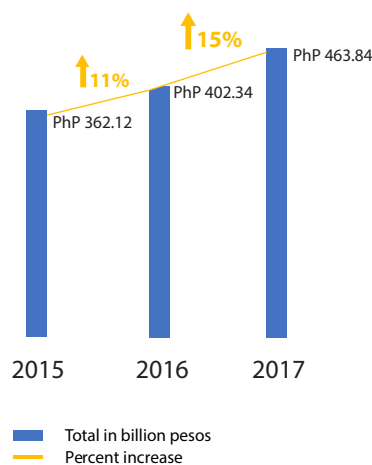
Our economic impact comes mainly from our subsidiaries. They directly conduct business with suppliers, create employment opportunities, generate shareholder returns, pay loan providers, remit taxes, and enable and empower communities.

## Consolidated Economic Value Generated by Ayala Companies

Consolidated revenues of the Ayala

group increased by 15 percent from ₱402.3 billion to ₱463.8 billion in 2017. This growth was primarily driven by significant revenue increases recorded by Ayala Land, IMI, and Globe.

Consolidated Economic Value Generated by Ayala Companies

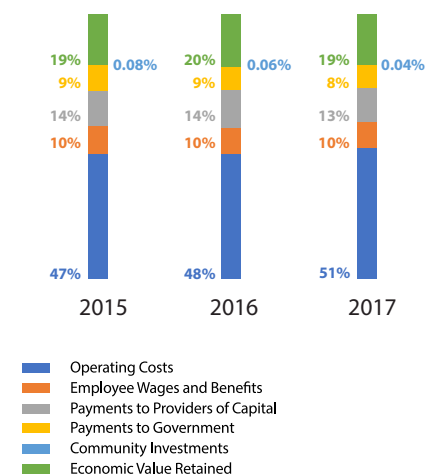


## Breakdown of Consolidated Economic Value Distributed and Retained by Ayala Companies

Over the past three years, our companies have distributed about 81 percent of their revenues to their key stakeholders. In 2017

alone, our subsidiaries paid about 51 percent of revenues to suppliers to cover operating costs, eight percent to government, 13 percent to providers of capital, 10 percent to employees, and invested 0.04 percent into communities. To sustain the operations of our respective companies, we retained and reinvested 19 percent of the total economic value we generated.

Breakdown of Economic Value Distributed by Ayala Companies



## At the Parent Company Level (201-1)

### Economic Value Generated by Ayala Corporation

Our total economic value generated in 2017 increased by 19 percent from ₱217.6 billion to ₱259.7 billion. This growth was driven by an increase in equity earnings contributions from our companies, led by Ayala Land and AC Energy. We distributed this economic value generated to our various stakeholders, supporting the productivity of the country's economy and extending opportunities to more Filipinos.

#### Economic Value Generated by Ayala Corporation

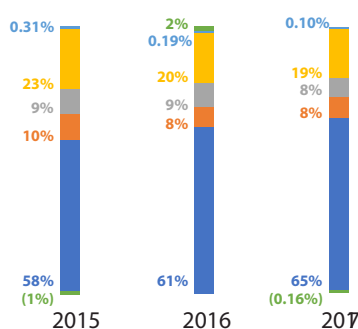


### Breakdown of Consolidated Economic Value Distributed and Retained by Ayala Corporation

In 2017, Ayala Corporation distributed about 100 percent of its generated economic value as payments to its key stakeholders, a 21 percent increase from 2016. Of the total economic value generated, 65 percent was paid to local and foreign suppliers. About 19 percent was paid to the government in the form of taxes and licenses. Eight percent was distributed to employees to cover wages and benefits, while another eight percent was distributed to capital providers as dividends, and interest

and financing charges. About ₱255 million went to local community investments, through Ayala Foundation and other partners.

#### Economic Value Distributed and Retained by Ayala Corporation



- Operating Costs
- Employee Wages and Benefits
- Payments to Providers of Capital
- Payments to Government
- Community Investments
- Economic Value Retained

### STRATEGIC ACQUISITIONS FOR CONTINUED GROWTH (102-10)

In order to create more shared value and better support overall economic growth, we continue to seize opportunities to scale our operations and further diversify our income streams.

Over the past years, we have vigorously expanded our portfolio by investing in industries that have the potential to deliver greater social value and financial returns. We are also looking into strategies, innovations, and emerging business models and sectors that are disrupting the way goods and services are delivered.

Through its Singaporean unit Manila Water South Asia Holdings Pte. Ltd, Manila Water now owns 37.99 percent of the outstanding capital stock of Saigon Water Infrastructure Corporation in Vietnam and is expanding its reach across Southeast Asia.

Integrated Micro-electronics, Inc., through its subsidiary Integrated Micro-electronics UK Limited, acquired an 80 percent stake in Surface Technology International, a private company based in the United Kingdom, which provides electronics design and manufacturing solutions for high-reliability industries (i.e. medical, automotive, aerospace, and defense) that have production standards of low to zero defects per million. STI has two factories in Hook and Poynton and a design center in London in the UK, as well as, one factory in Cebu, Philippines.

AC Ventures now owns a stake in Fintech Innovations, Inc. (Mynt) in a bid to help drive, and capitalize on the growth of the online financial services market. It also ventured into e-commerce by acquiring 43.2 percent of BF Jade E-Service Philippines, the company that owns and operates Zalora Philippines. Ayala Land, BPI Capital Corporation, and Kickstart Ventures also bought minority shares in Zalora.

AC Industrials acquired a controlling stake in Misslbeck Technologies GmbH, a German-based automotive supplier of models, tools and plastic parts to automotive original equipment manufacturers and automobile tier 1 suppliers.

AC Health recently invested in Wellbridge Health, Inc., which operates MedGrocer, an ePharmacy business that provides quality services at lower costs.

AC Energy took over Bronzeoak Philippines, Inc. in early 2017, and rebranded the company to AC Energy DevCo, Inc. It acquired 100 percent ownership of Bronzeoak Clean Energy and San Carlos Clean Energy. Additionally, it acquired a 19.8 percent stake in the Indonesian geothermal assets of Chevron. Moreover, AC Energy through its





Once completed, the Sidrap project will be Indonesia's first utility scale wind farm.

affiliate, AC Energy International Holdings Pte Ltd., a Singapore private limited company, invested in a 75 MW wind farm project in South Sulawesi, Indonesia. The project will be developed through PT UPC Sidrap Bayu Energi, a special purpose company based in Indonesia.

AC Infrastructure Holdings, BPI Card Finance Corporation, and Globe have a total stake of 26 percent in AF Payments, Inc. which is a consortium with First Pacific group. AFPI provides contactless payments solutions for the Filipino public.

## MULTIPLYING GAINS BY SUPPORTING OTHER BUSINESSES (203-2)

Ayala's innovative spirit, significant market reach, and strong commitment to overall national development inspire our companies to pursue strategies that enrich and empower other businesses. Through innovative business models, we are able to deliver more products and services that help more groups to find entrepreneurial solutions to economic and developmental challenges.

## PROVIDING TOOLS TO BOOST BUSINESS PRODUCTIVITY: GLOBE

Moving beyond calls, text, and data promos, Globe provides an enabling environment for businesses through digital technologies. Globe myBusiness provides customizable and affordable business solutions to micro, small, and medium enterprises. Globe's goal is to give small businesses a competitive advantage by improving their efficiency and productivity, and reducing their operating costs. These products and services include Cloud Solutions, Digital Payments and Website Development and Management, Sales Force Automation, and Security and Asset Tracking, among others. For 2017, Globe myBusiness engaged MSMEs in tourism (hotels, restaurants, cafés), retail, manufacturing, financial, and education sectors.

On the other hand, Globe Business provides end-to-end mobile and fixed line solutions that serve large enterprises. They also provide IT-enabled services through their ICT unit. These include Connectivity Solutions, Mobility Solutions, Business Voice Solutions, Collaboration Solutions, Machine-to-Machine Solutions, and IT-enabled services. In 2017, Globe Business engaged several Top 500 Philippine companies in the financial,

Ayala Company	Companies Acquired	Current Ownership	Asset Description
Manila Water	Saigon Water Infrastructure Corporation	37.99%	Provider of water and wastewater management services to municipal entities, businesses, and manufacturers in Vietnam
Integrated Micro-electronics, Inc.	Surface Technology International	80%	Contract electronics manufacturer based in the UK which provides electronics design and manufacturing solutions for high-reliability industries, such as aerospace and defense, that has production standards of low to zero defect per million.
AC Ventures	Globe Fintech Innovations, Inc. (Mynt)	10%	Financial technology unit of Globe providing a one-stop shop of financial technology services for consumers, merchants, and organizations through GCash, a micropayment service provider, and Fuse, a technology-based lending company
	BF Jade E-Services Philippines	43.2%	Owns and operates Zalora Philippines, an online fashion retail platform
AC Industrials	Missilbeck Technologies GmbH (MT)	94.9%	German-based automotive supplier of models, tools, and plastic parts to automotive original equipment manufacturers and automobile tier 1 suppliers
AC Health	Wellbridge Health Inc.	17%	Domestic start-up that operates MedGrocer, which provides affordable medicines and healthcare management solutions using technology
AC Energy	San Carlos Clean Energy (rebranded to AC Energy DevCo, Inc.)	100%	Operates and provides management support services to San Carlos Solar Energy Inc. and Negros Island Solar Energy Inc. with a total capacity of 143 MW
	Bronzeoak Philippines, Inc. (rebranded to Visayas Renewables Corp.)		
	Star Energy Geothermal (Salak-Darajat) B.V.	19.8%	Indonesian consortium that owns and operates Darajat and Salak geothermal fields in West Java, Indonesia, with a combined capacity of 637MW of steam and power
AC Infrastructure, BPI Card Finance Corporation, Globe	AF Payments, Inc.	26%	Consortium between Ayala group and First Pacific group serving as a contactless electronic payment system provider, beep™ as the main product

healthcare, IT-BPO, logistics and transportation, manufacturing, retail, and public sectors.

### **INSPIRING MORE ENTREPRENEURS: KICKSTART VENTURES**

Another Globe subsidiary, venture capital firm Kickstart Ventures, has been supporting startups develop new products and services through collaborative digital platforms. To date, Kickstart has invested in 35 startups in five countries: the Philippines, Indonesia, Israel, Canada, and the US. Kickstart supports startups from the fields of enterprise solutions/software-as-a-service, healthtech, fintech, digital lifestyle, ecommerce & marketplace, and edutech.

To address poverty-related issues in the country through the use of technology, Globe, together with Kickstart, Globe Labs, and Ashoka Philippines, mounted the Globe Telecom Future Makers Program where 135 startups and individuals from various parts of the country displayed their unique and innovative ideas. Out of the five startups who won the GFM competition, Globe chose iVolunteer and Virtualahan as Philippine representatives to the “SingTel Group Regional Future Makers 2017” in Australia. iVolunteer is a platform linking individuals to small non-governmental organizations. On the other hand, Virtualahan is another platform for learning and capacity building for people with disabilities and medical conditions.

### **EXPANDING OPPORTUNITIES FOR THE UNBANKED: MYNT**

Ayala Corporation and Globe Fintech Innovations, Inc. (Mynt) partnered with the Ant Financial Services Group. This partnership with one of the world’s leading digital financial services provider aims to help more Filipinos — especially the unbanked, which comprise over 50 percent of the

adult population — gain access to safe and more convenient payment and lending platforms. Currently, Mynt has two innovative products, which help drive financial inclusion: GCash and Fuse.

Globe subscribers enrolled in GCash can use basic services, such as sending money and paying bills, using their mobile phones. GCash users may also shop online worldwide through American Express Virtual Pay, a virtual card linked to their GCash accounts. By the end of 2017, a total of 5.1 million Globe subscribers already use GCash with an average of ₱6 billion worth of transactions per month.

In 2017, GCash also launched Scan to Pay, a new payment option that allows customers to pay for goods and services by simply using their smartphones to scan QR codes. This innovation also helps business owners as they can now charge customers simply through QR code stickers, diminishing the need to purchase expensive payment terminals and systems.

Fuse Lending, Inc., meanwhile, is a licensed lending institution that caters to the underserved and unbanked population of the country. It seeks first to understand the loan needs of its customers to ensure

that it provides the right products, whether business or personal loans. Loan sizes range from ₱300 to ₱300,000. FUSE communicates updates and approvals to clients through their mobile phones. Disbursements are flexible as they can be done through GCash, bank deposit, or check. In 2017, FUSE released a total of 66,000 loans amounting to ₱332 million.

### **ENABLING BUSINESS GROWTH: BPI**

BPI continues to help more entrepreneurs to pursue their dreams through its various loan programs. These lending channels have benefited not only large companies, but also small and medium enterprises. In 2017, almost 81 percent of BPI’s total loan portfolio was availed by these segments. The remaining 19 percent composed of retail loans.

BPI’s comprehensive range of lending products includes short-term inventory and trade financing, term facilities for the financing of capital expenditures or acquisitions, and project financing. These loans are aimed to drive both urban and countryside growth. As a financial advisor, BPI ensures that loan packages are flexible to cater to different business needs. The total outstanding loans availed



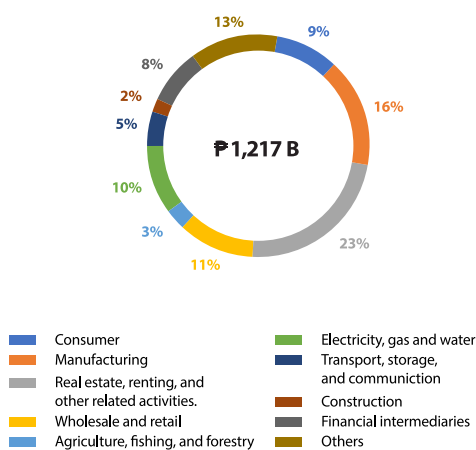
*Mobile platforms create opportunities to expand products and services.*

by corporate clients grew by 15.5 percent from ₱1 trillion in 2016 to ₱1.2 trillion in 2017.

In 2017, real estate and manufacturing were the top sectors in BPI's loan portfolio. On a macroeconomic level, these sectors were also two of the main drivers of GDP growth in 2017. Another sector with a highly significant proportion of corporate loans is wholesale and retail trade.

BPI also grants loans to firms engaged in agriculture and related industries such as piggeries, poultry, livestock, milling, agri-trading and food processing. These loans contribute to the modernization of farming operations, ensuring improved quality and continuous productivity. As of 2017, the bank disbursed ₱156 billion in agribusiness loans.

**BPI Loans by Industry Concentration**



### FOSTERING FINANCIAL INCLUSION: BPI DIRECT BANKO

As part of its thrust to provide financial services to all Filipinos, BPI established Direct BanKo, Inc. which provides financial solutions to self-employed micro-entrepreneurs. BanKo allows the unbanked to get easier access to loans with simple administrative requirements,

allowing them to move away from unlicensed money lenders.

By the end of 2017, a total of 103 Direct BanKo branches and micro-banking offices were opened, from only 10 in 2016. Its micro-finance loan portfolio has reached ₱445.5 million covering 8,291 micro-finance clients.

As a vehicle for financial inclusion, BanKo disbursed 94 percent of its loans to areas outside Metro Manila. For its efforts towards promoting financial inclusion, BanKo was named The Microfinance Initiative of the Year by The Asian Banker in its Philippines Country Awards 2017.

### CREATING CENTERS OF ECONOMIC GROWTH: AYALA LAND

Ayala Land continues to lead the way in developing large-scale, mixed-use estates that become leading economic hubs and growth centers across the country. As of 2017, the company has created and is now managing 25 estates in key cities across all major regions of the Philippines. All these developments continue to attract both global and national locators and investors. They also enhance local economies through the growth of commerce and trade and the provision of infrastructure that inspire new entrepreneurial ventures.

In 2017, the company also turned over 12,673 residential units, and completed new hotels and resorts with a total of 556 rooms. Ayala Land opened five new malls in 2017, namely, The 30th in Pasig, Ayala Malls Vertis North, Ayala Malls Cloverleaf in Quezon City, Ayala Malls Marikina and Ayala Malls Feliz, Marikina. This brought the total gross leasable area of shopping centers from 1.62 million square meters in 2016 to 1.80 million square meters at the end of 2017. The company also completed six

new offices in 2017, namely, Circuit BPO Tower 1 and 2 in Makati, The 30th Corporate Center in Pasig, One Bonifacio High Street in BGC, Tech Tower Cebu and Vertis North BPO 2 in Quezon City. This expanded the total gross leasable area of Ayala Land's office leasing portfolio from 836,000 square meters in 2016 to 1.02 million square meters at the end of 2017.



Vertis North is in a 30-hectare masterplanned estate in Quezon City.

### REVIVING THE PHILIPPINE'S POSITION AS A MANUFACTURING HUB (203-2)

Through AC Industrials, Ayala is taking advantage of the ongoing disruption in the manufacturing space, particularly in the automotive sector. By maximizing our investments in industrial technology, we strive to contribute to the renaissance of the Philippine manufacturing sector, which we believe can contribute significantly to economic growth and employment generation.

Our global manufacturing arm, IMI has expanded its capabilities to move beyond traditional electronics manufacturing services. The company works with partners



and customers in co-designing and co-engineering a wide array of manufacturing solutions. IMI has increased its markets to include aerospace and defense, on top of automotive, industrial, telecommunications, consumer, medical, renewable energy, and power semiconductors.

One of the areas with growing potential is the manufacturing and supply of sensing cameras, night vision, and rearview cameras, as demand for advanced driver assistance systems rises. In 2017, IMI Philippines produced 4.3 million automotive cameras. IMI is also involved in the development of mirror replacement technologies that will enable cameras to replace side mirrors, allowing clearer, more accurate displays for drivers. With growing demand for electric vehicles, there is an equal need for accessible charging infrastructure. One of IMI's major customers in Chengdu, China, is a top service provider of charging solutions for electric vehicles, capturing about 43 percent of total market share. IMI's involvement in this segment will pave the way for the company to capture more opportunities in the evolution of cars.

In 2017, IMI won several power module projects for high power applications from a French-Italian multinational electronics and semiconductor manufacturer, for both industrial and automotive products. The need for more cost-effective energy management systems will continue to rise due to the increasing demand for high power applications in cars, motor drives, charging and heating systems, inverters, welding tools, climate control systems, uninterrupted power supplies, and other high-power applications. In all, IMI manufactured 31 million units of various technological components.

## ADDRESSING PAIN POINTS IN MOBILITY <sup>(203-1)</sup>

As the economy grows, the need for efficient mobility rises and transport challenges become more difficult to manage. In partnership with the government and other companies, Ayala supports major efforts to achieve sustainable transport solutions and address worsening traffic congestion in our cities. Through AC Infrastructure, Ayala supports national efforts to expand and strengthen our transport infrastructure. With toll road and rail projects under the government's public-private partnership program, AC Infrastructure aims to improve the transport of people, goods, and services for more communities.

### IMPROVING EXISTING INFRASTRUCTURE: LRMC

In Metro Manila, the train system is one of the most widely used public transport systems. At present, there are three operational lines in the capital's railway system, with the LRT Line 1 as the oldest. AC Infrastructure engaged in a joint venture with Metro Pacific Rail Corporation and Philippine Investment Alliance for Infrastructure Fund to form Light Rail Manila Corporation which now operates LRT-1, which spans Roosevelt in Quezon City to Baclaran in Pasay City.

No new light rail vehicles were purchased since the turnover of LRT-1 operations to LRMC in 2015. However, the company spent ₱124.3 million and ₱408 million in 2016 and 2017, respectively, for the restoration and rehabilitation of existing LRVs. A significant number of trains were fixed and there are now 109 operating LRVs from 77 units in 2015.

LRMC also implemented extended operating hours to better serve the commuting public: 4:30 AM to 10:15 PM for southbound trains and 4:30 AM to 10:00 PM for northbound trains.

#### Annual Number of Passengers

148 Million  
2016



157 Million  
2017



#### Passenger Capacity

560,580  
2016



644,108  
2017



LRMC works to ensure that passengers need not wait in long queues by optimizing interval time between running trains. Train interval during peak hours decreased from five minutes in 2016 to 3.4 minutes in 2017. Likewise, train interval during off-peak hours declined from six minutes in 2016 to 4.3 minutes in 2017. Train punctuality also improved from 98.3 percent in 2016 to 99.39 percent in 2017.

The time it takes for a train to complete a journey from a terminal station and back, also called average cycle time, is at one hour and 42 minutes in 2017. This is lower by seven minutes compared to 2016. These resulted in a 15 percent increase in daily passenger capacity from 560,580 in 2016 to 644,108 in 2017. The annual number of passengers increased by six percent from 148 million in 2016 to 157 million in 2017. On a daily basis, average passengers increased from 409,785 in 2016 to 434,657 in 2017.

Incidents of total stoppage, late arrival, and late departure of trains substantially declined compared to 2016. This is attributed to various management efforts. Instead of relying solely on high-speed line technicians, train drivers are enabled to assess immediate train concerns, thus reducing response time.



Also, LRM staff strictly adheres to the Safety Code system, which guides them in implementing the appropriate series of actions during train delays or stoppages. The company further provides employees with periodic training and refresher courses, and acquires new technologies to improve train traffic management.

Train failures caused by faulty parts typically require the overseas procurement of spare parts, which is a lengthy process. Through its Laboratory Repair Section, LRM is already capable of repairing defective electronic modules, cards, and control equipment. This allows LRM to conduct its maintenance and repair activities in a timely manner, resulting in fewer failure incidents and considerable financial savings.

**DEVELOPING STRATEGIC INFRASTRUCTURE: MCX**

In 2015, Ayala Corporation launched the Muntinlupa-Cavite Expressway, its first toll road under the government’s public-private partnership program. This four-kilometer, four-lane road connects Daang Hari in Las Piñas to SLEX through Susana Heights, easing traffic and providing an alternative route to motorists.

Average daily traffic recorded by MCX increased to 29,000 in 2017. This also helped motorists potentially save ₱165 million in man-hours, and ₱354 million in fuel consumption otherwise lost to traffic in 2017.

**EASING PAYMENTS IN PUBLIC TRANSPORT: AF PAYMENTS**

To ensure greater convenience in the purchase of bus and train tickets, the Ayala Group has formed a consortium, AF Payments, Inc., with the First Pacific group to develop a more efficient contactless payment system.

AFPI’s current product, beep™, is an electronic wallet which can be used to pay for train and bus rides, toll fees, and even retail purchases. beep™ cards can be purchased and reloaded primarily through ticket vending machines and teller booths at LRT and MRT stations, at select partner establishments, and through Coins.ph. AFPI had a loading partner network of approximately 400 at the end of 2017.

In 2017, the total number of card transactions reached 241 million with a total value of ₱4.6 billion. Of this amount, 95 percent were for train rides, 4.6 percent for bus, and the rest were from retail and toll fees.

**SUPPORTING PUBLIC TRANSPORTATION: AYALA LAND**

To reduce congestion in Metro Manila and encourage car owners to shift to public transportation, the Department of Transportation launched the Premium Point-to-Point bus service in certain areas. This was done in collaboration with local government units, bus operators, and real estate developers.

P2P buses offer express services to and from designated locations, with no stops to pick up passengers. Departure times are scheduled

and observed properly. Buses are equipped with wider seats, WiFi, CCTV, and Euro 5 gas engines which reduce emissions.

As a partner company, Ayala Land primarily provides terminal and parking space, and assists in housekeeping, traffic management, and marketing efforts for the P2P bus service. By the end of 2017, Ayala Malls that serve as loading and unloading points include Trinoma, Glorietta, Alabang Town Center, Greenbelt, SouthPark, Market! Market!, UP Town Center, and Solenad, supporting a total of nine routes.

**MANAGING THE RISKS AND OPPORTUNITIES OF CLIMATE CHANGE (201-2)**

At the Ayala group, we are cognizant that our economic advances will be reversed if we fail to address climate-related challenges today. We support efforts to increase awareness of the dangers of climate change while developing business solutions to mitigate its harmful effects. In partnership with various environmental and civil society groups, we continue to highlight the critical role businesses play in preventing further global warming.

*Dedicated personnel monitor train operations.*



## REDUCING CLIMATE CHANGE IMPACT THROUGH INFRASTRUCTURE

From 750 in 2016, Globe now has 3,350 green solutions, ranging from fuel cells, lithium ion batteries, FCS, DC-HPU and DC Generator sets. With its fuel cell partner, Serenergy, Globe is undertaking an effort to make all its cell sites in the country greener. Serenergy supplies methanol fuel cell solutions to replace diesel generators and provide green power supply. Globe site operators underwent training to properly operate fuel cell systems as part of its integrated network.

The DC Genset consumes less fuel due to its load-following ability compared to an equivalent AC genset and has a longer service interval of approximately 500 hours. It is also a more cost-efficient solution compared to fuel cells for open field sites. The quiet-type DC genset produces low noise at 48dBa allowing its use even in residential areas during power loss.

## PROTECTING ASSETS FROM RISK OF DISASTERS

With more assets exposed to higher climate risk, BPI's insurance business continues to deliver insurance solutions to protect its clients. In 2017, total amount insured for catastrophes or natural hazards grew by eight percent. Total premiums generated increased by 5.6 percent from ₱5.62 billion to ₱5.94 billion.

## EXTENDING SUSTAINABILITY TO OUR SUPPLY CHAIN (102-9, 204-1)

Our extensive supply chain across operating companies presents opportunities to improve the economic resilience of businesses and individuals. By managing our supply chain through better procurement processes, we improve our business continuity while ensuring that we always do business ethically and fairly.

Ayala's major subsidiaries, such as Globe, Ayala Land, Manila Water, and IMI have comprehensive, publicly-disclosed policies on supplier assessment and vendor accreditation.



*Zalora has developed an efficient fulfillment solutions system.*

Globe suppliers undergo a comprehensive accreditation process which includes the assessment of their technical and financial capability, business continuity, safety, health, and environmental policies. Apart from the screening process, Globe fosters strong business relations with its partners through its supply chain programs. The company opens learning opportunities to vendors through plant visits and technology briefings as well as vendor clinics for selected suppliers to help improve their performance and competitiveness.

Ayala Land has institutionalized a Vendors' Code of Ethics which is anchored on the principles and standards of Ethical Supply Management Conduct set by the Institute for Supply Management. The Code is being updated to enhance sustainable development provisions, and to conform to the International Organization for Standardization as specified in the guidelines for Sustainable Procurement 20400:2017. Ayala Land's suppliers undergo third-party screening to assess environmental performance and ensure that they do not employ underage workers in their operations. Audits are regularly done in project sites to ensure subcontractors and vendors adhere to the General Labor Standards. Ayala Land also advocates for decent work practices in its supply chain to safeguard the company from risks of forced, bonded, and indentured labor, child labor, discrimination, and harsh or inhumane treatment.

IMI conducts management assessments on potential suppliers based on the suppliers' company

profile, financial soundness, and technical capabilities. IMI's Supplier Quality Engineering group conducts qualification assessments based on the company's Supplier's Quality manual, quality management system and other customer-specific requirements. Environmental, Health and Safety Standards, and Code of Conduct are integral parts of the screening criteria of IMI for its suppliers.

Manila Water also ensures the compliance of vendors to financial and technical requirements by implementing robust accreditation and pre-qualification processes. The compliance of these vendors and suppliers with environmental laws and other relevant standards are checked extensively through these processes and is consistently monitored throughout the period of engagement with the company.

We are working to further institutionalize our best practices in supply chain management and supplier assessment by developing and strengthening related policies especially for our emerging businesses.

Ayala companies also engage local suppliers as much as possible. Globe, Manila Water and some AC Energy companies spent ₱35 billion, ₱16.7 billion, and ₱6.5 billion for local suppliers, respectively.

Social Section

# UNITING BUSINESS STRATEGY WITH SOCIAL IMPACT

At Ayala, we believe that serving the common good and working for social development are integral components of a profitable business strategy. We therefore strive to develop business models that unite profit with human development and social impact, creating both social and economic benefits for our communities.

The success of our businesses, moreover, is a direct function of human development and the well-being of our key stakeholder groups—our employees, our customers, and the communities around us. Their overall health and well-being, as well as their active participation in meaningful forms of social engagement, is therefore in our best interest.

In this section, we review our key programs that have directly contributed to improving the welfare of our communities, particularly those related to gainful employment, healthcare, education, and sustainable livelihood.

## PROVIDING MEANINGFUL AND GAINFUL EMPLOYMENT

At the heart of Ayala's drive for inclusive growth is a talented workforce that executes our strategies and enables us to realize our vision. The diverse interests of the Ayala group support about 139,000 jobs through our companies, directly employing more than 55,000.

We strive to provide meaningful and gainful employment—the kind that also ensures continuing education and personal development. This commitment is proven by our high engagement scores and low turnover rate across the group.

The diverse mix of expertise and interests among Ayala employees enable us to pursue a wide variety of shared-value business models. Our employees excel in their core functions and also serve as our brand ambassadors in and outside the conglomerate to promote Ayala's values and its spirit of innovation through collaboration.

Every day, our employees ensure that synergies and creative partnerships

are formed, while sharing resources, maximizing opportunities, and finding pathways to new shared-value approaches.

Over the years we continue to grow and support more employees, as evidenced by our high employment rate of seven percent, which is higher than the country's average of 1.1 percent<sup>1</sup>.

Our approach to employee engagement was affirmed in 2017 as Forbes Global 2000—an annual ranking of the top companies in the world by Forbes Magazine—named Ayala 18th in its first-ever list of World's Best Employers.

## ENGAGING EMPLOYEES, THE AYALA WAY (102-43)

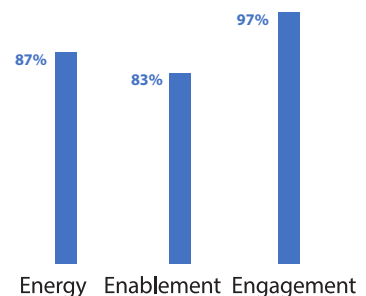
We assess our performance as an employer by our ability to keep our employees sustainably engaged. A deeper understanding of what keeps our employees motivated and involved allows us to design policies and programs that create a better work environment. We measure this through third-party surveys administered every two years.

In 2017, we continued our partnership with leading professional services firm Willis Towers Watson. We have adopted their framework on Sustainable Engagement, which measures engagement in three areas – Energy, Enablement, and Engagement.

We concluded our survey with a 96 percent (30,271) participation rate which is significantly higher than the 81 percent Global Average Response Rate and two points higher compared to our 2015 overall participation rate.

This year, our SE score across the Ayala group is at 88 percent, which is one point above the Philippine norm

Ayala's 2017 Sustainable Engagement Index



<sup>1</sup> This indicates that about 70 employees (net of turnover) are added to the company for every 1,000 employed, which is a lot higher compared to the national average of 11 new hires per 1,000 employees during the third quarter of 2017, as indicated by the Philippine Statistics Authority's report on Labor Turnover.



and two points above the Global High Performing Norm. The SE score is the simple average of scores across the areas of Energy, Enablement, and Engagement.

A key finding indicates that our employees possess a strong affinity with our respective company brands and goals.

About 87 percent of our employees consider themselves energized, meaning they derive a sense of personal accomplishment in their work and in working with their peers. As a result, they tend to have a good individual, interpersonal, and emotional outlook at work.

Enabled employees believe that resources and tools are available for them to do their job effectively with fewer obstacles. Around 82 percent of our workforce find themselves enabled.

Moreover, 96 percent of our employees find themselves engaged. Engaged employees work beyond what is required to ensure our success. They have a strong belief in our goals and objectives and manifest pride in being associated with Ayala.

**Key Engagement Drivers**

Across the Ayala group, the following categories are the strongest influencers on our Sustainable Engagement score: Empowerment, Operating Efficiency, and Stress, Balance, and Workload.

Continued efforts in these areas will help drive and improve our

Sustainable Engagement score further.

**Trust in Leadership**

High levels of confidence in management decisions keep employees highly engaged. Ayala actively works to reach such levels of trust, with 83 percent of Ayala employees saying that they consider management decisions to be consistent with the values of the organization.

In this respect, the Ayala group scored six percentage points higher than the Philippine norm due to a number of factors. 85 percent are convinced that their management is interested in the well-being of the employees. In addition, our employees have a high regard for the standards of integrity across the organization. 92 percent believe that their respective companies operate with integrity in external dealings with customers and suppliers, among others. A majority are willing to report instances of dishonest or unethical practices to appropriate authorities without fear of reprisal. In fact, 80 percent of employees say internal processes are geared toward providing the best possible service to our external clients.

Employees also appreciate the way we provide feedback and recognition. About 79 percent says they get regular feedback on their performance from their supervisors and 81 percent says their supervisor gives due recognition for outstanding work.

**Healthy Working Relationships**

Good working relationships make

teams more effective and energized. A healthy exchange of ideas is crucial for achievement of the team’s deliverables. Fundamental to maintaining good working relations is how each employee feels respected. A good 88 percent of our employees say they are treated with respect regardless of their role.

**Balancing Work and Leisure at Ayala**

Acknowledging the importance of work-life balance, the company provides opportunities for employees to engage in sports or leisure activities. The company holds an annual foundation day, a yearly summer outing, and special celebrations for holidays such as Halloween and Christmas. There are quarterly activities ranging from fun runs, health and wellness events, and movie nights. Most of these events are open to the dependents of our employees.

To further promote healthy living, Ayala supports the gym memberships of Ayala Corporation employees and encourages them to engage in sports through the JZA Cup, named after our chairman emeritus Jaime Zobel de Ayala. This Cup is a year-long tournament in golf, bowling, badminton, volleyball, and street dance. Every four years, the group also holds the Ayala Olympics where employees from across the group unite through sports tournaments like track-and-field, cheerdance, and more.

**ENSURING OUR EMPLOYEES’ HEALTH AND WELL-BEING (403-2)**

Ayala ensures that our employees and dependents enjoy continuous medical and dental care and undergo annual and executive checkups. Our vaccination program is held annually to combat flu, hepatitis B, cervical cancer, and pneumonia. The company also maintains an on-site medical clinic managed by doctors and nurses; it is supervised by one of the top hospitals in the country. First-aid support and over-the-counter medicines are given in this clinic. On a group-wide basis, we track our employee’s health and instances

Key Drivers	Our Definition	2017	2015
Empowerment	Relates to whether employees believe that they have sufficient authority and decision making to do their job well and that their work contributes to achievement of company’s business objectives	90%	89%
Operating Efficiency	Measures our effort to make our operations more streamlined and cost-effective through use of appropriate technology and continual process improvement	87%	85%
Stress, Balance, and Workload	Provides information on how the employees feel the support provided by the company in terms of sufficient number of employees handling the workload as well as how their schedule allows sufficient flexibility to meet their personal/family needs	70%	64%



of illnesses, and review our records periodically to create safer and healthier working environments<sup>2</sup>.

Embracing wellness, Ayala started the “Ayala Goes Healthy” program, which brings together interest clubs across the group to collaborate and create wellness programs, such as sports events, blood-donation drives, and health-and-safety lectures.

Caring for the health and safety of our workforce is key in ensuring that our employees perform at maximum potential, and that we fulfill our responsibilities to them. As an example, Ayala Land provides yearly physical examinations, health risk assessments, and an extensive health insurance coverage for employees. These privileges extend to family members of employees. There are also nurses and doctors stationed at Ayala Land’s head office. For field personnel, stricter health and safety prevention practices have been set such as designating safety and pollution control officers, enforcing use of safety equipment, and establishing emergency response plans.

Manila Water commits to ensuring safety, preservation of life and health of its employees and stakeholders through its Safety, Health and Welfare Policy. With an occupational health and safety management system in place, the company continuously assesses its processes and improves its operations in order to manage its health and safety risks.

Likewise, Globe implements an OHS Policy and adheres to the OHSAS 18001 standards for its occupational health and safety management system.

#### **PEOPLE DEVELOPMENT IN AYALA** (404-2)

The sustainability of Ayala’s business is directly related to the knowledge and skills of our employees. We therefore provide ample opportunities for professional

development and lifelong learning.

#### **Ayala University: Catalyst for Developing Leaders in Ayala**

Ayala Corporation is on the frontlines of employee development through its strong support of continued learning. This is embodied by Ayala University, which now serves as a catalyst for innovative learning and development programs for Ayala employees. The program forms linkages with Ayala leaders and centers of excellence across the group and develops training sessions based on developmental needs of individuals and business units.

In 2018, Ayala University will pilot test the Alternative Work Spaces project that aims to promote remote working platforms.

#### **Globe University: Preparing Employees for the Digital Age**

Globe’s flagship employee development platform, Globe University, offers courses based on the specific needs of each Globe employee.

The program has reached 2,900 employees, 40 percent of Globe’s workforce, and offers the following courses: Digital Marketing, Cloud Technology, Agile Methodology, Network Function Virtualization, Software Defined Network, Business Intelligence and Analytics, Information Security and Data Center Training.

To support the soft skills needed for holistic development, Globe University, under the Leadership Academy, also provides training on Everyday Leadership, People Management, and Fundamentals of Leadership. New programs are set to be launched in the first quarter of 2018, including: Leading with Emotional Intelligence, Collaborative Leadership, and Leading in the Digital Age.

A Digital Learning Team also designs and creates digital learning tools.

#### **MDC TTAC: Developing Builders that Build the Nation**

Ayala Land, through its construction arm Makati Development Corporation, established the MDC Technical Training Assessment Center, which provides construction skills to workers deployed in MDC’s construction sites. Ayala Land initially invested ₱3 million for the school’s operations. Starting with a single training center and five mentors in 2016, the school grew to have eight technical centers and 41 active trainers at the end of 2017.

The skills trainings offered in TTAC include: Masonry, Carpentry, Electrical Installation and Maintenance, Shield Metal Arc Welding, Scaffold Erection, Truck-Mounted Crane Operation, and Kitchen Cabinet Installation. The center also provides skills assessment services and trainings for foremanship. Aside from the technical sessions, the center also aims to develop soft skills for workers such as: understanding and adherence to safety and quality programs, values enhancement and application to daily activities of workers (i.e. concern and courteousness), among others.

As of 2017, the project had graduated 5,267 workers over 41,974 training hours. There are 7,927 active trainees, all of whom are also deployed in MDC projects.

This initiative significantly improved the quality of workmanship among MDC workers. Notably, their sense of self-worth also increased, while the trainers are better able to grasp their purpose in enriching the skills of their peers.

<sup>2</sup>The list of occupational health and safety incidents across the group can be found on page 187

Some of the tools that the team developed include the e-learning development system, e-books library, and GU Online Learning Digest.

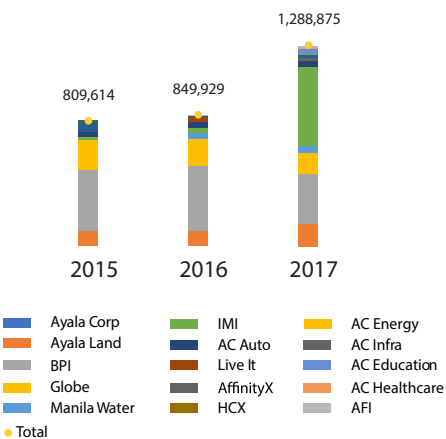
### IMI ETEEAP: Providing Opportunities for Higher Education

IMI-Philippines partnered with the University of Batangas for the Expanded Tertiary Education Equivalency and Accreditation Program. Through this scheme, IMI employees who are still undergraduates and have been employed for at least five years, can obtain an academic degree or complete their tertiary education, based on their knowledge, skills, and prior learning achieved through actual working experience. In 2017, there were 18 graduates, two of which were promoted to the next employment rank after graduation.

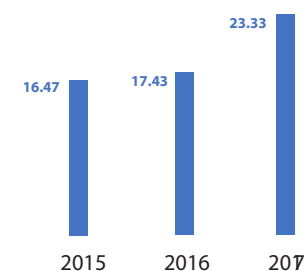
### Employee Training Hours (404-1)

In 2017, the Ayala group provided more than 1.2 million training hours for employees.

#### Group-wide Total Training Hours

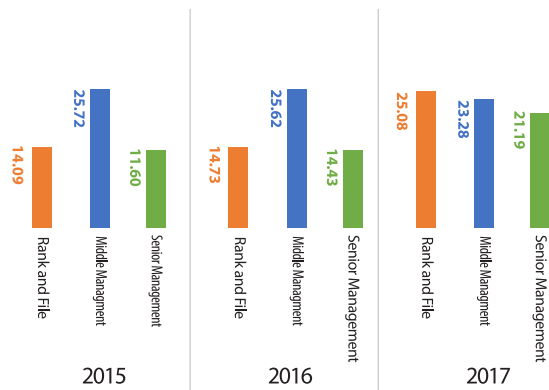


#### Group-wide Average Training Hours



<sup>3</sup>Based on Philippine Statistics Authority survey in 2017

#### Average Training Hours Per Rank



Average training hours per employee stands at 23.33 man-hours, a 34 percent increase from 2016, reflecting Ayala's commitment to people development.

### NEW HIRES AND TURNOVER (401-1)

Ayala hired 7,991 new employees in 2017, a hiring rate of 14.5 percent. This is higher than the Philippine average of 8.91 percent. Employee turnover this year totaled 4,148 which represents a reduction in labor turnover rate from 24.5 percent in 2016 to only 7.5 percent in 2017. This is lower than the Philippine average of 7.81 in 2017<sup>3</sup>.

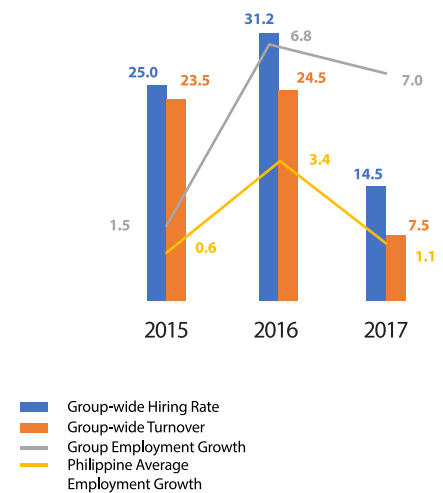
### CELEBRATING DIVERSITY AMONG THE WORKFORCE (405-1)

The Ayala group provides equal employment opportunities regardless of gender, race, ethnicity, color, religion, marital status, disability, economic status, and political affiliation.

### Employment Figures (102-7, 102-8)

In 2017, around 10 percent of the economic value generated by Ayala was distributed to its employees. Our employee headcount increased by 13 percent from 48,753 in 2016 to 55,264 in 2017, as the group ramped up its operations.

#### Group-wide Hiring and Turnover (in percent)



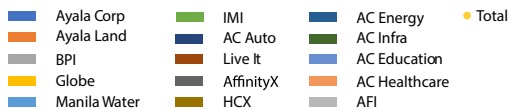
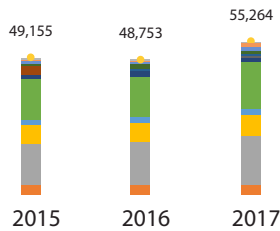
Generika conducts medical missions and other community activities.



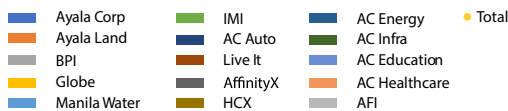
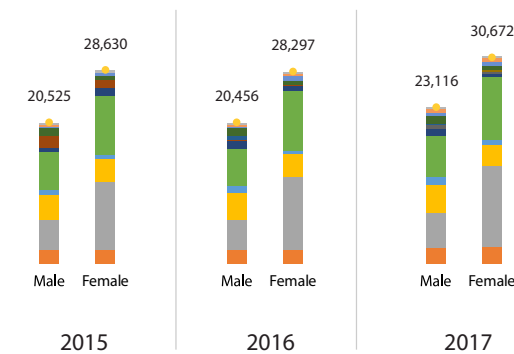


BPI has dedicated teams and units to provide the best possible financial advice to its clients.

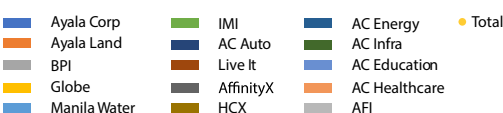
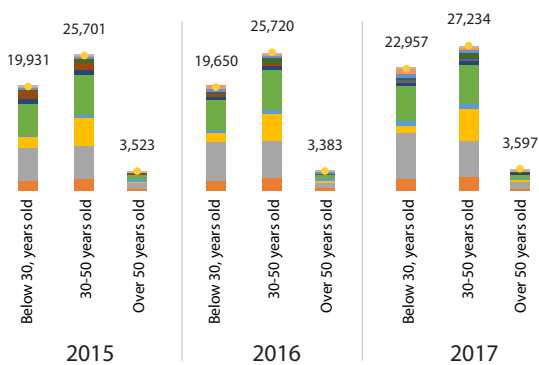
### Total Headcount of Direct Employees



### Direct Employees by Gender



### Direct Employees by Age Group



IMI's expanded manufacturing operations led to an 18 percent increase in employees. The expansion of our land development and water services projects increased Ayala Land's and Manila Water's headcount by 15 and 14 percent, respectively. BPI's operations rose to 942 branches and micro-financing offices this year, with a 12 percent increase in employee count, as the company continued to reach out to the unbanked.

Group-wide demographics remain dynamic with approximately 43 percent below 30 years of age and 51 percent within 31 to 50 years of age. Seven percent of our employees are over 50 years old.

Male-to-female ratio in 2017 was 1:1.33.

In 2017, around 66 percent of direct employees were rank and file, 31 percent were middle managers, and three percent represented senior management.

## Extending Employment to Support Staff

The group's operations also provide meaningful employment to indirect hires. These employees may not perform core business functions, but they nonetheless serve vital tasks that are crucial to the smooth flow of daily operations. In 2017, the group supported almost 84,000 indirect employees<sup>4</sup>.

## COLLECTIVE BARGAINING AGREEMENTS (102-41)

We uphold our employees' right to exercise freedom of association. Across the group, collective bargaining agreements provide venues for employee groups to negotiate and settle labor disputes and voice out concerns regarding employee development and remuneration<sup>5</sup>.

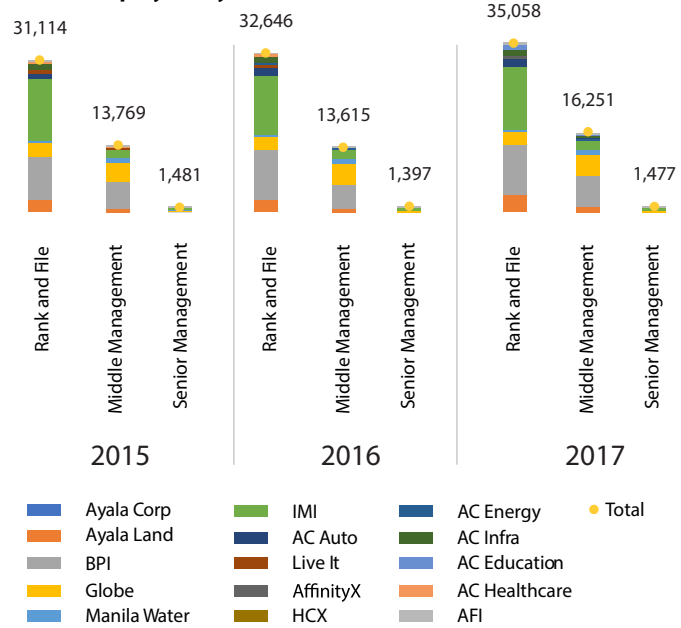
## ENSURING COMMUNITY HEALTH AND SAFETY

Beyond ensuring the personal development and well-being of our employees and workers, we also take concrete steps to extend the social value we create to our communities at large. In order to create wider impact and better address development issues, we pursue innovative social enterprise models in key industries that can deliver social solutions at scale, such as healthcare and education.

## BUILDING AN INCLUSIVE HEALTHCARE ECOSYSTEM: AC HEALTH

Improving Philippine health outcomes is the core business strategy of AC Health. The company aims to build an inclusive healthcare ecosystem with synergies across its multiple assets. It seeks to improve access to affordable healthcare services for underserved Filipinos, particularly the growing middle class. It currently has three subsidiaries: Generika, FamilyDoc, and MedGrocer.

### Direct Employees by Rank



FamilyDOC provides quality primary care services to high-density communities in Mega Manila.



### Providing Affordable Quality Medicine through Generika

All Generika drugstores are compliant with the standards of the Food and Drug Administration and ensure optimum levels of inventory for stable availability of supplies. In 2017, the company recorded a total of 41.7 million sales transactions, a 3.5 percent increase from 2016. Of these, 32.8 million are sales transactions for generic medicines.

Generika started an electronic gift certificate program called MedPadala. This allows Filipinos working abroad to ensure that a specific portion of their remittances can go towards meeting their family's medicine needs. Local residents can also send medicine gift checks to their loved ones living far from them. This year, 3,110 transactions were recorded for MedPadala.

<sup>4</sup> The group-wide headcount for support staff can be found on page 187

<sup>5</sup> The percentage of employees covered by collective bargaining agreements can be found on page 185



Aside from providing affordable quality medicine, Generika also offers PLUS services which includes medicine guide, free consultations and mobile laboratory services.

Customers may request a medicine guide from Generika pharmacists when purchasing medicine to ensure compliance with proper intake and dosages.

They also offer free medical consultations to customers. Mobile Laboratory services which includes Fasting Blood Sugar, Uric Acid, Serum Glutamic Pyruvic Transaminase, Complete Blood Count, Cholesterol, Blood Urea Nitrogen, Urinalysis, and Electrocardiogram tests are offered at affordable prices. Schedules of free consultations and mobile laboratory are in the Generika website.

These programs and improvements in customer service led to an 89.9 percent customer satisfaction rating, up by 3.8 percent from 2016.

### **Providing Affordable Quality Primary Healthcare through FamilyDOC**

FamilyDOC is a chain of community-based primary care clinics, offering the combined services of a clinic, a diagnostic facility, and a pharmacy. By end of 2017, FamilyDOC had a total of 21 clinics: 15 branches in Metro Manila and six in Cavite. To serve more people, FamilyDOC is now open from 7:00 AM to 9:00 PM, Monday to Saturday.

FamilyDOC offers affordable doctor consultations with a free follow-up within seven days after consultation. It provides ultrasound, x-ray services, annual physical examination, executive check-up, pre-natal care, chronic disease maintenance, wound care, minor surgery, and laboratory tests. It offers various medical packages to cater to different needs of its customers.

Clinics use customized electronic medical records system, developed by AC Health, to keep patient data secured and centralized, accessible only to authorized physicians across all FamilyDOC branches. An average in-patient visit is around 43 minutes, including waiting time. In 2017, FamilyDOC served an additional 50,333 unique patients, pushing the cumulative customer base to 65,102.

To further improve the skills of its healthcare professionals, AC Health now offers Family and Community Medicine, as an alternative residency program, for its licensed medical doctors under FamilyDOC. The program is accredited by the Philippine Academy of Family Physicians. Its curriculum and training activities revolve around the foundation courses prescribed by the PAFP which includes clinical and non-clinical courses. At the end of training, graduates will have achieved terminal competencies congruent to the PAFP's mandate to provide patient-centered, family-focused, and community-oriented care. Unique to the program is the inclusion of technology and exposure to specialized areas.

### **Deploying Technology for Better Access to Healthcare Products: MedGrocer**

To increase accessibility and affordability of healthcare services, Ayala invested in MedGrocer, a local start-up online pharmacy.

MedGrocer offers an integrated ePharmacy and health benefits management services for individual consumers and companies. It allows customers to purchase medicines and medical supplies online and have these delivered to their homes. For corporate clients, MedGrocer offers a health benefits management system that administers, augments, and analyzes in-patient and outpatient health benefits to improve employee wellbeing and reduce costs.

MedGrocer's digital platform enables better service levels at reduced costs. The company had a total of 593 unique customers and 1,221 individual customer transactions in 2017. MedGrocer also engaged 100 corporate clients for its services covering about 60,000 employees.

### **DELIVERING AFFORDABLE WATER**

Manila Water works to provide universal access to safe and potable water.

The company fully complies with the Philippine National Standards for Drinking Water by safely managing its water systems and ensuring that the water it provides meets the health-based targets established by the Department of Health. Manila Water observes operational excellence to be able to deliver clean, potable water to its customers, including underserved and unserved communities.

### **Reaching Marginalized Communities**

Manila Water's Tubig Para sa Barangay or Water for the Community Program continues to bring quality water services to low-income communities. TPSB addresses pilferage and water loss by providing water service connections to marginalized households at a subsidized rate. From the Manila Concession, TPSB has been replicated in Boracay Water and Laguna Water.

Since its inception in 1998, about 212,000 households have been connected to Manila Water's services. In 2017 alone, 355 households were reached by the Manila Concession and Laguna Water.

## Providing High Quality Drinking Water

Manila Water ensures that the water it delivers is safe and potable. However, there are people that are still wary of the residual levels of chlorine in tap water. There are also communities and households with rusty or old pipes that might contaminate their tap water supply.

In response to this, Manila Water developed the Healthy Family brand of high-quality drinking water that can be directly delivered to customers. Healthy Family eliminates human intervention in the process through full automation of “closed-loop” production systems. In 2017, they sold 5.5 million five-gallon bottles and 945,000 mini bottles through 344 distributor partners across the nation.

## FOSTERING ROAD SAFETY

IMI has been developing innovative after-market solutions to develop advanced driver assistance systems, of which cameras are key components to ensure road safety. IMI manufactures automotive cameras in its Philippine sites. These devices prevent road accidents by assisting drivers through lane departure warnings, road signage recognition, and collision avoidance. In 2017, IMI's output increased by 119 percent, from 1.96 million units in 2016 to 4.3 million units in 2017 due to higher order volume.

AC Automotive also advocates road safety. The company's customer-care programs on defensive driving, traffic rules and regulations, basic car care, troubleshooting and fuel efficiency seek to prevent accidents and promote courtesy and discipline on the road.

AC Automotive dealership companies Volkswagen and Honda sent periodic maintenance



UNC has a track record of excellence in board examination performance.

## Automotive Cameras Assembled

1.2 Million    
2015

2.0 Million    
2016

4.3 Million       
2017

service reminders to about 58,000 customers, a 49 percent increase from 2016. The percentage of customers pursuing actual maintenance checks as a result of these reminders have also been increasing from 59 percent in 2015 to 66 percent in 2016 and 68 percent in 2017.

## EDUCATION AND YOUTH LEADERSHIP

Ayala supports national educational outcomes through AC Education and various educational initiatives of Ayala Foundation.

### AC EDUCATION

AC Education is committed to improving the quality of education in the country and ensuring that students are equipped with the knowledge and skills needed to secure gainful employment.

### Affordable Quality Secondary Education

APEC schools is a pioneering chain of stand-alone private high schools in the Greater Metro Manila area. APEC Schools provide students access to world-class education at an affordable price, with the goal of ensuring that students are empowered to continue on to higher

education or pursue employment after graduation.

APEC schools is aligned with global best practices and uses a unique curriculum that is designed to enhance the employability of students. In addition to core subjects, the APEC curriculum has a strong focus on English competency, self-confidence building, and values formation. The school also follows a student-centered collaborative learning track, with non-traditional learning facilitators and an immersive learning environment.

Junior High School tuition fees for the whole year can go as low as ₱20,000 per year. And Senior High School is offered free at voucher value for students from public school while those from private school pay as low as ₱15,000 for the year<sup>6</sup>.

For school year 2017-2018, APEC's total enrollment count is 16,219 among 23 schools in Metro Manila and Cavite. The first set of graduates of the K-12 Basic Education Program will come from this batch. About 60 percent of students come from D and E income segments.

APEC Schools are highly accessible to the communities they strive to reach. Almost 57 percent of APEC students are within close proximity (around three kilometers), and 34 percent live within a kilometer radius, from the school<sup>7</sup>.

APEC Schools use technology devices during class discussion and

<sup>6</sup>Based on SY 2017-2018 tuition fee for Grade 7 in Lipa and Grade 11 in NCR

<sup>7</sup>Geomapping was used to analyze 7,700 student addresses from the 16,274 enrollment count

activities, to boost students' comfort in using technology. Classrooms are equipped with wireless networks that allow Senior High School students to use chromebooks and tablets depending on subject requirements. By having two shifts and using block class scheduling, the schools were able to maintain a tablet to student ratio of 1:1 and chromebook student ratio of 1:4 for each section.

Some subjects in Junior High School also use chromebooks at a ratio of one chromebook per four students. APEC Schools plan to further increase the number of chromebooks in the coming school years.

APEC continues to accommodate students receiving assistance from the government for their education. In SY 2017-2018, a total government subsidy of ₱118 million is expected to cover the tuition and fees of 5,700 senior high school students, 35 percent of total current enrollment.

### **University of Nueva Caceres**

The University of Nueva Caceres in Naga City, Camarines Sur, is the oldest and one of the most reputable learning institutions in Southern Luzon. It implements the K-12 curriculum and offers programs from kindergarten to graduate studies. It has a strong academic standing in the fields of Business and Accountancy, Engineering and Architecture, and Education.

UNC consistently surpassed the national overall board passing rates, on average, four percent higher than the national average, with two national board placers in 2017<sup>8</sup>.

The school maintains a manageable class size to effectively engage students. The average number of students per class is 40, 46, 45, and 30 for grade school, junior high school, senior high school and college, respectively.

UNC also accommodated students with government vouchers. For SY 2017-2018, 1,439 students in junior high school and 1,478 students in senior high school are covered by government subsidies totaling ₱34.7 million.

### **Learning with Industry Collaboration**

LINC is the senior high school academic program at the University of Nueva Caceres to prepare students for professional employment. The LINC programs are K-12 compliant and have a strong focus on English mastery and technology-powered learning. This program is available to three academic strands of the senior high school curriculum: ABM, STEM, and GAS.

LINC also works closely with its employer partners for curriculum development, work immersion programs, and linkage of students to potential employment with companies within and outside of the Ayala group.

### **Professional Employment Program**

In collaboration with companies such as Globe, Accenture and Convergys, AC Education designed a platform called PEP to increase the potential of its graduating students for immediate employment. This program aims to develop strong English skills, enhance critical thinking, and improve technological application skills of college students. In 2017, PEP was offered at UNC, in Naga City and Jose Rizal University in Mandaluyong City.

For school year 2016-2017, about 90 percent of PEP graduates were hired within 90 days from graduation. This is notably higher compared to the average 53 percent hiring rate for regular graduates<sup>9</sup>. PEP graduates from JRU received salaries that are 66.7 percent higher than NCR minimum wage.

### **Collaboration Projects with Academe**

IMI regards the academe as a key partner in developing technological innovations. Last May 2017, IMI took part in the Academic Grants for Industry-Led Applications program of the United States Agency for International Development's Science, Technology, Research and Innovation for Development program.

Under a program duration of one year, IMI is co-funding two projects with De La Salle University. First is the development of an electronic gas-sensing device that can quickly detect lung diseases without the use of expensive medical tests and equipment and second is the development of an electronic resonance device that can be used as non-invasive therapy for muscular problems.

Meanwhile, PEP graduates from UNC received salaries that are 140 percent higher than Bicol minimum wage.

<sup>8</sup>UNC considered passing rates of first time takers only

<sup>9</sup>This is the hiring rate of JRU and UNC graduates for SY2012-2013 before PEP was introduced

## GOING BEYOND INVESTMENTS IN EDUCATION

Ayala Foundation is committed to contribute in improving the quality of education in the country, particularly among our public schools. At present, programs focus on primary education to enhance learning at the early stages. In 2017, Ayala Foundation supported 123 financially-challenged students through scholarships. It also collaborated with various communities and sectors to develop complementary modes of learning.

### Center of Excellence in Public Elementary Education

The Center of Excellence in Public Elementary Education provides holistic, quality education for bright children from economically disadvantaged families. This pilot laboratory school hones the confidence and competencies of its students, not just inside the classroom but also through after-hours learning sessions in the performing arts and other skill-building activities. CENTEX schools improved and sustained their performance in national learning indicators by achieving 98 percent cohort survival and 100 percent promotion to next grade level. For SY 2017-2018, CENTEX has 1,050 enrollees.

### CENTEX Training Institute

Ayala Foundation also established a training institute on critical thinking and methodologies in teaching for public school teachers. A total of 362 teachers from 16 schools enhanced their teaching proficiency through sustained coaching and mentoring. These teachers in turn had an impact on the educational outcomes of 12,678 students in public schools.

### Digital Education: ProFuturo and GFS

Ayala Foundation partnered with ProFuturo, a program which aims to bridge the education gap for young children in vulnerable areas through innovative digital platforms. The partnership brought digital

education to elementary schools in El Nido, Palawan and Puerto Galera, Oriental Mindoro. In 2017, ProFuturo reached a total of 31 schools and started a training program for 195 teachers.

A collaboration by Ayala Foundation and Globe, the Global Filipino Schools program empowers schools to become 21st-century-ready educational institutions by providing them with support systems that

meet UNESCO standards. These include sustainable ICT-proficiency training for teachers, an ICT-equipped school environment, and committed education stakeholders. In 2017, two laboratories were set up, 69 teachers were trained on ICT integration in the classroom, and 1,394 students gained access and improved skills in using ICT in learning. Since 2015, a total of 10,896 students benefitted from the program.

## Appreciating Culture and Arts

Inspiring pride in being Filipino and fostering a greater appreciation of our history, arts, and culture have long been among Ayala's advocacies and legacies. As such, Ayala Foundation aims to make Philippine history, culture and art accessible and inspirational through various means.

### Ayala Museum

Ayala Museum houses artwork, archaeological artifacts, antiques, and traditional crafts. It also installs exhibitions and conducts cultural programs using both traditional and non-traditional platforms. In 2017, the museum mounted 15 unique exhibitions featuring local and international artists. These attracted more than 163,000 viewers for the year. Through travelling exhibitions across the Philippines, Ayala Museum is able to expand its reach to increase awareness and appreciation of our history, culture and art. In 2017, the Botong Francisco: A Nation Imagined Travelling Exhibition, which gathered large-scale paintings by the renowned artist, was showcased at the Lyceum of the Philippines University in Cavite. Meanwhile, the Pioneers of Philippine Art exhibit, featuring the paintings of Juan Luna, Fernando Amorsolo, and Fernando Zobel, was shown at Lyceum of the Philippines University in Manila.



Contrapuntos, which featured paintings embodying a synthesis and harmony of Asian and Western painting techniques was also showcased at the 55th Venice Biennale.

### Filipinas Heritage Library

Established in 1996, Filipinas Heritage Library is the other half of Ayala Foundation's Arts and Culture Division. As a one-stop digital research center on Philippine Studies, its mission is to spark and stoke interest in the visual, aural, and printed story of the Filipino.

The library collaborates with individuals and institutions in preserving documentary heritage with a focus on the formative period of Philippine nationhood (1930s – 1950s). Its Filipiniana collections are shared with the public onsite (on the sixth floor of the Ayala Museum complex), virtually (through its online public access catalogue), and through public programs (exhibitions, lectures, and educational activities).



### **Youth Leadership: AYLC, LeadCom and FLYPro**

Ayala Foundation continues to run major youth programs to develop value-oriented servant leaders who are empowered to effect positive change for the country.

The Ayala Young Leaders Congress is an intensive camp for top college and university student leaders across the Philippines. AYLC aims to build a network of value-based and principled leaders, encouraging stewardship of their communities and the country's future. As of 2017, there were already 1,449 Ayala Young Leaders from 19 batches.

On the other hand, the Leadership Communities program taps young community leaders from ARMM, Lanao del Norte, and Iloilo. The young leaders develop and implement targeted projects. In 2017, a total of 265 youth leaders from 53 youth groups were trained.

AYLC and LeadCom alumni have established projects that address their communities' needs through outreach and livelihood programs.

Ayala Foundation is also a founding partner of FYLPRO, a program for outstanding young professionals in Filipino communities in the United States. This immersion program aims to cultivate and promote the best in Filipino culture among the participants.

### **FOSTERING FINANCIAL WELLNESS**

Income inequity and the exclusion of some communities from the formal economy diminish business prospects. To address these, BPI also pursues innovations to empower the young and to cater to investors with varying investment targets and risk appetites.

### **ENABLING THE YOUTH: JUMPSTART DEPOSITS**

BPI has new platforms, ranging from savings and credit, to investment

options, to build a new generation of financially literate clients.

Jumpstart is a deposit account specifically for customers aged 10 to 17. It aims to instill the discipline of saving at an early age, and protects a portion of the funds from unplanned withdrawals. Total number of accounts increased by 24 percent in 2017, while total savings volume grew by 11 percent.

### **ENCOURAGING FINANCIAL FREEDOM: UNIT INVESTMENT TRUST FUNDS**

BPI also has products to meet the varying investment objectives of customers through its Asset Management and Trust Corporation. AMTC provides Unit Investment Trust Funds which spread across two brands, BPI Investment Funds and Odyssey Funds.

The BPI Investment Funds seek to offer attractive risk-adjusted returns with focus on undervalued and lower beta names, shorter durations, and diversification principles consistent with capital preservation. These are best suited to investors who are generally conservative, looking for stability, minimal volatility, and certainty of income.

Odyssey Funds are actively-managed funds that represent BPI AMTC's specialist or opportunistic strategies that express the fund manager's best ideas to derive higher total returns consistent with clients' more aggressive risk profiles. These are best suited for the more aggressive investors, who prefer specific sectors, and want to expand their asset bases.

BPI AMTC continuously updates its products and services to remain relevant in a changing environment, providing its clients domestic and international investment alternatives. Its innovative investment products have attracted younger investors. In 2017, 42 percent of its customers were in their 30's or younger.

### **CARING FOR OUR CUSTOMERS**

The health and safety of our customers is a top priority across all Ayala companies. As we deploy our various products and services at scale to more markets, we recognize the extent to which our market presence can impact the well-being of a larger number of people. For this reason, we ensure that our products and services do not pose threats to human health or undermine the well-being and safety of our communities.

### **VALUING CUSTOMER HEALTH AND SAFETY**

At Ayala Land, safety is a paramount consideration of project developers in every step of the process from site assessment to delivery. Once the project is set to operate, the project lead goes through a sustainability checklist that includes design specifications and operational procedures.

In 2017, Globe conducted Radio Frequency Radiation Measurement at eight cell sites. All sites passed the required standard set by the Department of Health and have been issued radiation-safety certificates. This attests that radio frequency signals coming from such facilities do not pose any adverse health impact. The radiation-safety certificates issued by DOH are based on guidelines issued by the International Commission on Non-ionizing Radiation Protection and the Institute of Electrical and Electronics Engineers on maximum human exposures to radio frequency fields.

AC Health extends its advocacy of good health even to groups outside its drugstores and clinics. The company frequently holds events that raise the general public's health awareness. For 2017, FamilyDOC and Generika held a total of 58 health awareness missions. Furthermore, FamilyDoc convened 18 initiatives focusing on disease spread control.

## DELIVERING QUALITY PRODUCTS RESPONSIBLY (102-43)

In AC Automotive, commercial success goes hand-in-hand with customer satisfaction. Its dealership sites ensure that all customer queries are addressed within five days through systematized complaint management systems.

Its Honda brand received more than 2,600 complaints in 2017, all of which were resolved in a timely manner. The company assigns an audit team to review its customer processes, overall look, and image of branches to further enhance the impression of clients and promote excellent customer care. Meanwhile, its Volkswagen brand received 61 complaints for the year and achieved a resolution rate of 94 percent. Remaining concerns were due to delays in vehicle parts arrival and prolonged client feedback. To better manage these concerns, Volkswagen strengthened its complaint handling process and created a customer satisfaction committee that shall address similar concerns.

IMI, meanwhile, values the needs and requirements of its customers. The company has developed a comprehensive procedure on customer satisfaction. A database is created to capture all customer ratings from different IMI sites. A scoring guideline, covering specific customer requirements, such as quality, cost, delivery and responsiveness, is defined and agreed with customers. An escalation process is applied if defined improvement plans are not implemented and standardized. Regular review of results is conducted during quarterly business review meetings.

Across the group, we measure our customers' satisfaction with our products and services and track them yearly.

## SECURITY PRACTICES AND DATA PRIVACY

### Safeguarding Our People and Operations

Ayala maintains a high level of safety in our operations by engaging security agencies and employing appropriate security practices.

Ayala Land's property management team ensures that security personnel are properly briefed in human rights and the rule of law. Additional training is conducted to orient personnel on the company's values and way of doing things.

Given the sensitivity of the information it handles, BPI makes significant investments in improving its branches' security. In 2017, it allotted ₱350 million for the enhancement of the bank's threat identification and response mechanism. Furthermore, BPI's security guards are well-trained on various programs such as Gun Safety and Proficiency Firing, Bomb Identification and Detection, and Robbery or Hold-up Procedures, to name a few.

### AYALA COMPANIES' CUSTOMER SATISFACTION PERFORMANCE

Company	Metric	Description	2017	2016	2015
Ayala Land	CSAT (APMC)	Percent of tenants satisfied with APMC's property management services	92.0%	93.0%	92.7%
Globe	Net Promoter Score	A measure of how likely customers recommend its services to others (-100% means everybody are detractors while +100% means everybody are promoters)	27.0%	22.0%	17.0%
Manila Water	C1 (service-related complaints)	Percent of service-related complaints resolved	96.0%	98.0%	99.1%
	C2 (billing related complaints)	Percent of billing-related complaints resolved	95.0%	96.0%	98.4%
IMI (Philippines)	CSAT	Scoring guideline that covers specific customer's CTQ requirements such as Quality, Cost, Delivery and Responsiveness that are defined and agreed with customers	4.66	4.61	4.36
AC Automotive	CSAT (sales)	Percent of customers who are satisfied with new vehicles sales	92.0%	94.0%	94.1%
	CSAT (services)	Percent of customers who are satisfied with vehicle service provided	85.0%	93.0%	93.9%
HCX	CSAT	Percent of customers who are satisfied with services provided	59%	NA	N/A
Generika	CSAT (internal)	Percent of customers who are satisfied with sales/services provided	62.5%	55.0%	N/A
	CSAT (external)		90.4%	89.3%	N/A
Med Grocer	CSAT		89.9%	86.1%	N/A
FamilyDoc	Net Promoter Score	A measure of how likely customers recommend its services to others (-100% means everybody are detractors while +100% means everybody are promoters)	80.0%	NA	N/A

*Makati Development Corporation and Ayala Foundation's partnership through the MDC Ornamental Greens Farm provides livelihood opportunities to 30 farmers.*



MCX's security practices go beyond safeguarding its tollway operations. The company engages local communities in the vicinity of the expressway to augment security and act as Barangay Patrol Volunteers. They aid in guarding against acts that endanger lives, such as stone-throwing at passing vehicles and loitering along the expressway.

### **Protecting Digital Information and Intellectual Property** <sup>(418-1)</sup>

Our companies comply with the Data Privacy Act. We ensure that our businesses' intellectual property and our customer's personal information are held within lawful bounds of confidentiality.

Globe implements a Corporate Information Security Policy and Privacy Policy. The company also upholds the provisions of fair use of its products and services through its Fair Use Policy for Mobile and Broadband Service Data Privacy Policy.

BPI has designed and deployed a data privacy program that covers its entire operations. At the core of this program is a robust awareness campaign that includes nationwide roadshows and the launch of online courses on data privacy. Completion of these courses by all personnel that handle personal information is mandatory.

Ayala Foundation, meanwhile, has established a Data Privacy Management Group, and created a Data Privacy Manual covering policies on data processing, security measures and guidelines, website privacy policy, and conduct of privacy impact assessment. A data breach management procedure was also established to ensure that cases of data leakage will be properly handled.

### **BUILDING SUSTAINABLE LIVELIHOODS: AYALA FOUNDATION** <sup>(413-1)</sup>

While we continue to develop business models that directly address societal challenges, we realize that there are obstacles that will require a non-profit approach to solve. For these circumstances, we allocate a portion of our revenue for projects that directly help build the capability of communities to create value for themselves.

Our social development arm, Ayala Foundation, is one of the local pioneers in this developmental area, as it has designed and implemented sustainable livelihood programs from a non-profit lens since the 1970s. Today, the foundation aims to provide households with access to skills training programs, employment opportunities, financial services, and connections to markets, so they may have gainful employment or diversified income sources. The group currently works through three project sites: Caluan, El Nido, and Talipanan.

The project site in Caluan, Laguna is located at Southville 7, a 107-hectare relocation site for families displaced by Typhoon Ondoy (Ketsana) in 2011, and those relocated under the Pasig River rehabilitation program. The foundation partnered with local government units and other groups to implement livelihood projects, mainly the MDC Greens farm. From 2016 to 2017, the farm doubled its size to two hectares due to increased demand for its ornamental plants. Purchase orders increased by 81.8 percent, while the farm's total annual

income reached ₱2.9 million. This expansion increased the number of farmers to 30. Average monthly income per farmer also increased by 21 percent from ₱6,200 in 2016 to ₱7,500 in 2017.

Project Lio 2.0 is a program with women weavers of barangay Sibaltan, El Nido, Palawan to produce buri<sup>10</sup> bags and other buri products. The goal is to improve and increase production and connect the weavers to various markets.

Moreover, in 2017, market research identified four activities with high economic potential—vegetable production, laundry service, on-call manpower service, and choco-cashew production. The project also revived the Pasadeña Farmers Association, Lamoro-Pasadeña People's Organization (fisherfolk) and Pasadeña Women's Association to engage in long-term initiatives. Groundwork for choco-cashew livelihood project was implemented. This involved training 12 workers, procuring materials and equipment for the project, and testing production.

The last project site in Talipanan, Puerto Galera, is a development program for the Iraya-Mangyans, which aims to revive the indigenous group's tradition of weaving particularly in the creation of beautiful and functional nito<sup>11</sup> products. With the help of Ayala donors and partners, Ayala Foundation also provides training in dressmaking, electrical skills, masonry, and agriculture, among others. The project now involves 242 Mangyan weavers and one store established in 2017. Product sales increased by 14.2 percent from ₱5.2 million in 2016 to ₱5.94 million the following year.

<sup>10</sup>Hand-woven products made from leaves of the Buri palm tree

<sup>11</sup>Hand-woven products made from the stems of the Nito plant, as type of climbing fern

## Environment Section

# ALIGNING BUSINESS GROWTH WITH ENVIRONMENTAL PROTECTION

Environmental stewardship has always been and will always be a cornerstone of Ayala's growth strategy.

From establishing one of the world's most successful private-public partnerships in water services, to funding new business concepts that directly address climate change, Ayala is always on the lookout for innovative business solutions that benefit the planet.

In this section, we detail our most successful environmental programs in 2017. These programs brought in significant business values through scalable green initiatives that reach underserved communities.

## SMARTER ENERGY MEASURES

Ayala's commitment to promoting affordable and clean energy is embodied by AC Energy, a core business line that now holds an attributable capacity of 1,349MW and 86MW in thermal and renewable energy assets, respectively, in the Philippines. It has an approximate attributable capacity of 1,617.3MW, inclusive of its regional power generating assets.

The company explores opportunities to expand its thermal and renewable portfolio through the acquisition of brownfield projects and development of greenfield energy projects.

Apart from its wind and geothermal projects in Indonesia, AC Energy also took over Bronzcoak Philippines, Inc. in early 2017, and rebranded the company to AC Energy DevCo, Inc. The acquisition provides AC Energy with a renewable energy development, management and operations platform that has a track record of successful project development. The platform currently provides operations and management support services to a number of renewable energy generation companies that include

	Net Capacity in MW	% Ownership	Attributable Capacity in MW	Operational Status	Operational Control
<b>Conventional</b>					
GMCP	632	20%	126.4	Operational	No
SLTEC	244	35%	85.4	Operational	No
GNPK	552	85%	469.2	Under construction	Yes
GNPD	1,336	50%	668	Under construction	Joint Control
<b>Total Thermal</b>			1,349		
<b>Renewable</b>					
NLR	81	36%	29.2	Operational	Joint Control
NorthWind	52	68%	35.4	Operational	Yes
Montesol	18	100%	18	Operational	Yes
Islasol	80	2%	1.6	Operational	No
Sacasol	45	4%	1.8	Operational	No
<b>Total Domestic Renewable</b>			85.9		
<b>Foreign Investments</b>					
Salak-Darajat	637	19.8%	126.1	Operational	No
Sidrap	75	75%	56.3	Under construction	Joint Control
<b>Total Foreign Renewable</b>			182.4		

San Carlos Solar Energy Inc., Negros Island Solar Energy Inc., Monte Solar Energy, Inc., San Carlos BioPower Inc., South Negros BioPower Inc., and North Negros BioPower Inc.

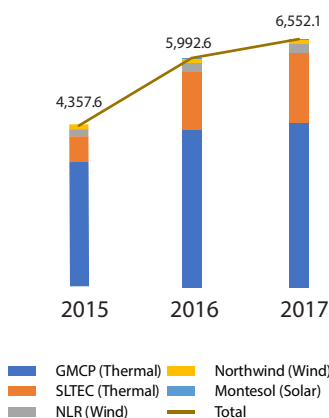
GNPower Dinginin Ltd. Co. also achieved financial close for the project financing of the second

unit of its 1,336MW super-critical coal fired power plant, in Dinginin, Bataan.

The GNPD Project will support the increasing electricity demand of Luzon and Visayas. Construction of the first unit is well underway, and is



**Total Power Generation**  
(in million kWh)



targeted for commercial operations by 2019, with the second unit scheduled for completion by 2020.

With these achievements, AC Energy moves towards its goal of an additional 1,000MW renewable capacity and a 2,000MW combined thermal and renewable portfolio by 2020.

Altogether, AC Energy’s renewable energy imprint in 2017 reached 410 million kWh, 20 percent higher than 2016. This increase was driven by higher wind generation from Northwind and NLR. Both wind farms capitalized on a better wind regime and boosted plant availability.

The company’s thermal plants also remain active in meeting the country’s energy demand. Both units of the South Luzon Thermal Energy Corporation’s circulating fluidized bed boiler system ran in full operation in 2017 and generated 1,854.4 million kWh of electricity. This led to an 18 percent increase in generation compared to 2016. The CFB technology also allows for higher efficiency in electricity generation. Hence, less fuel is needed to generate power. This new

technology significantly reduces sulfur dioxide emissions.

GN Power Mariveles Coal Plant, meanwhile, reported a total power generation of 4,287.5 million kWh in 2017, a five percent increase compared to 2016. AC Energy, however, has no operational control over, and a limited stake in GMCP.

Overall, the power generated by AC Energy through its operational plants increased by nine percent from 5,992.6 million kWh in 2016 to 6,552.1 million kWh in 2017.

### RENEWABLE ENERGY INITIATIVES ACROSS THE GROUP (302-4, 305-5)

Outside of AC Energy, we enable our companies to mitigate their climate change impact by reducing their dependence on fossil fuels and adopting clean energy sources in their operations.

Ayala Land pledges to reduce its carbon footprint down to three percent by 2020. The company had started to purchase power from renewable sources, such as geothermal energy, through retail electricity supply contracts, for several of its properties. This led to a reduction of 641.2 million kWh of electricity consumption from conventional sources in 2017. This is equivalent to a GHG reduction of 24,101 tonnes CO<sub>2</sub>e.

Manila Water started operating its first waste-to-energy facility, aptly named Operations Zero Project, which generates biogas from septage coming from the households served by its South Septage Treatment Plant in Taguig City. Collected biogas is converted to electricity that is then used to power the facility. The pilot plant is capable of generating 1.3 kWh of electricity out of 0.67 cubic meter of household wastewater daily. Operations Zero is

expected to produce more electricity than the plant requires and potentially translates to ₱17 million annual savings per year.

Manila Water also plans to go full scale on waste-to-energy with three more projects lined up for 2018. These renewable energy initiatives will aid the company in reducing dependency to grid power.

### ENERGY EFFICIENCY ACROSS THE AYALA GROUP (302-4, 305-5)

Ayala promotes various energy efficiency programs within its group.

Ayala Land utilizes energy conservation equipment such as motion sensors and LED lights in common areas of new buildings. Other practices include the use of control pumps and motors to monitor efficiency level per appliance, and the inclusion of energy consumption metrics to evaluate property managers.

Through its two energy-related subsidiaries (DirectPower and PhilEnergy), Ayala Land also delves into the provision of electricity supply and services related to cooling systems. These subsidiaries further look for ways to come up with energy savings methods that serve not only Ayala Land and its properties, but other entities as well.

BPI also strives to use energy-efficient equipment in its facilities. In 2017, the company converted the lighting system of 263 branches into LED lights. LED lamps provides the same amount of light as fluorescent lamps but at lower electricity consumption. Additionally, 380 BPI branches installed inverter type air conditioners that consume about 30 percent less electricity than non-inverter types. These efforts allow BPI to limit its environmental impact, while providing a

comfortable and convenient banking experience for its clients.

Similarly, MCX supports and incorporates energy conservation in its tollway operations. It installed energy-efficient street lighting and air-conditioning units that are optimally set to operate during specific hours.

APEC Schools also practices energy efficiency through the 398 split-type air conditioning units installed in 2017. This enables the schools to provide cooling to offices and classrooms with lower electricity consumption compared to window-type units. The schools has also replaced 818 fluorescent lights since 2016.

IMI optimizes the operating hours of various energy intensive equipment, such as exhaust blowers and dry-air equipment. The company has also reduced the operating hours of its cooling tower, through regular cleaning and removal of scales from its filter. In addition, IMI installed ducting links on air-conditioning units and further rolled out the use of its energy-efficient lighting system.

## ENERGY CONSUMPTION

(302-1, 302-3)

Our climate change impact is primarily a function of the way we source and consume energy. We track and optimize our consumption.

Given the continued growth of our business, our energy consumption will also inevitably increase. Remaining cognizant of this, we will strive to remain responsible in effectively and efficiently consuming energy.

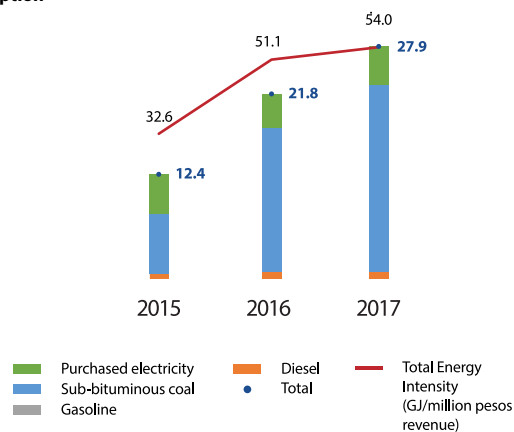
Our group-wide energy consumption increased by 28 percent in 2017. Sub-bituminous coal accounts for the largest chunk among our energy sources amounting to 80 percent by heat. This increase is attributed to stronger operations of SLTEC. Energy intensity also increased by about five

percent from 51.1 to 54 GJ / million pesos revenue, indicating that more fuel was consumed per revenue earned by the group.

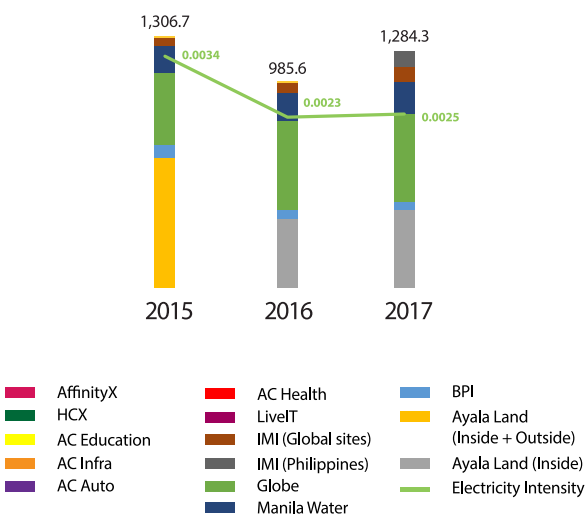
Our total electricity consumption increased by 30 percent considering our active spending on infrastructure and widening our businesses' reach in 2017. This change mainly came from the expanded operations of Ayala Land, additional reporting from IMI's Philippine and global sites<sup>1</sup>, and improved train operations of LRMC. Nonetheless, energy efficiency efforts across the group contributed

to limiting our consumption. For 2017, electricity intensity increased by nine percent from 0.0023 GWh per million pesos revenue in 2016 to 0.0025 GWh per million pesos revenue in 2017. This indicates that the electricity we consumed per million peso of revenue is higher as a result of a more robust monitoring and reporting scheme.

**Direct Energy Consumption**  
(in million GJ)



**Group-wide Electricity Consumption**  
(in million kWh)



<sup>1</sup>This is the first year of reporting for IMI global sites.

## ADVOCATING CLIMATE CHANGE ACTION

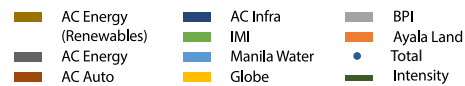
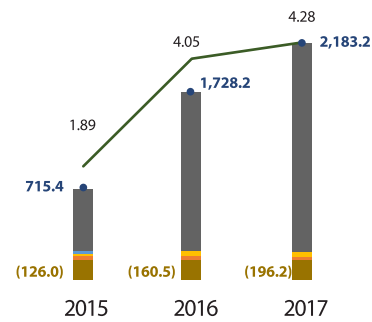
Our energy efficiency initiatives are all geared toward minimizing greenhouse gas emissions in our businesses' operations.

### DIRECT (SCOPE 1) EMISSIONS

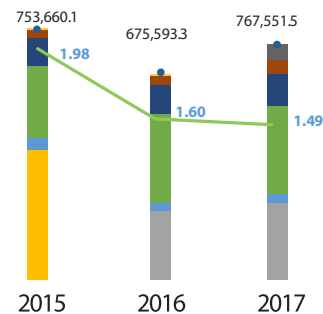
(305-1, 305-4)

Direct greenhouse gas emissions come from the combustion of fuel, whether from a stationary power generation unit or vehicle. In 2017, our Scope 1 emissions increased by 26 percent as SLTEC fully utilized both of its power generation units. With this, AC Energy comprises about 97 percent of the group's Scope 1 emissions. Likewise, Scope 1 intensity increased from 4.05 to 4.28 tonnes CO<sub>2</sub>e per million pesos revenue. Nonetheless, the output of our renewable energy generation plants helped avoid 196,224 tonnes CO<sub>2</sub>e potential GHG emissions.

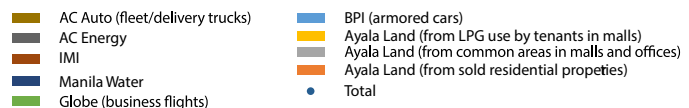
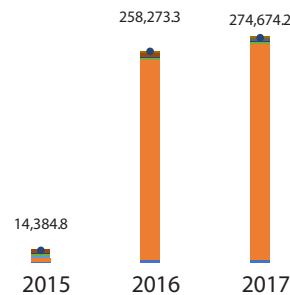
**Direct (Scope 1) Energy Emissions**  
(in '000 tonnes CO<sub>2</sub>e)



**Indirect Energy (Scope 2) Emissions**  
(in tonnes CO<sub>2</sub>e)



**Indirect Energy (Scope 3) Emissions**  
(in tonnes CO<sub>2</sub>e)



### INDIRECT ENERGY (SCOPE 2) EMISSIONS

(305-2, 305-4)

Indirect energy emissions come mainly from the consumption of electricity that is purchased from the national grid. In 2017, our Scope 2 emissions increased by 14 percent, indicating that more greenhouse gases are released from increased usage of electricity among our operating companies.

Nonetheless, our Scope 2 intensity improved from 1.60 in 2016 to 1.49 tonnes CO<sub>2</sub>e per million pesos revenue in 2017, indicating that we emitted less carbon per revenue generated by the group.

In 2016, Ayala Land segregated emission data from common areas in its malls and offices which comprised majority of its Scope 2 emissions. Leased areas are now classified under Scope 3.

### OTHER INDIRECT (SCOPE 3) EMISSIONS

(305-3)

In 2017, our Scope 3 emissions increased by six percent. These originated from fuel used by

outsourced vehicles, including jet fuel estimates from employees' business flights. Our properties' tenants also contributed to Scope 3 with their cooking fuel and electricity consumption.

## **FARTHER AS ONE: HELPING SAVE THE PHILIPPINE FOREST THROUGH PROJECT KASIBULAN**

A key touchstone of Ayala's overall work toward sustainability is its reforestation and forest protection program called Project Kasibulan. The program was launched in 2016 in NLR to help mitigate Ayala's carbon footprint, and serve as a testament of the group's commitment to nurturing the environment. The program also aims to inspire the employees to have a change in mindset towards sustainable living and provides opportunities for volunteerism.

Ayala employee volunteers were given the opportunity to fully appreciate the importance of forests and how they can yield various creative concepts for sustainable livelihood. They were then trained on the proper and complete cycle of planting seedlings, giving emphasis on the importance of planting endemic species. The volunteers also interacted with partner communities to better appreciate the shared value created by the program.

More importantly, the partner communities were given the chance to appreciate both the economic value and the importance of taking care of the environment.

Since the beginning of Project Kasibulan, a total of five batches

comprised of 140 volunteers have planted 3,498 seedlings, covering 2.19 hectares of land.

Ayala aims to widen the scale of Project Kasibulan in the coming years. As it expands, the protection of critically endangered species are also being considered, like the Tamaraw, also known as the Mindoro Dwarf Buffalo (IUCN, 2016), and a highly distinctive Philippine bird, called the Luzon Bleeding Heart (IUCN, 2016), both located in Mindoro.

## **NEW WAYS OF CREATING VALUE**

To contribute to the reduction of the Philippines' overall greenhouse gas emissions, Ayala Land announced its plans to embark on a progressive program to become carbon neutral by 2022. Its three strategies are: (1) the shift to renewable energy, (2) the integration of passive-cooling design in its developments, and (3) the establishment and protection of carbon forests.

Ayala Land goes beyond the traditional means of creating value for land by protecting and enhancing 450 hectares of land as carbon forest sites for at least 25 years. While remaining aware of financial and business considerations, the company believes that there is great value in dedicating these parcels of land as carbon forests, which results in benefits for the environment, the community, and other stakeholders.

The complexity of Ayala Land's businesses and the influence it has on the many areas where it is present drive the company to continuously look for ways to maximize the intersections between its business, the community, and the surrounding environment.

Notably, LRMC also contributes by planting 2000 propagules to help rebuild the mangroves in Lobo, Batangas. This is a vital activity because fish and other marine life take shelter and reproduce in such habitats. Any loss in mangroves directly translates to a decrease in fish supply.

## **BPI: GREENING THE BUSINESS LANDSCAPE**

BPI leads the banking industry in promoting green projects and ensuring that these have been screened for technical feasibility and financial viability.

The Structured Financing Division of BPI provides competitive long-term local currency financing support to large-scale renewable energy generation projects, such as large hydros, run-of-river projects, geothermal, and wind projects.

On the other hand, BPI's Sustainable Energy Financing offers CAPEX financing for green building or plant construction; modernization of lighting, ventilation and production facilities; working capital for raw material or equipment inventory; as well as leasing of more efficient machineries. Under this program, SMEs and mid-size companies are assisted in increasing operational efficiencies and reducing electricity consumption; producing clean and inexpensive energy; and decreasing vulnerability to climate risks.

In 2017, total combined SFD and SEF disbursed loans amounted to ₱30.5 billion, of which, SFD accounted for ₱25.3 billion loans to support renewable energy projects with aggregate capacity of about 900 MW. On the other hand, BPI disbursed SEF loans to SMEs and mid-sized companies amounting to ₱5.1 billion, covering energy efficiency, renewable energy, and

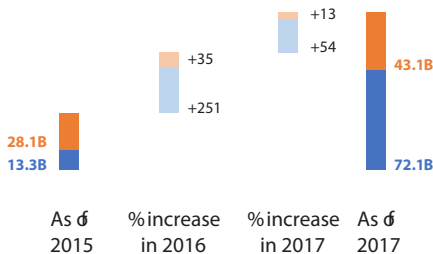
*Project Kasibulan brings Ayala employees together under the group's drive to protect the environment.*





climate resilience projects. As a result, the accumulated sustainable loans disbursed through SFD and SEF from inception have reached ₱115.1 billion.

**Increase of combined SFD and SEF loans from 2015 to 2017**



SEF  
SFD

## WATER AND SANITATION FOR ALL

Through Manila Water, Ayala continues to promote clean water and sanitation as a key developmental goal and as a viable and profitable business strategy.

Since the establishment of Manila Water in 1997, it has brought clean potable water to over 10 million Filipinos, many of whom previously had to make do with inadequate supply and inefficient services.

Manila Water continuously invests in water and wastewater infrastructure both as a strategy for expansion and a way to address pressing environmental needs.

In 2017, Manila Water laid a total of 105.6 kilometers of pipes across the Manila (East Zone), Clark, Laguna and Boracay concessions. Additionally, the Estate Water division also laid 59.6 kilometers of pipes in the estates that the company serve. Manila Water also taps its vertical expansion arm, Manila Water Total Solutions, to install water supply pipes in its service areas. MWTS had laid 50.6 kilometers of new pipes.

As a result of these advances, the company increased its billed volume by four percent in 2017 as compared to 2016.

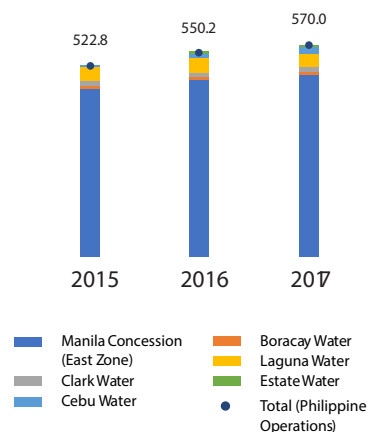


Ayala Land's mixed-use estates are notable for their abundance of green space.

Water Distribution Pipes (in km)	2015	2016	2017
Manila Concession	5,049	5,094	5,111.9
Clark Water	12.90	58.11	61.8
Laguna Water	666	932	999.9
Boracay Water	5.50	30.66	46.8
Estate Water		85.41	145
<b>Total</b>	<b>5,733.40</b>	<b>6,114.77</b>	<b>6,220.4</b>

Water Connections <sup>2</sup>	2015	2016	2017
Manila Concession	976,321	1,008,918	961,663
Clark Water	6,379	6,501	6,267
Laguna Water	1,978	1,994	2,050
Boracay Water	107,263	128,734	99,081
Estate Water			10,153
<b>Total</b>	<b>1,091,941</b>	<b>1,146,147</b>	<b>1,079,214</b>

**Billed Volume**  
(In million cubic meters)



<sup>2</sup> 2015 and 2016 numbers are based on Water Service Connections. Starting 2017, MWC is monitoring billed connections based on the number of connections that generate actual revenues and is net of permanent disconnections.



Manila Water protects its watersheds to ensure the sustainability of water supply.

### MINIMIZING WATER LOSS

The reduction of non-revenue water remains a critical aspect of Manila Water's work amid a growing population with limited fresh water resources. Minimizing wasted water due to faulty infrastructure or illegal connections also benefits both consumers and the water utility.

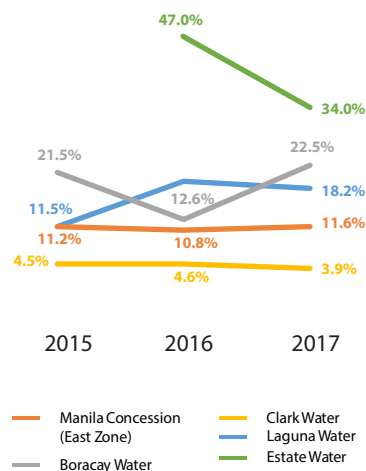
Clark Water, reduced its NRW from 4.6 percent in 2016 to 3.9 percent in 2017. Similarly, the Estate Water division improved its NRW from 47 percent in 2016 to 34 percent in 2017. Estate Water targets to reduce its NRW to 14 percent by 2020. These improvements may be attributed to pipe and meter replacement, water facilities rehabilitation, and proactive leakage management. Laguna Water's NRW also improved from 19.9 percent in 2016 to 18.2 percent in 2017, as a result of continuous efforts of active leak detection, pressure management, and pipe refurbishing.

Meanwhile, Boracay Water and the Manila Concession increased their NRW percentages to 22.5 percent and 11.6 percent, respectively, in 2017. Both concessions are set to intensify their NRW programs.

### USED WATER SERVICES (306-1)

Used water treatment helps in the preservation and rehabilitation of waterways by treating used water prior to its discharge to receiving bodies. If left untreated, wastewater will contaminate bodies of water with organic pollutants that could

Percentage Non-Revenue Water

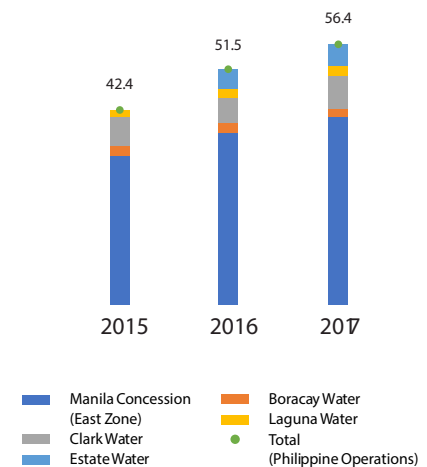


threaten life under water.

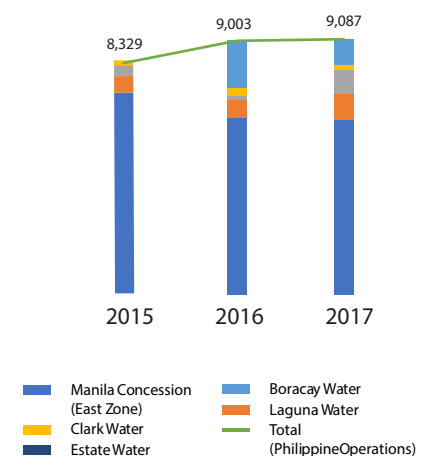
In 2017, Manila Water increased its number of sewers connected to sewage treatment plants from 139,482 in 2016 to 147,431 in 2017. The Used Water Services division also desludged 104,170 and 3,824 septic tanks in the East Zone and Boracay concessions, respectively.

These efforts translate to 56.42 million cubic meters of used water treated in 2017, which is 10 percent higher than in 2016. The company also prevented a total of 9,087 tonnes of organic pollutants from entering waterways, a one percent increase from 2016. Additionally, the removal of this amount of pollutants reduced the unwanted methane formed from septage, thus avoiding carbon dioxide emissions by 57,248 tonnes.

Used Water Treated (in million cubic meters)



Tonnes Organic Pollutants Removed



## NEW WATER BUSINESS MODELS

In response to a niche demand for used water management services, Manila Water's Integrated Used Water Solutions has started catering to commercial and industrial clients looking for the latest used water treatment technologies to comply to regulatory standards. IUS developed seven used water treatment plants as of 2016 and continued to construct new facilities and improve its existing processes in 2017.

Meanwhile, Manila Water's Estate Water division has been providing water and used water solutions to aid Ayala Land in the development of sustainable spaces. In 2017, Estate Water added 358 residential and 47 commercial and industrial water service connections.

All these enabled Manila Water to increase its estate billed volume to 4.6 million cubic meters.

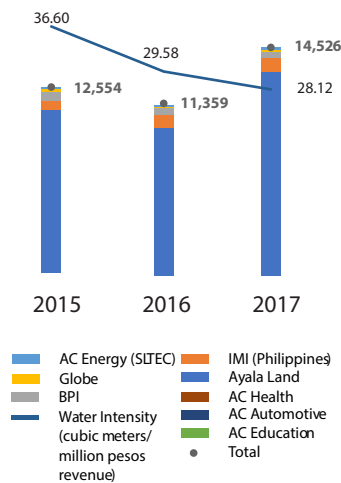
## WATER MANAGEMENT WITHIN THE AYALA GROUP (303-1, 303-2, 306-1)

The total water use of the conglomerate increased by 28 percent in 2017. This is largely due to a marked increase in properties and estates developed by Ayala Land. About 89 percent of the group-wide water consumption comes from Ayala Land's construction activities. We also started reporting on AC Education, AC Automotive and AC Health's water consumption.

In order to achieve water efficiency, Ayala Land's property managers monitor water consumption per property as part of their operations. For areas without water coverage, Ayala Land partners with qualified suppliers to limit the use of deep wells and groundwater primarily for health and sanitary purposes. The company also designs and operates onsite water and wastewater treatment plants.

Other Ayala businesses also continued to explore best practices in water management.

**Group-wide Water Consumption**  
(in '000 cubic meters)



IMI balances its water usage streams by optimizing the operation of its deionized water system and by improving its maintenance processes. These efforts resulted in higher quality water and reduced water losses. The company reuses treated and excess water, and harvests rainwater to be used for domestic applications.

SLTEC draws its water from Balayan Bay for use as cooling and process water. 100 percent of cooling water is returned to the bay, along with water left over from the demineralization process. Water that is used for the process itself undergoes a closed-loop cycle of evaporation and condensation, with minimal losses due to evaporation.

Less than one percent of SLTEC's water consumption is from groundwater, supplied by the industrial park. This is used for domestic purposes, with an estimated 60 percent of the domestic water going to the wastewater treatment facility to be treated and reused. The remaining 40 percent is used for watering plants and similar uses.

Our telecom business, Globe, meanwhile, uses on-site treatment technologies and has a drainage system in place. The company regularly files all necessary permits

for wastewater discharges and identified water sources onsite. It pays all discharge dues and conducts regular water quality testing to ensure compliance with prescribed standards. Through these programs, Globe has consistently lowered its water consumption over the last three years. In 2017, Globe's water consumption amounted to 104,130 cubic meters, which is lower compared to 125,341 cubic meters in 2016.

These efforts allowed us to reduce our water usage intensity from 29.6 to 28.12 cubic meters per million pesos revenue in 2016 and 2017, respectively. This indicates that we consumed less water for every million pesos of revenue the group made, as compared with previous year.



Manila Water provides crucial water and used water services to communities.



## Balay Kogon: Sowing the Seeds of Sustainability

As Ayala Land commits to achieving its carbon neutrality target, the company constantly finds ways to make its estates and nearby communities more sustainable.

One good example of how the company is able to link biodiversity protection with livelihood provision is in Balay Kogon, an Ayala Land boutique bed and breakfast situated in the rich forest island of Sicogon, Iloilo.

To preserve Sicogon's natural beauty and wealth of biodiversity, Ayala Land allocated ₱2 million to develop and implement a training curriculum for members of the island's local community. Participants were trained on the following: (1) Identification

of species – native, endemic, and invasive, (2) Propagation of native and endemic species, (3) Nursery creation and maintenance, (4) Proper handling in balling out of trees, and (5) Assisted Natural Regeneration.

At the end of the training, participants are then employed to propagate 13,000 saplings of various native species of trees, shrubs, palms, and mangroves. They are also expected to strengthen the island's resiliency against natural disasters, while also protecting Ayala Land's investments and business goals in the island.

Since the start of the program, 19 trainees have already been employed by a partner manpower agency for the project.

## OUR NATURAL CAPITAL: ECOSYSTEMS AND BIODIVERSITY

Whenever needed or feasible, Ayala subsidiaries integrate ecosystems and biodiversity protection programs into their operations.

Manila Water, for instance, has an extensive watershed management program. Other companies, such as Ayala Land and AC Energy, have ongoing biodiversity studies and monitoring programs that are intrinsically linked to their operations and brand propositions.

### WATERSHED MANAGEMENT

(303-1, 303-2, 304-3)

Manila Water needs sustainable sources of good quality raw water to serve its customers.

The company abstracted 87.12 percent of its raw water from surface water sources, mainly from the La Mesa and Ipo watersheds. The remaining 12.88 percent came from groundwater and river infiltration. The company withdrew 683 million cubic meters in 2017, a seven percent increase compared to its total abstraction in 2016.

Increasing demand for water denotes higher utilization of watersheds. Hence, Manila Water is dedicated to managing its catchment areas through forest protection and rehabilitation efforts. The company works closely with government and civic organizations in implementing forest and wetland restoration activities at the La Mesa and Ipo watersheds.

For 2017, Manila Water planted 15,800 seedlings in 79 hectares of La Mesa and 1,700 seedlings in 4.3 hectares of the Ipo Watershed.

Boracay Water has also initiated its watershed management plan. It targets to plant 10,000 trees in 20 hectares of the Nabaoy Watershed in Aklan in 2018.

Aside from planting saplings, the company ensures that previously planted seedlings are regularly maintained and that the area is cleared of illegal human activities. An



Like the rest of Ayala Land's developments, Balay Kogon strives to protect the integrity of its natural environment.



The La Mesa Dam supplies the majority of Metro Manila's water supply.



oversight committee monitors and evaluates the outputs of the program in accordance with the targets set in the approved Integrated Watershed Management Plan of Manila Water, as well as the corresponding annual work plans for each watershed area.

### BIODIVERSITY STUDIES

(304-1, 304-4)

Some of our operational sites are situated near areas rich in biodiversity. It is therefore important for us to characterize and quantify the species inhabiting these areas, so we may better understand and mitigate our operations' impact on these rich natural sites.

Our AC Energy affiliate, North Luzon Renewables operates its windfarm adjacent to a vast forestland within the Ilocos region. In 2017, the company performed a comprehensive biodiversity study within the area.

Natural factors and human activity influence species distribution and diversity, including climate, geographic ranges and vegetation types. Data collected from field surveys also showed that species could tolerate some degree of disturbance provided that vegetation is protected and left out to regenerate, or enhanced through reforestation.

With these data onboard, NLR commits to further improve their forest rehabilitation and management initiatives, and to establish a biodiversity monitoring system that shall measure their reforestation outcomes.

Ayala Land and its business units, meanwhile, recognize that its development and construction activities leave significant impact on the environment. For this reason, the company undertakes biodiversity assessments and other environmental studies before crafting its design and execution

plans. Ayala Land identifies endemic species of flora and fauna in its estates and integrates all findings in design and development. The company's latest biodiversity study focused on the 34 identified sightings of species under the IUCN's Red List of Threatened Species in its estate in Palawan. The latest study also acknowledged 14 additional flora on the list of threatened species under the Department of Environment and Natural Resources' radar.

Among these species are the critically endangered Starburst (*Clerodendrum quadriloculare*) and five other endangered species namely the Palawan Schefflera (*Schefflera palawanensis*), the Pitcher Plant (*Nepenthes philippinensis*), Manila Palm (*Adonidia merrillii*), and the Philippine Mussaenda (*Mussaenda philippinensis*). Ayala Land preserves and protects these species by ensuring that no major disturbances occur within their respective habitats.

NLR employees help maintain and nurture the environment through tree-planting and other activities.



### BIRD SPECIES

Wet season:

**29** BIRD SPECIES

**14** ENDEMIC

Dry season:

**60** BIRD SPECIES

**21** ENDEMIC

**02** VULNERABLE

- Philippine Duck (*Anas luzonica*)
- Philippine Dwarf Kingfisher (*Ceyx melanurus*)

### MAMMAL SPECIES

**05** VOLANT (*flying and gliding*)

**03** NON-VOLANT

(*land-based, non-flying*)

- Philippine Long-tailed Macaque (*Macaca fascicularis ssp. philippensis*)

\*near threatened according to IUCN Red List

### REPTILE SPECIES

**03** SPECIES OF SNAKE

- 1 vine snake
- 2 rat snake

## RESOURCE MANAGEMENT

As we seek to innovate and develop new products and services that present solutions to environmental challenges, we must also advocate sustainable production and consumption within our conglomerate and respective supply chains. Over the past years, we have laid down the groundwork for monitoring and improving our efficiencies in the use of key natural resources, waste management, and green supply chain management.

### ECO-RESOURCE EFFICIENCY IN CONSTRUCTION (301-1)

Ayala Land is committed to the prudent use of resources, especially during the construction of its estates. This is evident in the systems and practices of Makati Development Corporation.

In 2017, Ayala Land used 35 percent less reinforced steel than in 2016 despite having more projects under development. Cement consumption was 20 percent higher as Ayala Land completed 174 projects in 2017 compared to 130 in 2016. The company, however, minimizes use of virgin materials as it requires its cement providers to adhere to a 10 to 15 percent fly-ash substitution in cement, while maintaining concrete strength at above industry standards. Additionally, MDC's concrete batching plants and pre-fabrication sites allow Ayala Land to minimize material delivery time, fuel consumption, and greenhouse gas emissions.

### MANAGING NON-HAZARDOUS WASTE (306-2)

Ayala's efforts to reduce wastage is evident in its 2017 group-wide performance. The amount of non-hazardous waste generated by Ayala companies decreased by nine percent this year, as our businesses actively monitored waste generation and implemented mitigation approaches.

Similarly, the group monitors its waste generation and explores ways to minimize its environmental impact vis-à-vis its increasing project portfolio. In 2017, about 77 percent of Ayala Land's construction waste

is recyclable, while 23 percent is residual. Outside MDC, Ayala Land's other business units collectively generated 4,899.2 metric tons of recyclable waste and 16,867 metric tons of residual waste in 2017. On the other hand, compostable and food waste from Ayala Land's estates and residential and commercial properties decreased by 13 percent in 2017, as only 14,229.6 metric tons were generated compared to 16,354 in 2016. To further minimize the generation of waste, Ayala Land implemented a ban on plastic use in their Palawan resorts beginning in 2017.

Globe's intensive campaign to reduce the use of paper led to a higher subscription rate to its paperless billing program. As of 2017, around 95 percent of Globe postpaid subscribers or 3.3 million users had shifted to electronic billing. This marks a 26 percent increase compared to 2016 and led to savings of 286,294 reams of paper in 2017, or about 13,742 trees saved per ton of paper recycled.

AC Education had also started to monitor its paper consumption while inculcating in its students a stronger awareness of waste management. APEC Schools consumed only 2,224 reams of paper across their branches in 2017. Meanwhile, the University of Nueva Caceres had implemented a paperless office transaction program which resulted in a 56 percent reduction of paper consumption for SY 2016-2017.

As the combustion of coal yields a sizeable amount of fly ash as by-product, AC Energy's affiliate SLTEC seeks ways to better manage its disposal. In 2017, SLTEC generated 74,763.2 tonnes of fly ash. About 59 percent was sold to cement manufacturing companies for co-processing into cement clinker. The remaining 41 percent was disposed in the company's ash management facility, where the ash is dumped into a DENR-approved pit with a synthetic lining. Once full, the pit is then covered by soil.

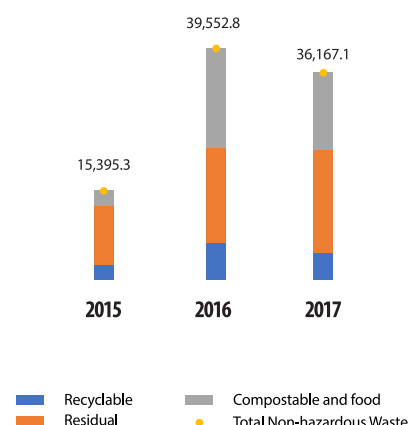
### Recycling and Landfill Diversion (306-2)

IMI strictly implements segregation of waste at the source and the reclaiming of other reusable materials through its 3R (Reduce, Reuse, Recycle) program. The company also requires its haulers to provide material recovery facilities and to segregate the recoverable materials, thereby avoiding the dumping of residual waste to municipal landfills. In 2017, IMI diverted 98 percent of its waste from landfill.

Globe also takes significant steps to reduce waste produced from products and operations to further lower its impact on the environment. Waste management efforts remain in full implementation on all Globe sites. The solid waste, e-waste, and hazardous waste the company generates are tracked throughout the year. In 2017, Globe had diverted nine percent of its waste from landfills through waste segregation and recycling.

Its flagship recycling program, Project 1 Phone, is a mobile recycling program focused on recovering and recycling electronic waste, specifically mobile phones and portable devices such as tablets. E-waste typically contains hazardous elements such as lead, cadmium, and arsenic. If disposed in landfills, these chemicals could potentially contaminate the soil and water table. Additionally, high value metals such as gold, palladium and platinum can still be recovered from discarded phones and reused commercially. In 2017, Globe through Project 1

Group-wide Non-hazardous Waste by Type



Phone had collected 216,816 kg of e-waste. All devices and accessories that Globe gathered were turned-over to an electronics waste recycler. The proceeds of which helped build classrooms in schools in Aklan that were damaged by Typhoon Haiyan in 2013.

### MANAGING HAZARDOUS WASTE (306-2, 306-4)

Hazardous waste comes in different forms and usually includes organic solvent, e-waste, lead-acid batteries, and used oil. Each pose their own peril to human health and local economies if handled poorly. Our companies that produce hazardous waste follow all pertinent laws and regulations related to their storage, transport, and treatment.

Monitoring per type of waste has become more accurate as the group enhances its waste management efforts. Total hazardous waste reported increased by 48 percent in 2017 with additional reporting from Ayala Land, Manila Water, and IMI's Philippines and global sites.<sup>3</sup>

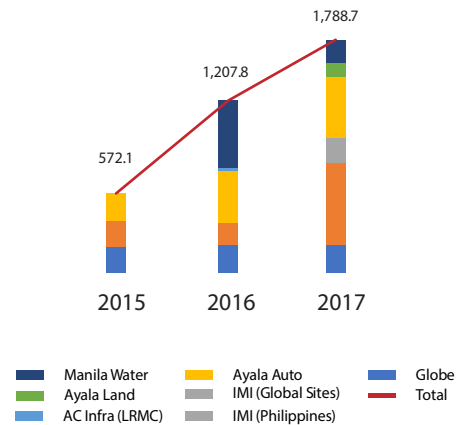
Used oil from vehicles and industrial equipment also increased as AC Automotive had serviced more clients requesting vehicle demos and had outsourced more fleet trucks for delivery of vehicles sold.

Our companies undertake further efforts to minimize the impact of the hazardous by-products we generate.

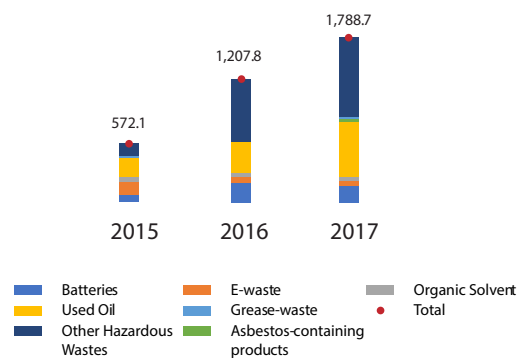
Some of our companies partner with non-profit groups for recycling, treatment, and disposal of used oil and batteries. IMI, for example, turns over its hazardous waste to ABS-CBN Foundation's Bantay Kalikasan, which in turn surrenders the waste to their partner recycling agents. The monetary value of these waste is used to support communities and livelihood projects.

Manila Water, meanwhile, donates used lead-acid batteries and used oil to ABS-CBN Foundation's Bantay Baterya and Bantay Langis for

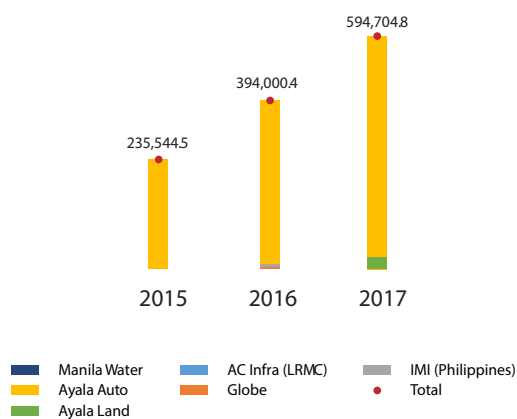
**Group-wide Hazardous Waste by Company** (in tonnes)



**Group-wide Hazardous Waste by Type** (in tonnes)



**Used Oil by Company** (in liters)



treatment and recycling. Other hazardous waste are transported and treated by DENR-accredited service providers.

LRMC follows waste segregation at both its depot and train stations. The

company also implements a waste turn-over system for hazardous waste for easier tracking. A third party, DENR accredited treatment, storage and disposal facility is engaged to ensure proper waste disposal and treatment of hazardous

<sup>3</sup>Additional reporting from IMI Philippines for Cavite and PSI sites.



waste. A hazardous waste storage facility is also designated within the depot to serve as temporary storage of the generated hazardous waste. Used oil and used lead batteries are also being donated to ABS-CBN Foundation.

Aside from following all government regulations, NLR has established secondary containment/bunds to prevent or reduce the potential impact of hazardous waste on the soil and groundwater. The company is now assessing all its waste streams to determine other potential hazardous waste that require proper handling and management.

In the case of NorthWind, aside from generating electricity from renewable sources, some of the plant's inputs, such as oil are recycled to minimize waste. The company has also invested in a recycling facility for oil used in the gearbox, generators, and other moving turbine parts.

### GREENING THE SUPPLY CHAIN

(308-2)

IMI is monitoring its compliance with Conflict Mineral Reporting. The company supports responsible sourcing of minerals to ensure that tantalum, tin, tungsten and gold in the products it manufactures do not directly or indirectly finance or benefit armed groups that perpetrate human rights abuses. IMI exercises due diligence in the source, and chain of custody of these minerals and makes information available to customers upon request.

IMI has also developed a comprehensive policy on green manufacturing and procurement. It has adopted a system on Hazardous Substances Process Management. The policy is designed to manage hazardous substances and adhere to all applicable laws, regulations, and other customer-specific requirements on the prohibition or restriction of specific substances in products and in manufacturing. These include compliance with the



*Apart from providing clean and potable water, Manila Water also provides sewage and sanitation services.*

Restriction of Hazardous Substances in Electrical and Electronic Products; Registration, Evaluation, Authorization, and Restriction of Chemicals; Automotive industries' compliance requirement on International Material Data System; and Chinese Automotive Material Data System.

At Ayala Land, suppliers undergo third-party screening, which requires vendors to fill up "Green Metrics" in addition to legal and financial compliance documents. The company launched its Sustainable Procurement Roadmap in 2017 to influence its top material suppliers to comply with OHSAS, ISO, or EMS certifications, as well as to engage them in appropriate sustainability programs by 2022.

At Manila Water, compliance of vendors and suppliers with environmental laws and other relevant standards is checked extensively and is consistently monitored throughout their period of engagement with the company.





1



2



3



6



4



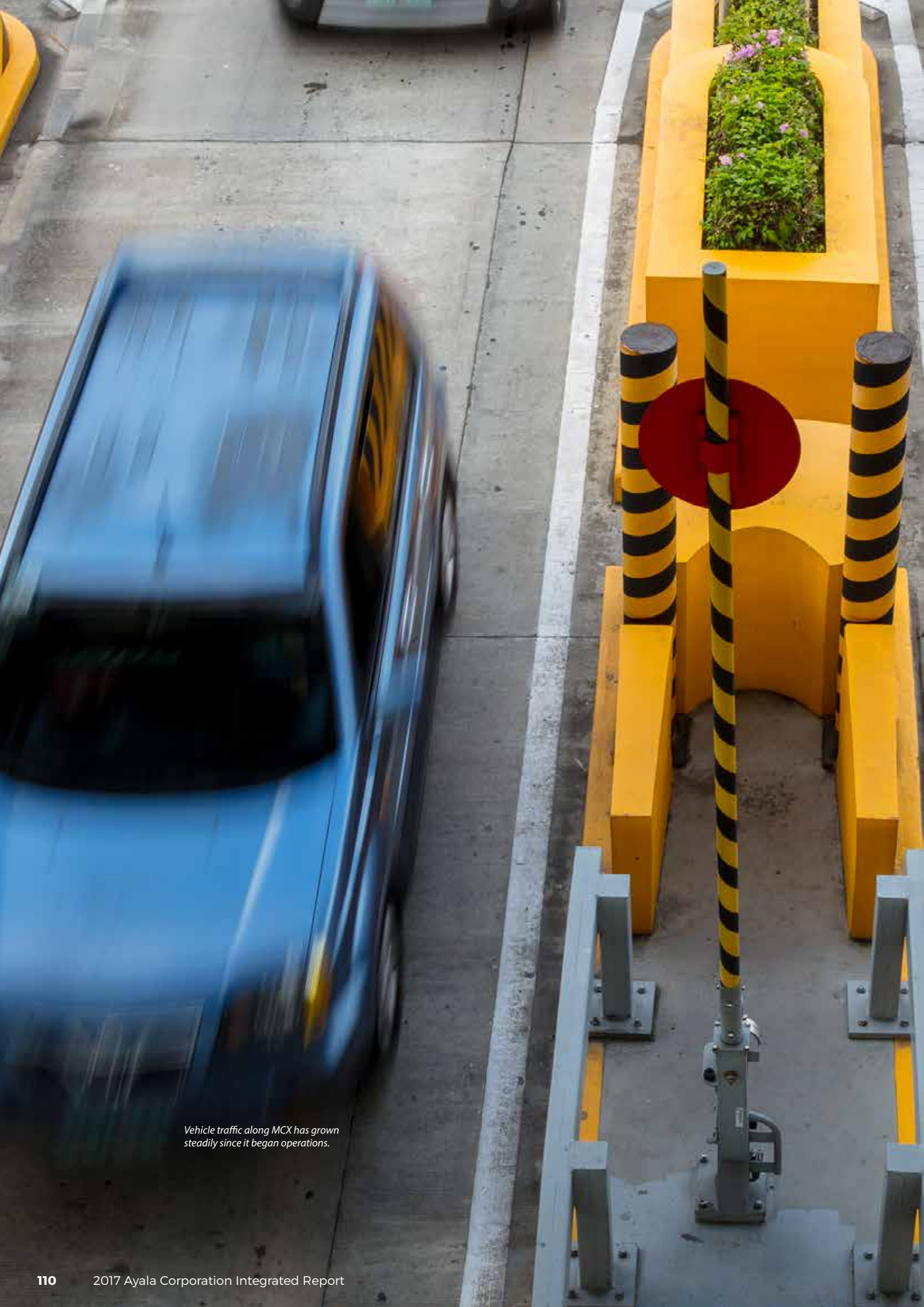
5



7

- 1 Ayala employees volunteer to clean and repaint public schools during Brigada Eskwela.
- 2 Generika holds Gabay Kalusugan events in various communities to highlight the importance of taking care of one's health.
- 3 Ayala group sustainability practitioners gather with colleagues and friends from the private sector at the Sustainability Summit.
- 4 IML employees participate in blood donation drives.
- 5 AC Health conducts a medical mission to benefit underserved communities.
- 6 LRMC employee volunteers clean rivers.
- 7 Students visit MCX on a field trip.





*Vehicle traffic along MCX has grown steadily since it began operations.*



A high-angle, motion-blurred photograph of a red car driving on a paved road. The car is moving from the bottom right towards the top left. To the right of the road is a yellow and black striped safety barrier. In the background, a white car is also blurred, moving in the same direction. The overall scene conveys a sense of speed and forward motion.

# BUSINESS REVIEW

# AYALA LAND

“Making a positive impact on communities and the environment provides greater meaning to our success. We implement sustainability practices, focused on site resilience, pedestrian and transit connectivity, local employment, and eco-efficiency.”

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

## Who we are

Ayala Land is the largest property developer in the Philippines with a solid track record in 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 (Makati CBD), Ayala Alabang, Cebu Park District, Bonifacio Global City (BGC), and Nuvali, it continues to increase its footprint by building estates that reach and benefit more people.

With 10,285 hectares in its landbank, 24 estates, and a presence in 55 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 subsidiaries, Makati Development Corporation and Ayala Property Management Corporation, respectively.

It pioneers standards and practices that reflect the value the company places on sustainability in all its developments. 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.

## Outlook

Ayala Land continues to make progress on its 2020-40 plan, lifted by a positive macroeconomic outlook that will benefit the whole property development sector. It believes that the stable contributions of the BPO sector, overseas Filipino remittances, a growing tourism sector, and strong household consumption will spur the continued growth of the property sector.

Looking ahead to 2018, the company will continue to execute its strategies. It will endeavor to reach a wider market and provide growth not only for its shareholders but also for the communities it serves.

## Business Review

Ayala Land made headway in 2017, halfway into its 2020-40 plan, with net income reaching ₱25.3 billion, up 21 percent backed by the strong topline delivered by its property development and commercial leasing businesses.

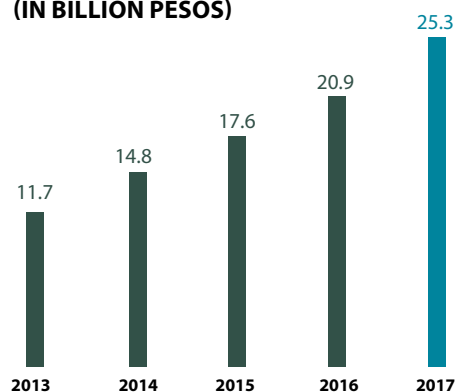
### Estate Development

The company expanded its reach with the introduction of three new estates

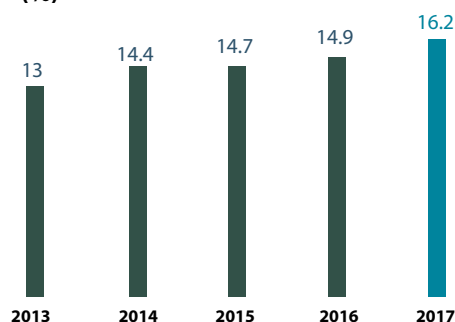
and the revitalization of its existing estates.

In November 2017, Ayala Land launched Seagrove in Mactan, Cebu in partnership with Cebu Holdings and Taft Property Venture Development Corporation. The estate is designed as an “eco-fun” destination.

## NET INCOME (IN BILLION PESOS)



## RETURN ON EQUITY (%)







Ayala Land plans its estates to allow sufficient green space for recreation and leisure.



Shoppers fill Ayala Land's Glorietta malls.

In August 2017, the company launched Azuela Cove, a 25-hectare estate in Lanang, Davao City, which features verdant open spaces and spectacular views of the Davao gulf. The project is developed in partnership with the Alcantara Group of Companies.

In early 2017, Ayala Land launched Evo City, a 236-hectare estate in Kawit,

Cavite. Located just five kilometers away from CAVITEX, the estate will feature 19 hectares of sprawling parks and open spaces.

To further promote walking and healthy lifestyles in its estates, Ayala Land reserves certain roads for pedestrians and joggers in the Makati CBD and BGC at specific times and days of the week.

#### Property Development

Lifted by increased bookings and project completions, its property development segment delivered robust results, with revenues growing 24 percent to ₱96.4 billion. The development business grew with reservation sales increasing 13 percent from its year-ago level to ₱122 billion.

#### Commercial Leasing

Ayala Land's commercial leasing business delivered ₱30.9 billion in revenues, 10 percent higher from the previous year, as the company rolled out a record number of malls, offices, and hotels and resorts.

Revenues from malls grew 10 percent to ₱17.7 billion in 2017 on the back of steady contributions of existing shopping malls and the improved performance of newly-established malls. Average occupancy rate remained healthy for all malls at 92 percent, while stable malls recorded a 97 percent average occupancy rate.

Revenues from Ayala Land Offices reached ₱6.7 billion, 12 percent higher than the ₱5.9 billion recorded in the previous year. Stable offices maintained an occupancy rate of 97 percent, while average occupancy, including new buildings that opened in the last quarter of 2017, registered

an 86 percent occupancy rate. Six new offices were opened in the year, adding 185,000 sqm of gross leasable space. This brought the total office portfolio to 1.02 million sqm.

Hotels and resorts recorded ₱6.6 billion in revenues, 10 percent higher than the previous year. In 2017, six new hotels and resorts were opened, with a total number of 556 rooms. This increased the company's portfolio to 2,583 rooms at year-end.

In 2017, the company introduced The Flats, a dormitory product to support the housing needs of the growing population of young professionals and those working in the BPO sector. It also launched Clock In, a co-working space, that aims to capture start-up ventures and SMEs that need flexible office space. Clock In targets to reach over 1,450 seats in 2018.

#### Services

Total revenues from construction and property management amounted to ₱71.8 billion, five percent higher than the ₱68.5 billion posted in the previous year.

Its construction arm, Makati Development Corporation, maintained steady growth with revenues of ₱68 billion, four percent higher than 2016 due to an increased order book and the higher completion of projects. Meanwhile, Ayala Property Management Corporation registered revenues of ₱1.8 billion, an eight percent growth from the previous year. As part of improving service quality, APMC introduced new technologies and best practices to increase operational efficiencies and reduce costs.

As part of its strategy to diversify revenue streams, Ayala Land increased its ownership in Malaysian real estate developer, MCT Berhad. In January 2018, the company announced it was acquiring an additional 17.24 percent stake in MCT, which increased Ayala Land's total ownership to 50.19 percent. This was further increased to 72.31 percent in February, as a result of a mandatory take-over offer made by the company, in connection with the prior transaction in January.



*Pedestrian connectivity is a key feature of the company's developments.*

#### Strategy

Strategy	Description	Performance in 2017	Priorities in 2018
Increase contribution of commercial leasing assets to achieve a more balanced portfolio	Target to triple the GLA of shopping centers, offices, and hotel and resort rooms from their 2013 operating levels	<p>Recurring income businesses contributed 35 percent of net income:</p> <ul style="list-style-type: none"> <li>• Malls: opened five new malls and added 189k sqm of GLA for a total of 1.80 million sqm</li> <li>• Offices: opened six new offices and added 185k sqm of GLA for a total of 1.02 million sqm</li> <li>• Hotels and resorts: opened six new facilities adding 556 rooms totaling 2,583 rooms</li> </ul>	<p>Deliver on target pipeline by completing GLA under construction:</p> <p>Malls: 823k sqm</p> <p>Offices: 499k sqm</p> <p>Hotels and resorts: 3,522 rooms</p>
Balance residential product launches between horizontal and vertical projects	Improve the mix between horizontal and vertical projects to maximize margin gains	Launched 28 residential and office for sale projects in 2017 of which, 10 were horizontal while 18 were vertical	Launch products attuned to market demand, and aspire to achieve a healthy mix between horizontal and vertical developments



## OUR CAPITALS

### Natural

Its landbank is strategically located in key growth centers for immediate and long-term development.

### Intellectual

Ayala Land's unique master planning process integrates product lines to create sustainable and vibrant communities and foster urban development.

### Manufactured

It has a wide range of products that caters to all markets and segments of the property sector.

### Social

It ensures the quality of its products and services and upholds strict sustainability and corporate governance practices for its customers and stakeholders.

### Human

A decentralized structure empowers its people, and provides the flexibility to execute its strategy in a fast and efficient manner.

### Financial

Ayala Land has a strong balance sheet to support growth plans and a prudent fiscal policy to maintain the strength of its financial position.

## HOW WE CREATE VALUE

### Estate Development

Ayala Land develops estates that host its property development and commercial leasing products.

### Property Development

It offers and builds residential, office for sale, and commercial products that address various market segments represented through five brands: Ayala Land Premier, Alveo, Avida, Amaia, and BellaVita.

### Commercial Leasing

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, Lio, and Sicogon Resorts.

### Construction and Property Management

Ayala Land develops its projects through its own construction company, Makati Development Corp., and manages completed properties through its own property management company, Ayala Property Management Corp., to ensure quality throughout the entire project life.

### Other Businesses

It holds investments in selected companies that complements core businesses like Cebu Holdings, Ortigas and Company, Prime Orion Philippines, MCT Bhd, and other ventures in healthcare and retail.

## THE VALUE WE CREATE

### Environment

Ayala Land upholds Philippine biodiversity and ecosystems within and adjacent to our landbank.

- 10,285 hectares landbank
- 450 hectares carbon forests
- 34 IUCN species protected

### Communities

It provides spaces that are site-resilient, pedestrian-friendly, public transport-connected, and eco-efficient, uplifting living standards for Filipinos.

- 132.4 hectares of permeable green space
- Three estates added in 2017
- 25 total estates
- Nine P2P transport routes in Ayala developments

### Property Buyers, Residents, Shoppers, Mall Locators, Office Tenants, Tourists, General Public

It provides homes and venues for business and leisure that support the community and spur economic growth.

- 12,763 completed and turned-over residential units
- Five malls opened in 2017, adding 180,000 sqm GLA
- Six offices opened, adding 185,000 sqm GLA
- 556 hotels and resorts keys added

### General Public, Media, Property Buyers, Academe, Government, NGOs

With sustainable practices and strict corporate governance standards, Ayala Land protects the interest of all stakeholders and ensures the value of their investment.

- Recognized by RobecoSAM as one of the most sustainable companies
- Property Company of the Year by Frost and Sullivan Asia Corporate Excellence and Sustainability Awards
- Best Corporate Brand in the Philippines by Asiamoney
- Don Emilio Abello DOE awards
- 4th Best Managed Public Company in the Philippines - FinanceAsia

### Workers, Suppliers and Service Providers, Consultants

The company contributes to local employment, skills development and career growth.

- 90% OCS Score in 2017
- 5,040 total workforce
- 7,603 total support staff
- 132,337.3 total training hours

### Investors, Analysts, Creditors

It provides consistent growth in shareholder returns, ensures long-term value for investors, and fulfills credit obligations.

- 21% net income growth
- 16% ROE
- 0.77 net D/E ratio
- 4.6% average cost of debt

## OUR CONTRIBUTIONS TO THE SDGs



# BANK OF THE PHILIPPINE ISLANDS

"We have come out of 2017 stronger than ever. While the bank has grown significantly in the past several years, we will continue to invest in people, technology, and branches to support and benefit from a surging Philippine economy. Inclusive, profitable growth will be our focus."

- Cezar P. Consing, President and CEO, Bank of the Philippine Islands

## Who we are

The Bank of the Philippine Islands is one of the top banks in the Philippines, providing a wide range of financial products and services to meet the diverse needs of its 8.5 million customers.

BPI nurtures the trust it has gained from its customers through products and services tailored to the needs of a broad base of retail and corporate clients, including self-employed microentrepreneurs, overseas Filipinos and their beneficiaries, small and medium enterprises, domestic conglomerates, and multinational corporations. The bank serves its clients through one of the most extensive physical and digital distribution network in the industry with 945 branches, and 3,105 ATMs and Cash Accept Machines nationwide. Its physical distribution network is complemented by digital platforms, namely

www.bpiexpressonline.com, its online and mobile banking facilities for retail customers, and ELink/BizLink, its electronic cash management platform for businesses. BPI has banking locations and representative offices in Hong Kong and London, and maintains over 140 remittance tie-ups and correspondent banking relationships with over 50 partner banks and financial institutions globally.

## Market outlook

Philippine economic growth is expected to remain resilient with household consumption seen to be the main driver of growth, further boosted by the recently-implemented personal income tax cuts on select individuals. Overseas remittances will continue to support consumer spending as recipients enjoy more income due to the manageable depreciation of the peso. Access to credit will remain

crucial for this key segment of society as they look to partake in the robust growth of the Philippines. Rising income levels are seen to increase the demand for credit as individuals, entrepreneurs, and corporates all look to prepare the groundwork for sustained growth in the near to medium-term. Additional liquidity brought about by the Bangko Sentral ng Pilipinas' reserve ratio requirement cut is expected to meet this demand.

Mirrored in the growth of capital goods importation since 2015, investments have begun to pick up, with the promise of the current administration's Build, Build, Build infrastructure program. Foreign direct investments in 2017 were the largest in Philippine history thus far. It should be noted that higher government debt due to its infrastructure program may provide upward pressure on local interest rates. Moreover, inflation may touch the upper limit of the BSP's target range in 2018 due to higher oil prices. However, the central bank expects inflation to return to its target in 2019 given the transitory effects of the tax adjustments.

The BSP's recent change in leadership has led to a new focus on market-driven bias and financial technology liberalization. Its flagship project, the National Retail Payment System, intends to create a safe, efficient, and reliable electronic retail payment



BEA allows the fast-tracking of transactions by allowing clients to reserve timeslots at BPI branches.





In 2017, BPI launched a new look for its branches.

system that is interconnected and interoperable. The NRPS is viewed to create opportunities for increased commerce, as the BSP looks to balance access with security.

#### Business Review

In 2017, the Bank of the Philippine Islands realized net profits of ₱22.4 billion, 1.7 percent higher than the previous year. This increase was achieved through a ₱4.5 billion increase in total revenues, partly offset by higher operating expenses and provision for income taxes which grew ₱3.6 billion and ₱1.4 billion, respectively. Total comprehensive income ended at the same level as net income at ₱22.4 billion, an increase of 3.1 percent over 2016.

The bank continues to deliver consistent value to its investors, posting a return on equity of 12.8 percent and return on assets of 1.3 percent, though these were lower than the previous year's 13.8 percent and 1.4 percent, respectively. Cost-to-income ratio stood at 54.3 percent, slightly higher than the previous year's 52.5 percent, and continues to be one of the lowest in the industry. The bank paid regular cash dividends of ₱1.80 per share. As of the end of 2017, book value per share was ₱45.87, and earnings per share was ₱5.69.

Total revenues for the year were at ₱71 billion, a 6.7 percent increase, primarily brought about by continued

expansion in the bank's core intermediation business.

Net interest income increased by 13.4 percent to ₱48 billion, the result of an 11.3 percent expansion in the bank's average asset base and a slight improvement in net interest margin.

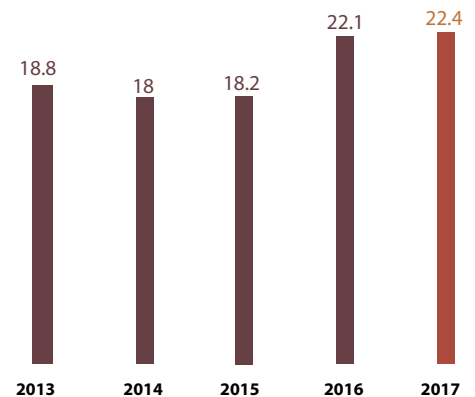
In the absence of one-off trading gains recorded in 2016, non-interest income decreased 4.9 percent to end at ₱23 billion. The 15.6 percent increase in fee-based income offset the decline in trading gains, primarily driven by higher credit card fees, trust and investment management fees, insurance fees, commission and service charge.

Given moderate loan growth relative to 2016, provision for loan losses taken in 2017 amounted to ₱3.8 billion.

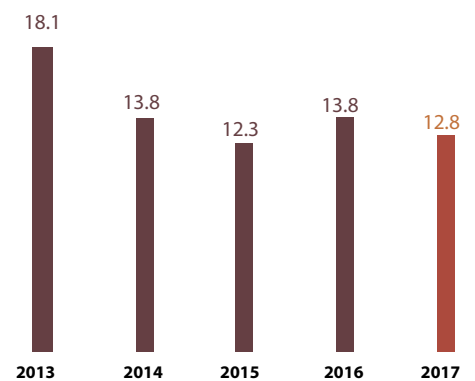
Total operating expenses ended at ₱38.5 billion, 10.3 percent higher as spending on technology, operations, and marketing increased to sustain growth initiatives, and as asset growth was accompanied by an increase in regulatory costs. Other operating expenses likewise increased 17.4 percent on higher product-related insurance premiums, third-party fees and commissions, litigation expenses and other transaction-related expenses.

With its pre-eminent brand, BPI has

#### NET INCOME (IN BILLION PESOS)



#### RETURN ON EQUITY (%)



BPI BanKo meets the needs of SMEs.



continued to grow its broad base of retail and corporate clients to 8.5 million, thereby expanding its asset base by 10.3 percent to ₱1.9 trillion.

Loans, net of allowance for loan losses, amounted to ₱1.2 trillion, 15.5 percent higher than last year's ₱1 trillion as the bank continued to finance corporate clients' requirements for project financing, acquisition financing, and capital expenditure loans. With its disciplined approach to risk management, the bank's asset quality continues to improve with gross 90-day non-performing loans ratio declining from end-2016 level of 1.5 percent to 1.3 percent and reserve cover ratio increasing year-on-year from 118.7 percent to 129.2 percent. Deposits increased by ₱130.9 billion or 9.1 percent, ending at ₱1.6 trillion in 2017, with the current and savings account ratio at 71.2 percent. Loans to deposit ratio stood at 77 percent.

BPI's investment securities were stable at ₱306.12 billion, over 90 percent of which were in held-to-maturity assets, and as such are less exposed to interest rate risk.

BPI's capital funds increased by 9.4 percent to ₱180.7 billion. The improvement in capital came from higher profits from operations, net of dividends paid in 2017. At year-end, the bank's capital adequacy ratio and common equity tier 1 ratio ended at 12.7 percent and 11.8 percent, respectively, both well above regulatory minimum. BPI's market capitalization remained one of the largest in the industry at ₱425.9 billion. As of December 31, 2017, the bank's share price closed at ₱108.10, representing a multiple of 2.4x book value.

The bank continues to enhance its extensive physical and digital distribution network. It opened 18 BPI and BPI Family Bank branches and relaunched ELink/BizLink, its electronic cash management

platform. Recognizing the need to provide credit facilities to an underserved market, self-employed microentrepreneurs, the bank through its microfinance arm BPI Direct BanKo expanded its network from nine pilot branches in 2016 to 103 branches and microbanking offices in 2017.

In February 2017, the BPI Asset Management and Trust Corporation commenced operations as a stand-alone trust entity.

In November 2017, the bank raised a record ₱12.2 billion offering of Long Term Negotiable Certificate of Time Deposits, the largest issuance by far in the industry.

### Strategy

Strategy	Description	Performance in 2017	Priorities in 2018
Achieve asset growth in high-growth, high-margin businesses	Focus on SME, retail (specifically housing, auto, and credit cards), and microfinance  Create business bank segment focused on SMEs	Retail growth rate • Housing: 4% • Auto: 2% • Credit cards: 19%  Microfinance: 2.6x  *SME business bank organization was completed in 2017	SME  Retail • Housing • Auto • Credit cards  Microfinance
Grow current and savings accounts	Grow deposits and improve CASA ratio	• Deposit growth rate: 9%  • CASA ratio: 71.2%	• Deposit growth rate: 12%  • CASA ratio: 72%
Moderate branch expansion	Strategically expand branch network	• New bank branches: 18  • New BanKo branches: 93	• Continue to expand branch footprint across BPI, BPI Family Bank, and BanKo
Increase digital platform users	Increase users of online banking platforms for retail and business customers	• Online banking: 1.456 million users  • Mobile banking: 1.450 million users  • Online platform for business: 24,400 users	• 15% increase in clients who access the bank's digital platforms

## OUR CAPITALS

### Financial

The bank maintains a strong balance sheet, and continues to grow and optimize its deposit franchise and loan book.

### Manufactured and Intellectual

BPI has a reliable, secure, and expanding network of delivery infrastructure in both traditional and digital platforms.

### Human

BPI is driven by energized, enabled, and engaged employees with diverse talents.

### Social and Relationship

BPI is a beacon of stability and credibility upon which trust is built and sustained among its clients and global banking partners.

### Natural capital

BPI's environmental management systems ensure that it uses resources efficiently and minimizes its impact to the environment.

## HOW WE CREATE VALUE

### Capital Raising, Advisory, and Financing

BPI addresses capital needs across all client segments by providing various forms of financing, from working capital loans, capital expenditure loan, acquisition financing, supply chain and trade financing, project finance, small business loans, and microfinance. It also provides financial advisory and helps clients raise debt and equity from the capital market.

### Growing Assets

The bank grows its assets through its treasury portfolio management and participation in Philippine trading markets. It also grows its clients' assets through deposit and investment in fixed income securities, equity securities, unit investment trust fund, and mutual funds.

### Insuring Life and Assets

The bank helps protect the value of its client's assets through its life and non-life insurance products.

### Other Financial Services

BPI provides its clients efficient means to make financial transactions through card payments, remittance services, and cash management facilities.

## THE VALUE WE CREATE

### Employees

BPI invests in its employees, provides a workplace that fosters learning and development, career advancement, and sustainable engagement. Engaged employees give clients better service.

- ₱13.7 billion in total payments to employees

### Clients and Communities

#### Financial inclusion and wellness

BPI reached underserved segments and helped them grow and protect their assets.

- 2,985 trainings on financial management

- 8.5 million total clients from corporate and retail segments

- 64,370 total customer availments of life insurance

#### Enterprise growth

The bank helped enterprises raise capital through loans syndication, and debt and equity issuances.

#### Implemented Sustainable Development Projects

It also financed investments that directly contribute to sustainable development

- ₱201.8 billion in total funding for projects identified to directly contribute to SDGs

### Government and Regulators

BPI contributed to government in capital raising through securities distribution, in facilitating inflow of overseas remittances, and ensuring compliance with regulations, transparency, and prudent risk management.

- ₱13.6 billion in payments to government

### Investors and Shareholders

With engaged employees, satisfied clients, and good government relations, the bank optimizes its financial performance and value creation, ensuring delivery of superior shareholder returns in a manner that is transparent and equitable.

- 6.7% revenue growth
- ₱22.2 billion payments to providers of capital

## OUR CONTRIBUTIONS TO THE SDGs



# GLOBE TELECOM

“We continue to create wonderful experiences through connectivity, content, and service, and by providing opportunities for Filipinos to be part of the digital economy and community. This is how Globe can truly say it is leading a purpose-led transformation.”

- Ernest L. Cu, President and CEO, Globe Telecom

## Who we are

Globe Telecom is the number one mobile company in the Philippines. It provides cellular, broadband and mobile data services, and has forged partnerships with leading content creators to enhance its products. This is in recognition of the growing preference of customers for content-rich offerings and multimedia applications that enrich the Filipino digital lifestyle.

Supported by over 7,200 employees, and over 1.1 million retailers, distributors, suppliers and business partners nationwide, Globe serves more than 63.4 million individual customers, small and medium-sized businesses, as well as corporate and enterprise clients. It operates one of the largest, most technologically advanced and robust mobile, fixed line, and broadband networks. Through first-world internet connectivity, Globe can help create

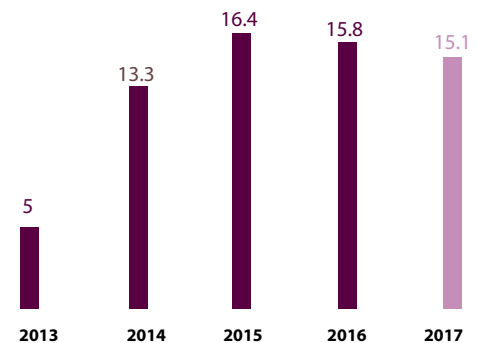
a nation that is admired all over the world.

The company’s principal shareholders are Ayala Corporation and Singtel, both industry leaders in their respective countries and in the region. It is a member of Bridge Alliance, a strong alliance of premier mobile operators serving over 800 million customers from 34 countries in Asia Pacific, Middle East, and Africa along with strategic partners in Europe and the Americas. Globe has 756 roaming partners in 236 calling destinations worldwide.

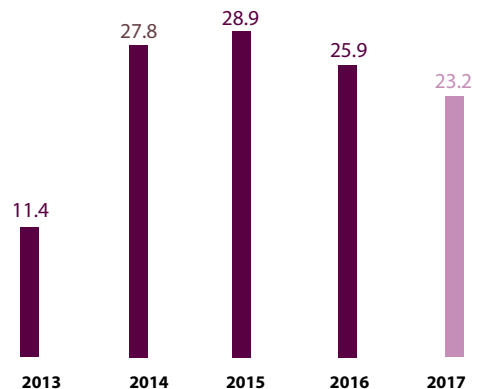
## Market Outlook

The Philippines has always rated high in adoption of mobile and digital technologies. Mobile penetration stands at 120 percent, and internet penetration is growing. With the prevalence of affordable prepaid and postpaid data plans, demand for data continues to increase, driving

## NET INCOME (IN BILLION PESOS)



## RETURN ON EQUITY (%)



Globe continues to improve its customer service through different channels.





*The ICONIC store allows customers to experience Globe's products and services in an interactive and dynamic format.*

heavy use among Filipinos. Moreover, with digital devices becoming more affordable, everyday experiences are increasingly enriched by digital interactions. As a result, today's customer can also be creators - able to create and curate content that can easily be shared with others.

Beyond social networking, video and music streaming, and gaming, more Filipinos are using the internet to avail of transport network vehicle services, order food, or use navigation apps using their smartphones. At home, smart televisions are enabling the consumption of bandwidth-intensive multimedia content such as network gaming. More customers are now taking advantage of free content and paid streaming services which are encroaching on cable TV service.

The prevalence of mobile use has created an opportunity for alternative service providers. Since a majority of Filipinos remain unbanked, fintech companies are looking to disrupt mainstream financial services via mobile technology services to serve millions of financially unserved and underserved Filipinos.

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.

On the regulatory front, the government is focused on bringing a third player into the telecom sector with the view that this will improve telecommunications services for all Filipinos. This is an initiative incumbent players support. Related to this, Globe has announced it is in preliminary discussions with third parties for the creation of an independent tower company. However, regulatory headwinds still remain as the government continues to review existing laws and policies and align these to international norms.

#### **Business Review**

Globe Telecom recorded strong consolidated service revenues for 2017, ending the year with ₱127.9 billion, six percent higher than 2016. This also represents the company's highest full-year revenues. The sustained revenue momentum was driven by the solid growth in data-related products brought about by the increasing popularity of streaming and on demand video content. This was likewise enabled by the promotion of the digital lifestyle and content partnerships, underpinned by a robust 3G and 4G network.

Mobile revenues grew seven percent to ₱98.5 billion in 2017, driven by

continued mobile data revenue growth. Globe Prepaid and TM, the company's mass-market brand, posted annual revenue growths of 11 percent and eight percent, respectively, while Globe Postpaid also recorded a one percent increase. Globe's mobile subscriber base reached 60.7 million as of end-December 2017, down three percent from 62.8 million subscribers in 2016. The decline in the cumulative mobile subscriber base was due to the change in reporting of prepaid subscribers beginning in 2017.

From a product perspective, mobile data is the biggest contributor to total mobile revenues, increasing to 44 percent against 38 percent a year ago, with revenues of ₱43.1 billion in 2017, 23 percent higher than the previous year. Mobile SMS revenues were flat while mobile voice declined by five percent year-on-year. However, on a normalized basis, mobile data revenues would have grown by 30 percent, while mobile SMS and voice would have declined by seven percent and four percent respectively, as both products continue to be challenged due to the shift to internet-based applications, consistent with global trends.

Globe's home broadband business likewise sustained its growth momentum at ₱15.6 billion in 2017, increasing revenues by seven percent

year-on-year, with total subscriber base now reaching 1.3 million or 15 percent growth from a year ago. Solid growth in revenues was driven by the continued subscriber expansion in fixed wireless solutions, given favorable customer response to the latest Globe home broadband plans.

Globe's corporate data business also grew four percent year-on-year at ₱10.3 billion in 2017 from ₱9.9 billion in 2016, due to the strong demand for data-driven solutions by corporates. These resulted in more customers, circuit count, and usage. Traditional fixed line voice revenues on the other hand, declined by eight percent to end at ₱3.5 billion from a year ago.

Globe posted consolidated EBITDA of ₱53.3 billion, up seven percent from 2016. Total operating expenses and subsidy grew in step with revenues, increasing by six percent year-on-year to ₱74.6 billion, as Globe reinvested gains to support its growing subscriber base and the aggressive expansion of its data network. EBITDA margin was at 42 percent, higher than last year's 41 percent.

Despite the increase in EBITDA, the increased investments in its data network resulted in higher non-operating expenses and depreciation charges, leading to a five percent decline in net income, which stood at ₱15.1 billion in 2017. The two percent increase in non-operating expenses was largely due to the higher interest expenses and spectrum amortization related to the SMC telco asset acquisition. This however, was partly offset by the one-time gain in September from the increase in fair value of the retained equity interest in Mynt following the investment of Ant Financial and Ayala.

Globe's core net income, which excludes the impact of non-recurring charges, and foreign exchange and mark-to-market charges, likewise declined 15 percent to stand at ₱13.5 billion, with the full year impact of the SMC transaction.

Globe's balance sheet and cash flows remain strong with ample liquidity and gearing below bank covenants.

Globe ended the year with gross debt to equity ratio on a consolidated basis at 1.98:1 from 1.67:1 in 2016, while net debt to equity ratio was at 1.81:1 as of end December 2017 from 1.53:1 in 2016.

Total cash capital expenditures stood at about ₱42.5 billion (approximately \$844 million), 16 percent higher than last year's level of ₱36.7 billion.

Globe paid out ₱12 billion in common cash dividends in 2017, representing 75 percent of 2016 core net income. This was in line with Globe's dividend policy of distributing 75 percent to 90 percent of the prior year's core net income.



In 2017, Globe and 9Works Theatrical staged the first local production of Disney's Newsies.

### Strategy

Strategy	Description	Performance in 2017	Priorities in 2018
Build the network of choice	Provide mobile coverage to about 95 percent of cities and municipalities in the Philippines within three years, thus ensuring first world connectivity	37,517 base stations with 24,700 for 4G	Fulfill NTC commitment to provide mobile coverage to 95% of cities and municipalities in the Philippines by end-2018
Empower Filipino consumers	Be the purveyor of the digital lifestyle by providing affordable world-class entertainment available to all	Introduced GoWATCH, its promos for mobile video streaming, to address rising demand for data	Continue to forge partnerships and create innovative, content-driven experiences for consumers
Focus on the customer	Create the best experiences for every digital Filipino through a technology-driven and customer-centric approach	85 million foot traffic in 240 Globe stores nationwide	Continue to enhance the customer experience through traditional and new channels
Bring wonderful experiences to homes	Improve connectivity at home by connecting two million homes in 20,000 barangays by 2020 through high-speed internet	Connected 1.3 million homes by end of 2017	Provide ultra-fast internet in two million households in 20,000 barangays by 2020
Put people first	Create a high-performing organization through a purpose-driven workforce with a culture of empowerment, collaboration and innovation	7,206 regular employees (54% male and 46% female)	Continue to foster a culture of nurturing employee well-being and growth to deliver wonderful customer experiences

## OUR CAPITALS

### Financial

Driven by continued mobile data revenue growth and strong consolidated service revenues; continued investment in network expansion to monetize rising data traffic

### Manufactured

Fast-tracking telco infrastructure build and diversifying the customers' multiple touchpoints

### Intellectual

Best-in class content is continually enriched through local and global partners.

### Human

Developing a people-centered organization

### Social And Relationship

Putting customer-centricity and nation-building at the core of partnerships in the supply chain.

## HOW WE CREATE VALUE

### Build The Network Of Choice

To be an admired nation by providing mobile services to about 95 percent of cities and municipalities in the Philippines by end of 2018.

### Empower Consumers

To be the purveyor of the digital lifestyle by providing affordable world-class entertainment available to all

### Focus On The Customer

To create the best experiences for every digital Filipino through a technology-driven and customer-centric approach on customer service, education, engagement, and rewards

### Bring Wonderful Experiences To Homes

To connect two million homes in 20,000 barangays by the end of 2020 with leading-edge network technology

### Put People First

To create a high-performing organization through a purpose-driven workforce with a culture of empowerment, collaboration, and innovation

## THE VALUE WE CREATE

### Shareholders

Globe continues to ensure a sustainable, consistent, and competitive dividends distribution.

### Employees

Its employees are empowered to champion the company's purpose to create a Globe of Good.

### Customers

Customers are enabled with the power of choice as they embrace a digital lifestyle. Globe also enables micro, small, medium and large enterprises with relevant business solutions.

### Business Partners and Suppliers

It provides opportunities to suppliers and business partners within its supply chain.

## OUR CONTRIBUTIONS TO THE SDGs



Globe partners with different products, service, and content providers that cater to Filipino's digital and lifestyle needs.



# MANILA WATER

“Manila Water continued to deliver solid results on sound fundamentals, and generate a robust pipeline of prospects in the Philippines and in the ASEAN region. Our aspiration to double our net income by 2020 continues to drive our strategy to build a strong portfolio of businesses, and sustain our position as a partner of choice of the many stakeholders we serve.”

-Ferdinand M. dela Cruz, President and CEO, Manila Water

## Who we are

Manila Water is a portfolio of water infrastructure businesses and assets across the Philippines and Southeast Asia. By delivering water, used water, and environmental services, it aims to empower people, protect the environment, and drive sustainable development. Manila Water strives to ensure consistent, reliable access to affordable water and sanitation services to all its customers.

Manila Water’s portfolio includes: the Manila Concession, the exclusive provider of water and used water services to approximately 6.8 million people in the eastern part of Metro Manila; Manila Water Philippine Ventures, its vehicle for expansion in the country while leveraging the track record of its businesses in Clark, Laguna, Cebu, and Boracay; Manila Water Asia Pacific, its holding company for international investments with a leading presence

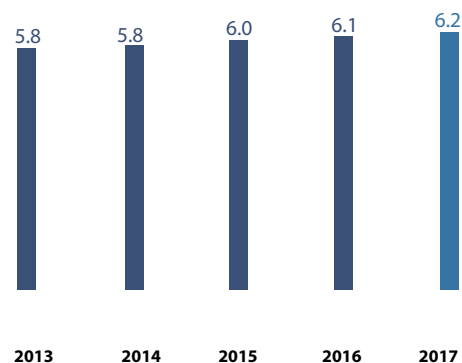
in Vietnam and a mandate to seek new acquisitions and partnerships in ASEAN; and Manila Water Total Solutions, its platform for vertical expansion through innovative products and services.

With over 20 years of solid experience in the water and sanitation space, Manila Water’s competitive advantage lies in its access to human and financial capital and strong spirit of innovation to support expansion. As a multi-service, multi-national, and multi-cultural enterprise, the company’s policies and procedures ensure its brand of service remains best-in-class. Manila Water will continue to expand its portfolio to achieve its growth aspirations, which remain aligned with regional development and sustainability goals.

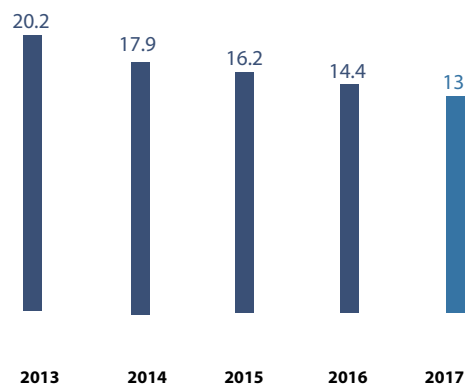
## Market Outlook

Since the adoption of the United

## NET INCOME (IN BILLION PESOS)



## RETURN ON EQUITY (%)



Employees undergo an average of 30 training hours each.





Available in two sizes, Healthy Family Drinking Water meets the drinking water preferences of Filipinos.

Nations Sustainable Development Goals in 2015, the importance of providing safe and equitable access to water and sanitation services to more communities has steadily increased. SDG targets include access to drinking water, sanitation services, and overall reduction of pollution to water bodies, all of which should be achieved by 2030. These imperatives can best be achieved through the collaboration of all concerned stakeholders, both public and private.

In the Philippines, access to safe drinking water and sanitation services still needs significant improvement. At the national level, only 43.5 percent of the population has access to piped water. For sanitation, an alarmingly low 2.4 percent has access to piped sewer service. The majority is served by way of septic tanks, while the remainder is still without coverage. To address this gap, both the government and the private sector must provide infrastructure to fast-track coverage expansion and improve service delivery.

Manila Water aims to augment this massive gap in water and used water services by expanding its presence nationwide. In addition, evolving industry dynamics and consumer preferences have pushed Manila Water to develop innovative products and services and create new business models that allowed it to

participate in untapped sectors and underserved markets. An example is its diversification into industrial water through Estate Water, which provides water system solutions for mixed-use real estate developments.

Southeast Asia represents significant opportunities for international expansion, with the region characterized by a growing consumer class and rapid urbanization. A company like Manila Water, which has developed best-in-class operational capabilities in water and used water services, can maximize this potential, and meet the needs of other populations.

#### **Business Review**

Manila Water's net income grew one percent to ₱6.2 billion in 2017. Revenues increased five percent to ₱18.5 billion, on the back of Laguna Water's and Boracay Water's contributions, as well as higher supervision fees recognized by Estate Water.

#### *Manila Concession*

The Manila Concession's net income grew six percent to ₱5.9 billion. Billed volume grew two percent to 488.4 mcm on the back of a three percent increase in billed connections from the expansion areas of Marikina, Pasig, Rizal, and Taguig. It recorded its highest capital expenditures in two decades at ₱10.6 billion, a 64 percent jump from the previous year. The

Manila Concession carried out five major projects which strengthened its mission of providing water and used water services, including the Rizal Province Water Supply Improvement Management, which will abstract and treat water from Laguna de Bay to benefit 400,000 homes. Its used water facilities, the Pasig North and South Sewage System, Marikina North Sewage System, and Taguig North Sewage System, have a combined treatment capacity of 275 million liters per day, serving about 690,000 homes.

#### *Manila Water Philippine Ventures*

In 2017, the company marked several wins through new partnerships across the country. Consolidated core income reached ₱640 million, a 13 percent increase from the previous year. This was largely due to a 14 percent growth in billed volume across all domestic subsidiaries, coupled with a 31 percent increase in the supervision fees of estate water.

Boracay Water's billed volume grew 13 percent to 5.5 mcm driven by growth in tourist arrivals and the sale of bulk water to the Malay Water District beginning in the second quarter of 2017. Meanwhile, Laguna Water achieved a 12 percent increase driven by an around 1,500 increase in billed connections. Laguna Water's concession was likewise expanded to cover all cities and municipalities in the province, including the

provision of used water services and the establishment of an integrated sewage and septage system. Cebu Water's and Clark Water's billed volume also grew during the year.

Estate Water posted a billed volume of 4.5 mcm, a 117 percent increase from the previous year. This was attributed to a 50 percent growth in billed connections, which reached 10,153 from the 63 brownfield Ayala Land developments it has taken over since last year.

In 2017, Manila Water also signed a 25-year concession agreement with the Obando Water District in Bulacan, which includes the construction, operations, and maintenance of water and sanitation services. It also signed a 25-year concession agreement to develop the water supply system in Calasiao, Pangasinan. In the first quarter of 2018, it received notices of award from the City of Ilagan Water District, and the Leyte Metropolitan Water District, to establish joint ventures for a bulk water supply and septage management company, and a concession company, respectively.

#### *Manila Water Asia Pacific*

Manila Water remains the largest foreign investor in Vietnam's water sector. Thu Duc Water, Kenh Dong Water, and Saigon Water, contributed ₱457 million in net income, a 24 percent increase from the previous year. Capacity in Ho Chi Minh City now stands at 820 mld, equivalent to 50 percent of the city's demand.

Manila Water extended its geographic reach, penetrating new markets in Southeast Asia. In the first quarter of 2018, the company acquired an 18.72 percent stake in Thailand's Eastern Water Resources Development and Management Public Company Limited, a publicly-listed water supply and distribution company. Expansion continued with the acquisition of a 20 percent stake in Indonesian bulk water supplier PT Sarana Tirta Ungaran. STU serves PDAM Kabupaten Semarang, a regency in Central Java, and industrial customers in its Bawen District which includes PT APAC Inti Corpora, a 100-hectare textile and garment manufacturing company.

#### *Manila Water Total Solutions*

Manila Water Total Solutions is the company's vehicle for vertical growth. In 2017, strong bottle sales of Healthy Family, its bottled water offering, were offset by a slowdown in construction contracts of its Corporate Accounts Management division, which lays pipes in horizontal development and townships, and provides used water

management services primarily to land developers, commercial and industrial customers, and utilities.

In April 2017, MWTS launched Healthy Family Mini, a 500-ml bottle that retails in packs or cases of 24 bottles. As of end-2017, Healthy Family has five plants with a total production capacity of 71,400 containers per day.

#### **Strategy**

<b>Strategy</b>	<b>Description</b>	<b>Performance in 2017</b>	<b>Priorities in 2018</b>
Improve water services in the Province of Rizal	Ensure the completion of the Rizal Province Water Supply Improvement Project	Construction of the 100 mld water supply facility is in its final stages. The facility is designed to utilize filtration and reverse osmosis, a cost-efficient technology, in abstracting water from Laguna Lake.	Operationalize Rizal Province Water Supply Improvement Project to serve Taytay, Angono, and Binangonan municipalities in the Province of Rizal
Increase used water services in Clark Water	Offer used water services to key real estate and industrial locators	Clark Water ensured compliance with key regulators	Offer used water services to all real estate and industrial locators in the Clark Special Economic Zone
Expand water service connections in the province of Laguna	Increase water service coverage and include the 19 municipalities other than the five being served	Laguna Water is serving a population of one million across the municipalities of Biñan, Sta. Rosa, Cabuyao, Victoria, and Calauan	Serve the entire three million population of Province of Laguna
Engage local government units and businesses in providing waste to energy services	Provide environmental and sustainable solutions in solid waste management	Established footholds in targeted LGUs and businesses	Close deals and concessions with LGUs and businesses as a waste-to-energy technology and operations provider
Expansion of engagement in ASEAN	Enable new business development to focus on expanding its portfolio of businesses	Saigon Water's acquisition of a 43% stake in Tan Hiep Water that will supply water in Hoc Mon, Ho Chi Minh city; and a 51% stake in Gia Lai Water servicing the central highlands of Gia Lai Province	Acquisition of key projects and exploration of greenfield opportunities in strategic locations

## OUR CAPITALS

### Financial

Manila Water has a strong financial position and has the ability to mobilize capital through financing to support its expanding business.

### Manufactured

It has well-maintained dams, impounding reservoirs, deepwells, water treatment facilities, pumping stations and reservoirs, water and sewer distribution networks, and used water treatment facilities.

### Human

The company delivers its products and services through its 2,022 competent, skilled, and passionate employees. It also partnered with 232 material suppliers, 70 contractors, 17 consulting firms, and 88 service providers.

### Natural

Manila Water responsibly abstracts raw water from rivers, dams, and aquifers. It efficiently uses fuel, electricity, and chemicals to optimize the use of these resources.

### Social and relationship

It nurtures good relationships while creating shared value for stakeholders.

## HOW WE CREATE VALUE

### Water Utility Operation

Through PPPs, joint venture projects with water districts and agreements with estate and property developers, it provides water and used water services to more than 17.3 million customers in the Philippines and Vietnam, and continues to explore opportunities in ASEAN. It ensures potable water is delivered 24/7 and used water and septage are treated to meet effluent standards before discharging back to water bodies.

### Total Solutions

It develops innovative products and services to address the needs of customers. These include pipelaying, Integrated Used Water Solutions, and Healthy Family Purified Water.

### NRW Reduction

It improves water distribution efficiency through a non-revenue water reduction program. It also partners with water service providers in the Philippines and abroad to reduce NRW through leak repair, and pipes and meter replacement.

### Bulk Water Supply

Manila Water provides bulk water to Metropolitan Cebu Water District in the Philippines and Saigon Water in Vietnam. It has an on-going bulk water project in Tagum City, Philippines.

## THE VALUE WE CREATE

### Investors and Shareholders

Profitability and growth through water and environmental investments

- Total revenue of ₱18.5 billion
- Net income of ₱6.2 billion
- ₱13 billion in capital expenditures disbursed

### Customers, Communities, and Businesses

Access to clean and affordable water and sanitation services

Safeguarding community health, and enabling productivity and growth for individuals and enterprises

- 738.7 million cubic meters of water supplied to customers
- 5.5 million five-gallon bottles of purified water sold
- About one million 500-ml bottles of purified water sold
- 56.42 million cubic meters of used water treated

### Employees

Opportunities for career growth and development

- Above average engaged employees (compared to Philippine norm)
- Average of 30 training hours per employee

### Environment

Protection of watersheds and water sources

Restoration of quality of water bodies

- Protection of 9,300 hectares of watersheds
- 79 hectares enrichment planting in La Mesa Watershed; tree nurturing in 4.3 hectares in Ipo Watershed
- Diverted 9,087 tons of BOD organic pollution load from water bodies
- 57,249 tons of carbon dioxide avoided due to used water treatment

## OUR CONTRIBUTIONS TO THE SDGs





# AC ENERGY

“AC Energy is at a critical period of transformation—from a Philippine-focused energy investment holding company, it is transitioning into a regional player with investment, development, and operation capabilities.”

- John Eric T. Francia, President and CEO, AC Energy

## Who we are

AC Energy was established in 2011 as Ayala’s platform to participate in the energy sector and contribute to addressing the country’s need for reliable and affordable energy sources. Since then, the company has assembled a robust portfolio of power generation assets in thermal and renewable technologies.

AC Energy has achieved significant growth over the past six years: from only 80 megawatts of attributable capacity in 2011 to over 1,600 in 2017. It was named by London-based International Finance Magazine as the “fastest growing energy platform” in 2017.

With its strong growth and the capabilities it has built over time, AC Energy is gearing up to be a regional player and has successfully entered the Indonesia and Vietnam markets.

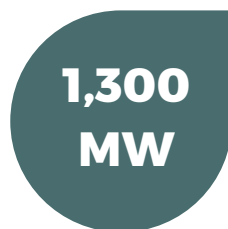
## Market Outlook

The Philippine power demand-supply situation is stable at present, with a healthy reserve margin across Luzon, Visayas, and Mindanao. This has led to decreases in energy prices, which can be observed in the retail competition market, thus benefiting consumers. However, some uncertainty remains on the demand-supply situation in the medium term, given the expected decline of Malampaya, the Philippines’ largest source of natural gas, as well as pending regulatory approvals for power projects.

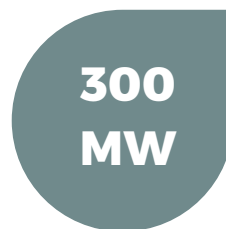
The Philippine government continues to push for increasing renewables’ share in the energy mix. In December 2017, the Department of Energy’s Renewable Portfolio Standards On-Grid Rules took effect. This requires distribution utilities, electricity suppliers, and



GROWTH FROM 2011-2017



ATTRIBUTABLE THERMAL CAPACITY



ATTRIBUTABLE RENEWABLE CAPACITY



NET INCOME



AC Energy and the BIM group broke ground on their 300MW solar project in Ninh Thuan Province, Vietnam.





The Salak and Darajat geothermal plants in Indonesia contributed to AC Energy's equity earnings beginning in April 2017.

other mandated energy participants to source or produce a share of their energy mix from renewable sources. We view this as a positive development, as it will pave the way for more renewable investments.

The prices and efficiencies of renewable technology continue to improve, including solar and wind. The next crucial development lies in the affordability and efficiency of storage, which will enable the scale-up and reliability of renewable energy sources.

AC Energy believes that there remains potential to invest in the Philippine energy sector, especially with the medium-term supply uncertainties facing the sector. Meanwhile, ASEAN holds potential for renewable energy developers, with countries like Vietnam having favorable policies supporting renewables.

#### Business Review

In 2017, AC Energy made substantial progress in attaining its 2020 goal of reaching 2,000MW of attributable capacity. The company's attributable capacity grew to approximately 1,600MW after securing financing for the second unit of GNPowr Dinginin in Bataan. Net income was ₱3.5 billion, up 31 percent from 2016.

*Renewable and Thermal Assets*  
A strong wind regime drove an

improvement in energy produced from NorthWind and North Luzon Renewables. Availability of Montesol, a solar asset, also improved.

Effective in April, the operations of Salak and Darajat Geothermal in Indonesia gave a significant boost to equity earnings in 2017. SD Geothermal was part of the acquisition of Chevron's Indonesia assets, with total capacity at 637MW and attributable capacity at 126MW. Following the Chevron acquisition, AC Energy is building a portfolio of renewable energy assets in Indonesia. Undertaken in partnership with UPC Renewables, the 75MW Sidrap wind farm project is expected to come online in early 2018. A 30-year power purchase agreement has been signed with Indonesian state electricity company PLN.

The availabilities of AC Energy's thermal power plants improved across the board, for a total weighted average capacity of approximately 83 percent.

Construction of GNPowr Kauswagan is nearing completion, with commercial operations expected in 2018. Over 450MW of contracts have been signed for this facility, which is one of the lowest cost producers and the most competitively priced in Mindanao. Meanwhile, Unit 2 of GNPowr Dinginin's 2 x 668MW super-

critical thermal power plant achieved financial close in December 2017. Construction has started, with Unit 2 expected to come online in 2020, a year after Unit 1 begins operations. GNPowr Dinginin will support the electricity demand of Luzon and Visayas.

AC Energy also scaled up its retail electricity supply operations, with approximately 100MW of customer contracts signed.

#### Transformation

In 2017, AC Energy started its transformation into a full-fledged energy company, with development, operation, and retail capabilities. It acquired the development platform previously owned by Bronzeoak Philippines, which has a strong track record in renewables, having developed over 250MW of solar and biomass projects. The development platform is being integrated into the company, which will allow it to scale up its renewable energy investments.

AC Energy is exploring opportunities in the region. In 2017, it successfully entered Indonesia with investments in geothermal and wind assets. Subsequently, in the first quarter of 2018, it forged a partnership with Vietnam's BIM group to develop over 300MW of solar projects in the Ninh Thuan province. The first 30MW is expected to come online in 2018.

**Sustainability**

In September, AC Energy's affiliate North Luzon Renewables completed its reforestation project. NLR planted 209,874 seedlings within the vicinity of its 81MW wind farm in Pagudpud, Ilocos Norte. The reforestation program has a survival rate of 94 percent, and exceeds the required 205,000 goal set by the Department of Environment and Natural Resources. The company develops and protects the 625-hectare forest area covered by its wind farm, under the Forest Land Use Agreement with DENR. It plans to continue this environmental effort and livelihood program which benefits surrounding communities.

In November, AC Energy and Kennedy Renewable energized the Mindanao State University in Tawi-Tawi through the use of solar panels. AC Energy provided technical and financial support, while Kennedy Renewable acted as the main developer and engineering, procurement, and construction contractor for the project.



The Sidrap 75MW wind farm is expected to begin operations in 2018.

**Strategy**

Strategy	Description	Performance in 2017	Priorities in 2018
International expansion	Invest in overseas markets with favorable investment opportunities and policy support	Successfully entered Indonesia, and deployed \$200 million of equity in geothermal and wind	Solidify footprint in Vietnam by participating in solar and wind projects
Ramp-up development capabilities and roll out greenfield projects	Leverage capabilities in development of power plants	Acquired Bronzeoak development platform	<ul style="list-style-type: none"> <li>Establish a pipeline of greenfield projects in the medium to long-term</li> <li>Achieve financial close for 1-2 projects in the Philippines</li> </ul>



The San Carlos Solar farm is one of AC Energy's three solar farms in the Visayas.

**OUR CAPITALS**

**Financial**

AC Energy has a strong balance sheet, backed by significant capital allocation from its parent company, Ayala, to support its fast-paced growth and regional expansion. The company also capitalizes on project financing by lenders and banks.

**Manufactured**

AC Energy uses wind turbines, solar panels, and boilers which are regularly maintained for efficient operations. The company also engages Engineering, Procurement, and Construction contractors for the construction of its power plants.

**Natural**

Its business, which utilizes wind, solar and thermal energy sources, operates in a responsible manner to minimize its impact to the environment.

**Human**

The company's operations are driven by competent employees equipped with diversified skills that it continually supports for their professional development and for them to cope with the fast-evolving business environment.

**Social and relationship**

New linkages with different local and regional stakeholders allow AC Energy to expand its operations in the Southeast Asian region, while it continues to maintain good relationships with the communities where it operates.

**HOW WE CREATE VALUE**

**Participation in the greenfield development of power plants**

For greenfield development, the company ensures due diligence, permitting, supplier agreements and on-time construction. The company determines viable energy mix and also explores expansion of renewable energy platforms.

**Mergers and Acquisitions**

AC Energy continues to explore possibilities for brownfield growth by either acquiring plants with expansion potential, and are either operational or under construction.

**Commercial generation**

AC Energy generates power and transmits to the National Grid Corporation of the Philippines for distribution. It also transmits to distribution utilities, Retail Electricity Suppliers, the spot market, and Feed-in-Tariff.

**Retail Electricity**

The company also sells directly to end customers from its own plants or other power plants.

**THE VALUE WE CREATE**

**Investors and Shareholders**

The company secures capital efficiency with 12% return on equity.

**Customers**

It contributes to the country's energy requirements through affordable electricity. In 2017, AC Energy generated a total net of 6,552.1 GWh, higher by 6% from the previous year.

**The Environment**

It has also increased renewable energy plant output. In 2017, it produced 410 GWh, a 20% increase from 2016.

**Employees**

AC Energy gives meaningful jobs to its employees, contributing to their professional development and career growth. Through its employees' favorable ratings, the company achieved an employee engagement score of 96% in the recently conducted Employee Engagement Survey of the Ayala group. Its results are higher than the Philippine national norm.

**Communities**

The company considers the communities in which it operates as partners in its growth and engages with them through various activities and CSR efforts in support of their livelihood, and to further educate them in responsible energy generation.

**OUR CONTRIBUTIONS TO THE SDGs**



*AC Energy's thermal assets contribute to the Philippines' need for reliable baseload capacity.*





# AC INDUSTRIALS

"In AC Industrials' first full year of operations, we strengthened and reinvented existing businesses while planting the seeds for future growth with key acquisitions and initiatives. The coming years will be exciting ones, as we deploy the disruptive technologies of the future into leading products and services that benefit the markets and customers we serve."

- Arthur R. Tan, President and CEO, AC Industrials

## Who we are

Established in 2016, AC Industrial Technology Holdings is the Ayala group's emerging industrial technology arm. AC Industrials is currently building an integrated and synergistic portfolio of operating units composed of platforms in global manufacturing solutions, emerging technologies, and vehicle assembly, distribution, and retail.

The company is founded on the strengths of Integrated Micro-Electronics Inc., which traces its roots as one of the Philippines' electronics manufacturing services pioneers and is now a globally leading manufacturing and technology solutions partner, and AC Automotive, the country's largest multi-brand dealership group. AC Industrials operates in nine countries around the world, with the capacity

to tap markets in North America, Europe, and Asia.

It is Ayala's platform to boost its presence in the global and domestic industrial technologies spaces by capitalizing on opportunities brought about by disruptive technological shifts, changing industry landscapes, and increasing demand from end-users.

## Market Outlook

The global pace of innovation has been accelerating over the past two decades, allowing the emergence of new business models, disruption of incumbent companies, and creation of opportunities for new entrants to capture value in previously inaccessible areas. The diverse industrials space has seen especially disruptive change.



IMI has operations and the capacity to tap markets around the world.

12

COUNTRIES  
WHERE IT  
OPERATES

~\$1.1 B

REVENUE CONTRIBUTION  
FROM IMI

28,701

VEHICLE UNITS SOLD

1,800

KTM MOTORCYCLE  
UNITS PRODUCED





KTM motorcycles are assembled in IMI's facility in Laguna for the domestic market, and eventually, for export.

For example, AC Industrials' key space, automotive, is undergoing transitions such as the moves from fossil fuels to cleaner power, and from a focus on the driver to one of autonomous, shared mobility. These have resulted in changes to the vehicle itself. For example, the electronic component of cars has been steadily increasing over the years. From only 10 percent of the total cost of a vehicle a decade ago, it now stands at 40 percent. This ratio is expected to reach 50 percent by 2025. Moreover, the number of electric vehicles in use is expected to grow from two million units in 2016 to over 20 million units by 2020. Advanced driver assistance systems are expected to evolve into a critical component of every vehicle, creating opportunities to deepen participation at both ends of the industry's value chain.

Regulatory forces have also helped push automotive disruption forward. China, the world's largest electric vehicles market, has enacted policy expected to accelerate domestic production and consumption of electric vehicles. The UK and France also announced that sales of gasoline and diesel cars will end by 2040.

The demand side will also see disruption. Tax reform enacted by the Philippines in 2017 is poised to change buying behavior and preferences, as higher take-home pay is offset by raised excise taxes for certain automotive price brackets. As a result,

automotive industry associations project flat sales in the year ahead, while retaining optimism for the medium and long-term as the impact of tax reform stabilizes.

#### **Business Review**

In its first full year, AC Industrials focused on its twin priorities of delivering solid operational results while continuing to assemble a synergistic portfolio of businesses and investments. Net income grew four percent year over year to ₱1.2 billion, driven primarily by robust results from both IMI and AC Automotive.

#### *Driving Operational Growth from Major Businesses*

IMI reached a milestone in 2017 as it crossed \$1 billion in revenues for the first time. Topline grew to \$1.1 billion, a 29 percent increase over the previous year, boosted by recent acquisitions and continuing advancement into the globally competitive automotive and industrial markets. Net income, meanwhile, reached \$34 million, up 21 percent over 2016.

Operations in Europe and Mexico led the way with revenues growing 14 and 29 percent respectively. Germany-based VIA Optronics, acquired in 2016, posted \$148.4 million in revenues, the highest in its history. Meanwhile, since its addition in May 2017 to boost IMI's exposure to the aerospace and defense markets, UK-based STI Enterprises contributed \$45.5 million

in revenue in its first seven months in the group. The entry into these two new spaces underscores the continuing diversification of IMI's revenue base. Contribution of the automotive segment – still the largest and most important – closed at 41 percent, while the other priority segment, industrial, grew 21 percent.

The global manufacturing group continues to capture emerging opportunities in the automotive and industrial sectors. IMI's factory in Chengdu, China now provides charging solutions to support the ongoing transition to electric vehicles.

As industry demand and regulations that require advanced driver assistance systems have intensified, IMI has partnered with Tier 1 automotive suppliers to co-design and engineer several related applications such as sensors and sensing camera systems, with VIA doing the same for display solutions. STI, meanwhile, is well-positioned to serve the advancement of next-generation satellite communication systems, which enable asset-light telecommunications access into far-flung locations, and unlock benefits for the connected automotive, aerospace, and logistics sectors. IMI is also ramping up its capabilities to be a major player in power modules, a key component in electric vehicles and other industrial applications. Electric and hybrid

vehicles, which both face rising needs for higher power requirements, are expected to represent about 40 percent of the overall power module market by 2022.

IMI spent \$65.3 million in capital expenditures, primarily to advance the group's strategic position as an enabler of disruptive technology for both its customers and its parent company. Investments into future growth platforms, automation, and high capacity equipment will position the business unit to serve emerging technologies key to AC Industrials' strategy, and will advance productivity and enable sustained market share growth as a leading manufacturing solutions providers.

On the domestic front, the Philippine automotive market continued its strong year-on-year growth with industry sales increasing 18 percent to 473,000 units. Motorization remained in full swing as models preferred by Filipino buyers – midsize SUVs, compact multipurpose vehicles, subcompact sedans, and subcompact SUVs – continued to experience rising demand. The aforementioned passage of new excise taxes, which took effect in January 2018, also propelled a significant volume surge in the last quarter of 2017.

These industry tailwinds helped AC Automotive attain ₱671M in net income in 2017, a 36 percent increase over the previous year and with all brands in the portfolio posting significant growth. Honda Cars Makati gained four percentage points in network share to 43.5 percent on the back of improved unit sales, while Isuzu Automotive Dealership added one percentage point in network share to 39.2 percent, supported by strong fleet sales. Volkswagen Philippines distributed 29 percent more vehicles as new models – the Golf GTS and new Jetta lines – helped the German marque maintain its market growth. Finally, KTM Philippines closed its first full year of operations with a threefold escalation in sales to 1,725 motorcycles, marked as well by the opening of its factory

in IMI's Laguna campus, which began production of the all-new 390 Duke.

AC Automotive continues to progress toward its goal of becoming the Philippines's largest automotive group – by aiming for a leading presence in terms of industry market share and building an emerging domestic assembly base in concert with sister business unit IMI.

*Building, Managing, and Consolidating Ayala's Industrial Arm*

At the holding company level, AC Industrials continued to operationalize itself and make key acquisitions. This was highlighted by the acquisition of a 94.9 percent stake in MT Technologies GmbH, a Tier 1 supplier and designer of models, tools, and plastic parts

for automotive original equipment manufacturers. This new platform will advance AC Industrials' abilities in the segment and is expected to eventually complement both IMI and AC Automotive.

MT, along with other additions in recent years – Volkswagen, KTM, Via, and STI – forms part of Ayala and AC Industrials' strategy of assembling an industrial portfolio that owns, develops, and commercializes disruptive technologies in rapidly transforming sectors. By consolidating operations and unlocking synergies among existing and new businesses, AC Industrials will be in position to capitalize on opportunities in the globally competitive industrial technology space.

**Strategy**

Strategy	Description	Performance in 2017	Priorities in 2018
Maintain industry leadership of established businesses	Strengthen and support growth of IMI, and Honda and Isuzu businesses	<ul style="list-style-type: none"> <li>IMI grew revenues to over \$1B for the first time</li> <li>Honda and Isuzu increased network share</li> </ul>	<ul style="list-style-type: none"> <li>Assist organic expansion of IMI via stock rights offering and other initiatives</li> <li>Support Honda and Isuzu expansion both operationally and financially</li> </ul>
Build on capabilities of emerging businesses	Scale existing businesses acquired in recent years; add key pieces that pioneer or deepen AC Industrials' presence in priority sectors	<ul style="list-style-type: none"> <li>Deployed ₱2 billion in capital to acquire MT Technologies and launch entry into solar</li> <li>Launched key models in Volkswagen and activated KTM factory in IMI</li> <li>Continue integrating STI and Via Optronics</li> </ul>	<ul style="list-style-type: none"> <li>Scale up and strengthen MT, STI, and Via</li> <li>Operationalize solar business</li> <li>Activate new model sourcing for Volkswagen</li> <li>Ramp up exports for KTM</li> </ul>
Holding company	Operationalize AC Industrials as a holding company, adding value to its subsidiaries and driving synergies/integration among businesses	<ul style="list-style-type: none"> <li>Activated AC Industrials and began strategic and financial integration of new and existing units</li> <li>Launched ongoing overhaul and transformation of automotive distribution business</li> </ul>	<ul style="list-style-type: none"> <li>Nurture synergies and joint areas of cooperation across IMI, AC Auto, and other new, emerging pieces</li> <li>Progress on data and digitization efforts</li> <li>Continue strengthening holding company</li> </ul>

## OUR CAPITALS

### Financial

A healthy balance sheet with a capital base that can be readily deployed to address growth opportunities and respond to customer needs

### Manufactured

Facilities located around the world allow AC Industrials to create and distribute products, services, and solutions to its customers. IMI has 19 plants around the world with 132 surface-mount technology production lines and 287,000 sqm of manufacturing space. AC Industrials directly holds a majority stake in the KTM motorcycle production plant in Laguna, Philippines, as well as a nationwide network of 24 automotive dealerships covering four vehicle brands.

### Intellectual

It deploys an emerging suite of proprietary technologies and intellectual property for the benefit of customers and partners.

### Human

It has a strong base of over 18,500 employees and executives that deliver operational excellence, customer satisfaction, and value-adding technical expertise.

### Social and Relationship

It treats partners and customers fairly, and view them as long-term relationships that stand the test of time. Its operations adhere to Ayala's standards of sustainability and good governance.

## HOW WE CREATE VALUE

### Portfolio Management

It actively grows its portfolio, and constantly searches for synergy opportunities among the group. From a management perspective, it provides a broad range of corporate functions such as strategic planning, governance, resource allocation, and financial management.

### Global Manufacturing Services

It delivers full manufacturing solutions for its customers and partners, and across its own portfolio of companies.

### Emerging Technologies Development

It constantly seeks out, acquires, and commercializes key technologies that enhance and protect its competitive position.

### Vehicle Sourcing

It partners with multiple OEM brands to competitively source a broad, complementary, and integrated selection of vehicles for its customers.

### Vehicle Retail

It offers a wide array of vehicles from leading brands.

## THE VALUE WE CREATE

### Investors and Shareholders

It provides growing shareholder returns that are diversified by the sectoral and geographic scope of its portfolio.

- 2017 group net income of ₱1.2 billion
- 2017 IMI revenues of \$1.1 billion, net income of \$34 million
- 2017 AC Auto revenues of ₱31.2B, net income of ₱671 million

### Employees

Its employees are able to build meaningful, long-term careers that develop their skills and allow them to support their families.

### Partners

Its long-term strategic partners are treated fairly, and these ventures generate growing, consistent returns that equitably accrue to all sides.

### Customers

It offers products, services, solutions, and ownership experiences that exceed customer requirements and global quality standards.

- 4,338,107 units of automotive cameras
- 7,049,203 units for smart energy applications
- 20,027,803 units for connectivity applications
- 28,348 vehicles sold, with majority share within the automotive brands it distributes

### Government and policymakers

It champions the development of quality manufacturing in the Philippines in support of the government's thrust to promote and revive the sector as a pillar of national development. It lives this out by investing and locating in its home country, utilizing key frameworks and programs like the Motor Vehicle Development Program, the Investment Priorities Plan, and the Philippine Economic Zone Authority.

## OUR CONTRIBUTIONS TO THE SDGs





# AC INFRASTRUCTURE

"AC Infra continues to develop public-private partnership projects to address urgent transportation infrastructure needs, while our operating companies improve on their efficiencies. Outside PPPs, we are investing in innovative infrastructure platforms to support new and disruptive business models."

- Jose Rene Gregory D. Almendras, President and CEO, AC Infrastructure

## Who we are

AC Infrastructure invests in infrastructure needed for the Philippines' sustained and inclusive development. AC Infra intends to meet the country's urgent need for efficient, reliable, safe, and sustainable modes of mass transportation and transport services to move people, goods, and services by investing in strategic solutions using new or existing technologies and platforms. It develops businesses and infrastructure projects to support the growing needs of the public and private sectors in the areas of mass transportation, mobility, and fulfilment solutions services.

Its current projects, all of which operate under a concession agreement with the government, serve the commuting and motoring public who live and work in Metro Manila and nearby provinces.

The company's ability to steward and lead projects from its development, implementation, operations and maintenance is its key advantage. AC Infra builds on Ayala's reputation and track record of excellence in developing and sustainably managing large scale projects.

## Market Outlook

In the Transport Infrastructure Roadmap Study for Mega Manila



LRTC continues to upgrade stations along the LRT-1 to provide a better commuting experience to Filipinos.

**P11.7 B**

IN TRANSACTION VALUE FOR BEEP™ SINCE ROLLOUT

**430 M**

BEEP™ TRANSACTIONS SINCE ROLLOUT

**29,000**

MCX AVERAGE DAILY TRAFFIC

**435,000**

LRT-1 AVERAGE DAILY RIDERSHIP





MCX helps alleviate traffic congestion along Daang Hari, Cavite, and Commerce Avenue, Muntinlupa.

released by the Japan International Cooperation Agency, it is estimated that the Philippines now loses some ₱3.5 billion daily due to the traffic situation in Metro Manila. JICA also predicts that Mega Manila will become one of the largest megacities in the world by 2035, but will also be among the most congested. The loss of efficiency and potential due to poor infrastructure underscores the need to invest in solutions to improve mass transportation. Inclusive infrastructure is key in enabling the Philippines to build on its economic gains and to improve its competitiveness globally and in Southeast Asia.

The Philippine government is currently implementing its Build, Build, Build initiative—an ambitious plan to construct over 70 priority infrastructure projects worth ₱8 trillion over the next five years, with several projects aimed at improving mobility and mass transportation across the country. The government intends to do this through different means, including budgeted infrastructure allocations, official development assistance, government-to-government agreements, and both solicited and unsolicited public-private partnership projects. Different Philippine companies have formed consortiums among themselves, as well as with foreign partners, to participate in the infrastructure buildout.

Apart from hard infrastructure, opportunities also exist in adjacent and related sectors. For example, with the increasing adoption of e-commerce, there is growing demand for efficient logistics and fulfillment solutions services. Increasing digital and mobile penetration, as well as the public's growing familiarity with new platforms to purchase products and services, also creates opportunities—for example, the payments platform that AC Infrastructure is operating can be leveraged for a wider variety of applications across different platforms.

#### Business Review

In 2017, AC Infrastructure continued to build on the efficiencies and gains of its existing projects.

Its payment platform, AF Payments, or the beep™ card, grew, with over four million in circulation at the end of the year, from 2.8 million in the previous year. Annual transaction count increased six percent to 430 million in 2017, with total value of transactions processed during the year at ₱11.7 billion, an increase of 7 percent from 2016. Initially developed for all three Metro Manila rail lines, beep™ is steadily expanding as a payment mode in city and point-to-point buses, toll roads, and retail chains. beep™ entered the quick serve restaurant segment with a partnership with Wendy's that started last October

2017. Apart from its recent partnership with coins.ph to enable loading of beep™ cards through smartphones, there are now more than 400 top-up stations in strategic locations to ensure convenience for cardholders.

For the Muntinlupa-Cavite Expressway, average annual daily traffic stood at 29,000 vehicles in 2017, a 19.5 percent increase from 2016. This is in line with projected growth in vehicular traffic and is expected to grow steadily in the coming years. As a result, total revenues from MCX, including non-toll revenues, in 2017 hit ₱205 million, while EBITDA reached ₱96 million, a 92 percent increase from 2016.

Since taking over operations and maintenance in September 2015, Light Rail Manila Corporation has invested over ₱2 billion to upgrade the system and ensure a more comfortable riding experience. Functioning light rail vehicles have increased to 109, resulting in shorter headways averaging 3.35 minutes in December 2017 as compared to 3.61 minutes for the same period in 2016. This has improved the commute of the 435,000 passengers who use the LRT-1 daily.

Various technical improvements have reduced the occurrence of air-conditioning faults by 92 percent, brake faults by 67 percent, and

signaling faults by 81 percent leading to improved train reliability, fewer trip cancellations, and significantly improved passenger comfort. Replacement of the 32-year old rails of the LRT-1 was completed in September 2017. With the new rails, trains can increase speed from 40kph to 60kph, further reducing passenger waiting time.

Customer satisfaction is up by 200 percent as commuters have taken notice of the improved state and cleanliness of the stations, a project also undertaken by LRM. Since inaugurating the newly-renovated Doroteo Jose station last February 2017, refurbishment has been completed in six stations, while the rest are in various stages of completion. Station improvements shall be completed in 2019.

In May 2017, LRM broke ground for the LRT-1 Extension project that will extend the line by 11.5km from Baclaran to Cavite. LRM has secured the financing and the engineering, procurement, and construction contract for the extension and expects to begin preconstruction works in 2018. Construction shall commence soon after the right of way is delivered.

A ground-breaking ceremony for the common station project was held in September 2017, following agreements among various stakeholders involved in the development of the project, which will serve as a transfer point for passengers using LRT 1, MRT 3, and MRT 7.

AC Infrastructure has continued to seek opportunities to expand its portfolio of projects in the public and private sectors. In the first quarter of 2017, AC Infrastructure and SM Investments Corporation submitted an unsolicited proposal to the Department of Public Works and Highways to design, build, operate, and maintain the C3 Expressway. In February 2018, as part of a consortium, it submitted a proposal to the Department of Transportation to transform the Ninoy Aquino International Airport into a regional airport hub, and upgrade its airside, landside, and air navigation

support facilities to meet the current and projected passenger traffic. The company also committed ₱1.1 billion for its new venture in the fulfillment solutions industry.

### Strategy

Strategy	Description	Performance in 2017	Priorities in 2018
Ensure high levels of efficiency for operating companies	Deliver consistent level of service and continue to exceed key performance indicators for operating toll, rail, and payment companies	<ul style="list-style-type: none"> <li>• MCX average annual daily traffic increased 19% from 2016</li> <li>• Increase number of light rail vehicles to 109, resulting in shorter headways</li> <li>• Over four million beep™ cards in circulation; non-rail network expanded to 281 bus units and 493 retail partners</li> </ul>	<ul style="list-style-type: none"> <li>• Increase annual average daily traffic to 32,000</li> <li>• Further reduce headway and cycle time, and complete station improvements</li> <li>• Begin preconstruction work on Cavite extension</li> <li>• Expand beep™'s non-rail network to 420 Buses and 1,800 retail outlets, and roll-out to 200 jeepney/PUV units</li> </ul>
Propose new projects for PPP	Propose projects to address the country's urgent transportation infrastructure needs	With partners, submitted unsolicited proposals for the C3 Expressway and the NAIA rehabilitation and upgrade	Secure Original Proponent status and requisite approvals from government.
Develop non-regulated infrastructure business	Outside PPPs, identify opportunities and propose innovative infrastructure solutions to support new and disruptive business models	Signed investment agreement with ZALORA affiliate to jointly invest in a fulfillment solutions company	Set-up organization and commence commercial operations



beep™ is increasingly growing its non-rail partner network to benefit more customers.

## OUR CAPITALS

### Financial

A strong balance sheet and strategic capex investments funded by Ayala

### Manufactured

Continued improvement in the operating efficiencies of LRT-1, MCX, and beep™

### Intellectual

Experience and track record in putting together PPP project proposals for toll road, rail, and airport infrastructure.

### Human

A team with a diverse and complementary set of skills that can steward projects from inception to development to operations.

### Social and Relationship

Wide spectrum of local and foreign project partners with complementary knowledge and expertise. Supportive partnerships with public sector stakeholders

## HOW WE CREATE VALUE

### Project Development

AC Infra pursues investment opportunities that address infrastructure needs of the public and private sectors. Together with highly competent partners, it stewards the project development process to develop innovative and sustainable infrastructure solutions.

### Implementation and Start-up

It has assembled a competent team that will steward the implementation of projects and execute plans in a timely, cost-efficient, and socially sustainable manner. The company employs best practices to meet industry standards and ensures compliance with all regulatory processes.

### Business Operations

It consistently meets the Key Performance Indicators in its concession agreements through teams that deliver smooth and efficient operations. Staff have improved capabilities to ensure proper maintenance to minimize disruptions, while management continually seeks improvement across all operations.

## THE VALUE WE CREATE

### Customers

Travel time is reduced for motorists and train passengers.

In 2017, MCX served 29,000 motorists daily, saving 8-10 minutes of their travel time. LRT 1 accommodated over nine million more passengers, due to extended operating hours and improved headways. Cashless and faster transactions are promoted through beep™ card.

### Grantors and Government

Infrastructure targets and needs of the country are supported through the projects developed. Continued improvements in operations and maintenance are translated into benefits in the form of better public image and service to citizens.

### Employees

Employees under the previous administration were transitioned from contractual to regular employees, giving them job security. The employees, under various programs, continue to increase their capabilities and improve their skills.

## OUR CONTRIBUTIONS TO THE SDGs



*MCX enables motorists to save time and cut down on the cost of gas.*





# AC HEALTH

“AC Health’s focus has always been to improve healthcare for Filipinos. In 2017, we increased our retail health footprint through our Generika pharmacies, and FamilyDOC primary care clinics. In 2018, we hope to expand our portfolio further through strategic partnerships in hospitals, specialty care, and health technology. Most importantly, we keep our patients at the heart of everything that we do.”

- Paolo Maximo F. Borromeo, President and CEO, AC Health

## Who we are

AC Health is the portfolio company for Ayala’s healthcare businesses. AC Health aims to address the need for accessible, affordable, and quality healthcare by building an integrated healthcare ecosystem, providing products and services across the continuum of care.

At present, its portfolio includes Generika Drugstore, the pioneer in generic retail pharmacies, FamilyDOC, a chain of primary care clinics, and various health technology solutions, such as MedGrocer, an FDA-licensed e-Pharmacy. Generika Drugstores has over 750 branches nationwide, while FamilyDOC has 28 clinics in the Greater Metro Manila area as of March 2018.

*Extended opening hours allow FamilyDOC to serve more patients.*



AC Health has a growing retail footprint, which enables it to provide last-mile access to consumers. It utilizes innovative products, services, and business models, including health technology solutions, to address the needs of its patients and customers.

As a portfolio company, it aims to build strong business partnerships, and to work in collaboration with different sectors of the healthcare industry, including the private sector, the public sector, and the academe. These will allow the company to improve its healthcare products and services for patients and customers.



TARGET FAMILYDOC CLINICS BY 2020



TARGET GENERIKA STORES BY 2020



UNIQUE PATIENTS SERVED BY FAMILYDOC



PATIENTS SERVED BY MEDGROCER





FamilyDOC's Family Medicine Training Program is the largest in the Philippines.

MedGrocer enables the convenient purchase of medicine.



### Market Outlook

The healthcare industry continues to show high single-digit growth, with increasing demand of healthcare products and services driven by the growth of the middle-class. In the face of growing demand, there continues to be an unmet need for accessible and affordable quality products and services, including affordable medicines, primary care, hospitals, and specialty care.

There are several challenges in AC Health's expansion of services. First, the supply of medical professionals will continue to be a limiting factor to scale – recruitment and retention of quality medical professionals will be critical to meet expansion targets. Second, there is a need to balance regulatory compliance with speed in expansion.

Emerging consumer trends point to a greater desire for patient centered-care, and an openness to new technology in health. Globally and in the region, healthcare technology is a burgeoning field, although it is still in its very early stages in the Philippines. Additional regulatory frameworks are needed to encourage health technology solutions such as electronic medical records, Telehealth, and e-Prescriptions.

### Business Review

AC Health continues its rapid expansion in the healthcare space, in pursuit of its vision to build an integrated healthcare ecosystem that provides patients with a seamless healthcare experience.

In the pharmacy space, Generika Drugstore grew its network to 750 stores nationwide, after opening 100 new stores in 2017. Revenues for the year were ₱3.3 billion, up 15 percent from the previous year. This also outpaced industry growth of 8.4 percent. Generika also grew its Actimed Housebrand line to a total of 112 products, including 36 new products in the past year. In 2017, Generika became the first recipient of the ASEAN Inclusive Business Award in recognition of its business model, which pioneered the retail of quality generic medicines in the country. In primary care, FamilyDOC opened 15



Both Generika and FamilyDOC conduct community engagement activities.

new branches in 2017, reaching a total of 21 clinics at the end of the year. It has expanded into new locations in the Metro to include clinics in Parañaque, Taguig, Pateros, and Pasig in addition to Cavite and Las Pinas. Since its establishment in December 2015, FamilyDOC has served over 65,000 unique patients as of end-2017. It now employs 79 doctors, under its duly-accredited Family Medicine training program, the largest in the country, and over 120 allied health professionals.

AC Health added health technology to its portfolio in 2017 by investing in MedGrocer. Medgrocer is an FDA-licensed ePharmacy, serving over 60,000 customers across 100 corporate clinics.

The company also launched Vigos EMR, an electronic medical records and clinic information system utilized in all FamilyDOC clinics. The system improves efficiency and enables integration across the clinic network, in addition to performing extensive data analytics for population health. AC Health will focus on ramping up

existing operations, targeting to end the year with a total of 850 Generika stores nationwide, and over 50 FamilyDOC clinics in the Greater Metro Manila Area. It also plans to introduce new health technology solutions, such as its electronic medical records system, to more healthcare providers.

In parallel, it continues to pursue expansion into hospitals, and specialty care, in line with its vision of offering services across the continuum of care. With its solid footprint in retail health, it is well-positioned to serve more Filipinos, and to offer innovative products and services towards improving healthcare for all.

### Strategy

Strategy	Description	Performance in 2017	Priorities in 2018
Expand footprint of Generika stores	Expand Generika footprint to 1,000 pharmacies nationwide by 2020	100 new stores, for a total of 750 stores	Total of 850 stores
Build FamilyDOC clinic network	Build the largest network of primary care clinics	Total of 21 clinics	Over 50 clinics
Invest in health technology solutions	Invest in healthcare technology solutions to improve efficiency, integration, and reach	<ul style="list-style-type: none"> <li>Invested in MedGrocer,</li> <li>Launched Vigos EMR</li> </ul>	Expand portfolio of health technology solutions
Portfolio-building	Build a healthcare ecosystem across the continuum of care	Established retail health footprint	Complement retail health with hospitals and specialty care



Generika offers additional services, such as a medicine guide and scheduled free consultations.



## OUR CAPITALS

### Financial

Strategic capital allocation from the parent company, Ayala, to support its expansion plan and 2020 vision.

### Manufactured

Continued expansion of its network of Generika pharmacies, with 750 branches nationwide, and growth of FamilyDOC to 21 clinics, by end of 2017.

### Intellectual

Various intellectual capitals grouped in three categories:

1. Products and services: Certificates of Product Registration for medicines, and medical service and training protocol
2. Brands: AC Health, FamilyDOC, and Generika B
3. Technology and analytics: MedGrocer, in-house electronic medical record and clinic information system (Vigos EMR)

### Human

Pool of medical, non-medical, and health IT professionals, which includes 13 employees from AC Health, 825 employees from Generika, 194 employees from FamilyDOC, and 23 employees from MedGrocer

### Social and Relationship

Affiliation with Ayala brand, franchisees, business partners, and external partners, which include the government and regulatory agencies (i.e. the Department of Health and the Food and Drugs Administration), and healthcare professionals

## HOW WE CREATE VALUE

### Asset Performance

AC Health aims to expand its network of Generika drugstores, and FamilyDOC clinics. It is also developing its own health technology solutions, such as an electronic medical records and clinic information system

### Portfolio Building and Business Development

AC Health's goal is to build an integrated healthcare ecosystem across the continuum of care

### Synergies

AC Health drives synergies within its healthcare businesses, and across the Ayala group to improve efficiency, and ensure integration

Priorities: Invest and Integrate Key Pillars

1. Pharmacies and pharmaceuticals
2. Clinics
3. Hospitals and specialty clinics
4. Healthcare financing
5. HealthTech

Build a strong retail health component (Generika and FamilyDOC)

## THE VALUE WE CREATE

### Business Partners

Through AC Health's integrated and innovative network, partners can leverage shared resources and collectively make quality healthcare more accessible to more patients. Partners benefit from an exchange of knowledge, people, and technology across the ecosystem.

### Healthcare Industry

AC Health promotes a multi-sectoral and collaborative approach to addressing healthcare challenges so that the shared 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 to more Filipinos. Aside from providing affordable, quality generic medicines, which delivers up to 85% savings as compared to branded counterparts, Generika is also active in promoting health and wellness at the community level and offers additional services like free blood pressure check, a medicine guide, and scheduled free consultations.

FamilyDOC has served a cumulative total of 65,102 unique patients as of end-2017. It is also active in promoting preventive health and wellness through its community events, such as the Kalusugan Caravan and the Ministry of Moms. FamilyDOC also offers packages and promotions targeted to the profile of its patients, including a diabetes and hypertension club, and a kiddie club.

MedGrocer continues to provide convenience through its medicine delivery platform. Patients can now order their medicines online and have them delivered within the day through MedGrocer. The website has an easy upload feature for medications that require doctor's prescription. As of 2017, MedGrocer has served 1,221 clients via medicine delivery. On the other hand, MedGrocer is also serving corporate clients through clinic management. To date, it has already served 60,000 people through its network of 100 corporate clinics.

## OUR CONTRIBUTIONS TO THE SDGs



# AC EDUCATION

“AC Education continues to deliver quality, affordable education that leverages an industry-based, experiential, and technology-enabled approach to significantly improve the employability of our high school and college graduates. We aim to transform more lives by expanding our platform through both mergers and acquisitions and organic growth.”

- Alfredo I. Ayala, President and CEO, AC Education

## Who we are

AC Education is the holding company for Ayala’s investments in education. Its vision is to empower Filipino parents and their children by delivering affordable, quality education that enables significantly improved employability for its high school and college graduates. The company achieves this through proprietary student value-add programs, systematic teacher training, professional management operations, and a strong industry network.

The Affordable Private Education Center Schools began in 2013 with one school site and 130 students. Since then, it has scaled up to become the largest chain of affordable, private high schools with 23 branches across Metro Manila, Cavite, Rizal, and

Batangas, 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, in a fully airconditioned environment, at an affordable price point.

AC Education also has a majority stake in the University of Nueva Caceres, the oldest university in the Bicol region, offering basic, high school, and higher education with approximately 8,000 students in its campus in Naga City, Camarines Sur.

## Market Outlook

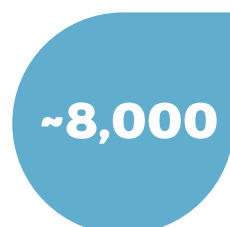
The Philippine education industry is highly regulated and fragmented. In school year 2016-2017, there were 2,396 higher education institutions in operation.



The University of Nueva Caceres is one of the most respected universities in the Bicol region.



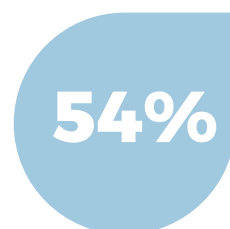
STUDENT POPULATION IN APEC SCHOOLS



STUDENT POPULATION IN UNC



EMPLOYMENT WITHIN THREE MONTHS POST GRADUATION (UNC PEP COHORT)



AVERAGE SALARY PREMIUM OF UNC PEP COHORT





*APEC encourages a collaborative learning environment.*

In recent years, the government has made significant progress in passing critical legislature. This includes the K-12 Law, which aligns the country's basic education system with the rest of the world by introducing Grades 11 and 12 as well as the Universal Access to Quality Tertiary Education Act of 2017, which provides equal opportunity to quality tertiary education in both public and private educational institutions, and gives priority to the poor, as well as academically able and motivated students.

School year 2018-2019 is a critical year for the education industry as it marks the return of college freshmen following the full implementation of K-12 in 2016. The previous two years saw a drought for all universities, due to the additional two years of senior high school required of all students, effectively reducing college enrollment of many higher education institutions by half.

Competition is expected to intensify because of the first year of implementation for the Universal Access to Quality Tertiary Education Act, which offers completely free education in state-run universities and colleges and publicly-run technical-vocational institutions.

#### **Business Review**

In basic education, APEC Schools secured its position as the largest

chain of low-cost, private high schools with branches across Metro Manila, Cavite, Rizal, and Lipa in Batangas, and a student population of approximately 16,000 from Grades 7 to 12 in school year 2017-2018. Through the government's senior high school vouchers, APEC provided access to its innovative and progressive learning curriculum to low-income learners. Students who graduated from public junior high schools can attend APEC's senior high school without paying additional tuition on top of the government voucher.

APEC expects to graduate its first cohort of approximately 2,000 students in June 2018. After only two years in APEC, out of 700 students who took college entrance exams in selective schools, 41 percent passed the exams with a 29 percent passing rate in the Ateneo de Manila university, 60 percent in De La Salle University Manila, and 53 percent in the University of Santo Tomas.

In higher education, despite the lack of college freshmen and sophomore cohorts due to K-12, the University of Nueva Caceres, one of the largest private schools in the Bicol region, increased its student population to approximately 8,000 in school year 2017-2018.

UNC offers degrees in Arts and Sciences, Business and Accountancy, Computer Studies, Criminology, Education,

Engineering and Architecture, Graduate Studies, Law, and Nursing. Last school year, UNC introduced Industrial Management Engineering to further enhance the programs being offered by the College of Engineering and fortify UNC's position in the region as a leader in engineering. UNC also established a partnership with San Beda University to offer a Masters of Law program, making UNC the only university in the Bicol region that offers the LLM program.

UNC also expanded its student value added programs, by delivering compelling results through its Professional Employment Program, which is designed to place graduating students in a working professional environment to enhance their potential for immediate employment. In school year 2017-2018, UNC's PEP cohort achieved 89 percent employment within 90 days post-graduation, with average salaries 54 percent higher than the control group. PEP graduates went on to work in BPI, Sutherland Global Services, Ford Philippines, iBEX Manila, Telus Manila, among others.

Also in school year 2017-18, UNC also piloted the Culminating "x" Project for seniors in Business, HRM, Accountancy, Computer Studies and Arts and Sciences. CxP is similar to PEP in that it provides a simulation of the real-world employment environment and boosts employability. UNC also started doing the groundwork for

the full implementation of its English Immersion Environment.

UNC has sustained its excellence in board examination performance, consistently surpassing the national board passing norms, both in overall and first timer passing rates. In school year 2017-2018, UNC had two top ten placers from its College of Education and College of Engineering. Its students also received distinctions in other national and local awards, including the Ten Outstanding Students of the Philippines, Top 10 Jose Rizal Model Students of the Philippines, Ten Outstanding Students of Bicol, and Naga City Mayoral Awards.

As a testament to the quality of its academic programs, UNC was recognized by the Philippine Association of Colleges and Universities Commission On Accreditation with Level III Reaccreditation Status for two of its graduate programs – Master of Arts in Education and Master in Business Administration – the first among higher education institutions in the entire Bicol region. This adds up to a total of three Level III programs, with Bachelor of Science in Business Administration as the first program in UNC to be granted Level III status in 2016.

AC Education has made significant progress in expanding its educational platform through mergers and acquisitions. In December 2017, it signed a non-binding term sheet for a potential merger with iPeople, the listed holding company for the education sector of House of Investments. The potential merger would include iPeople and its significant subsidiary, Malayan Education System, or Mapua University, a leading private engineering and technical university in the country, and its subsidiaries, Malayan Colleges Laguna and Malayan Colleges Mindanao. Moreover, in January 2018, AC Education signed a share purchase agreement to acquire the National Teachers College, which has an established track record in teacher education, and close to 10,000 students in its University Belt campus in Manila.

UNC students enjoy a variety of extracurricular programs.



### Strategy

Strategy	Description	Performance in 2017	Priorities in 2018
Enrollment	Increase student population through strong academic and employment outcomes, and mergers and acquisitions	<ul style="list-style-type: none"> <li>• APEC: 16,232 students (55% growth)</li> <li>• UNC: 8,053 students (5% growth)</li> </ul>	Continue student population growth in both APEC and UNC, as well as through mergers and acquisitions
Employability	Improve employability of graduates through student value add programs and employer partner network	<ul style="list-style-type: none"> <li>• APEC *First cohort will graduate in 2018</li> <li>• UNC: 89% of PEP graduates were employed within 90 days post-graduation, with an average salary premium of 54% over control group</li> </ul>	Sustained improvement of speed of hiring and salary premiums
Academic efficacy	Improve learning outcomes as measured by performance in standard diagnostic, entrance, and licensure exams	<ul style="list-style-type: none"> <li>• APEC: Significant improvements in English and Math for current Grade 7 and Grade 11 students, and in English as a Second Language from August 2016 to April 2017; 41% college entrance passing rate in selective schools</li> <li>• UNC: Consistently surpassed the national overall board passing rates. UNC's passing rate was 9% higher than the national norm for overall performance, and 4% higher than the national form for first-timer performance</li> </ul>	<ul style="list-style-type: none"> <li>• APEC: Improve average scores for English, Math, and Science for junior high school and senior high school pre/post diagnostics, and ensure takers pass selective college/program entrance exams</li> <li>• UNC: Continue its track record of surpassing national overall board passing rates</li> </ul>

## OUR CAPITALS

### Financial

Capital infusions from Ayala and from its partners to support increase in capacity, transform facilities, integrate technology, and strengthen human capital.

### Manufactured

Facilities, technology and classrooms that are aligned with the vision of providing quality, affordable education.

APEC: 23 sites across Mega Manila  
UNC: Five-hectare campus in Naga City, Camarines Sur

### Intellectual

- Curriculum (for K-6, JHS & SHS, college, graduate studies) that is progressive, constructivist, learner-centered, collaborative, outcomes-based, integrated with technology, with strong elements of English and employability, and aligned with regulatory requirements
- In-house developed student value-add programs: LINC Senior High School, CRED or College Readiness, ACE or Accelerated Career Experience, PEP or Professional Employment Program, CxP or Culminating "x" Project, and EIE or English Immersion Environment

### Human

Faculty and staff who are competent, nurturing, forward-thinking, constantly learning, engaged, and motivated.

Number of employees and average training hours:  
APEC: 738 employees; 42 hours each  
UNC: 529 employees; 24 hours each  
AEI: 30 employees; 8 hours each

### Social and Relationship

Strengthened relationships and reputation with partner schools, employees, NGOs, private school associations, public schools, communities around AC Education schools, and other stakeholders

## HOW WE CREATE VALUE

### Marketing, sales and expansion

Increase student population by:

- Leveraging strong brand in Mega Manila and Bicol
- Delivering quality outcomes: board and college entrance examination scores, graduate speed of hire and starting salaries, compelling careers, academic and leadership awards, efficacy in English and Math, industry-aligned skills and values
- Improving student retention through remediation program, student financial aid, catch basin programs, and engagement
- Partnering with like-minded, established institutions

### Content and Curriculum Development

- Brand promise: aligned curriculum that is progressive, learner-centered, outcomes-based, integrated with technology and aligned with both regulatory and industry requirements
- Integrates Experiential Education for Employment (E3) Model

### Career Placement Services

- Forging meaningful employer partnerships, i.e. scholarships or internships with a path to employability
- Intensive engagement: career education through career portal & social media, job fairs, career talks and job immersion, coaching on interview and college application, employment monitoring

### Talent Development

- Faculty retooling aligned with new curriculum
- Continuing Leadership Development Program as well as differentiated, needs-based employee training, extensive pre-service training, coaching and mentoring
- Leveraging Ayala group learning and development: innovation, risk management, sustainability, disaster risk management
- Partnering with San Beda College for Master of Laws (LLM) program

## THE VALUE WE CREATE

### Students and Parents

Students from low to middle income segments are given the opportunity to access quality private education with good linkages to potential employment, through affordable pricing and open admission. In 2017, APEC had 16,232 high school students of which 60% came from the D and E income segments, while UNC had 8,053 students from basic to higher education. In school year 2017-2018, UNC had 857 graduates, a record number. Meanwhile, APEC will have its first ever cohort of senior high school graduates, numbering over 2,200 students.

### Teachers and Employees

Continuous learning and development are fundamental programs given to teachers and employees through coaching, mentoring, and technical training including continuing professional development, as well as opportunities to pursue graduate studies.

### Companies

Enables various organizations to tap a rich pool of human capital talent who are skilled, trained, and with job-ready habits and values. About 90% of AC Education's PEP graduates were employed within 90-days after graduation with starting salaries at a significant premium over the general labor market.

## OUR CONTRIBUTIONS TO THE SDGs





# AC VENTURES

"Fintech and payments, e-commerce with brick and mortar, data flow processors for artificial intelligence, and innovative real estate redevelopments are some of the themes AC Ventures focused on in 2017. Our mission is to make more of these types of investments that complement our existing businesses."

- Jose Teodoro K. Limcaoco, President and CEO, AC Ventures

## Who we are

AC Ventures was formed in 2017 to house Ayala's strategic investments. It aims to fulfill two roles as an enabler by investing in adjacent businesses complementary to Ayala's existing business units; and as a pathfinder by investing in new sectors, emerging trends, and innovative businesses. AC Ventures hopes to provide a window into new technologies and business models and invest in disruptive platforms in sectors that are relevant to Ayala. Among the disruptive sectors that AC Ventures has entered are e-commerce and financial technology.

In addition, AC Ventures makes offshore investments through AG Holdings. Over the past years, AG Holdings has served as Ayala's platform for its investments in real estate in the US and Asia. Following the establishment of AC Ventures, AG Holdings' mandate has evolved into being the vehicle for the former's international investments.

AC Ventures also makes direct strategic investments in local opportunities. In 2017, AC Ventures acquired a 43.3 percent stake in Zalora Philippines, the Philippines' largest fashion and lifestyle e-commerce platform, and a 10 percent stake in

Mynt, a fintech venture, with Globe and Ant Financial.

## Market Outlook

The world is experiencing tremendous digital transformation, with emerging business models creating new ways to make better, differentiated products and services more accessible to a broader consumer market. Big data, artificial intelligence, edge computing, and the internet of things are some of the trends already disrupting existing industries. Some of these disruptions are in industries where Ayala is a major player in the Philippines.

Strong domestic consumption has consistently contributed to the Philippines' robust economic

growth. It is expected to grow further following the implementation of the first package of the government's tax reform program, which has lowered personal income taxes for the majority of the population. This, together with high adoption rates across mobile and digital platforms, has helped spur the rise of e-commerce. The Philippine e-commerce market is expected to grow exponentially, from 0.5 percent of the total retail market to 4.7 percent by 2025—equivalent to a market size of \$9.7 billion. Related to this, the fashion and lifestyle retail market—which counts among the most popular e-commerce categories—is seen to reach \$21 billion by 2019 accounting for approximately a quarter of the overall Philippine retail market

*Globe's and Ayala's partnership with Ant Financial, a leading digital financial services provider, can drive fintech development in the Philippines.*





AG Holdings has investments in international real estate including in the US, Macau, Thailand and Singapore.



On the fintech front, huge market opportunities persist with approximately 120 percent mobile penetration, more than 87 million Filipinos owning a digital device, and 41 million being active mobile social users. In contrast, only 21 percent of Filipinos have access to the services offered by banks and insurance companies, while only 10 percent have credit scores. Apart from the geographic makeup of the country, this reflects the potentially strong demand for fintech-enabled innovations in the Philippines.

#### Business Review

##### AG Holdings

In Asia, AG Holdings continues to maintain its investments in ARCH Funds. In 2017, AG Holdings' investment in ARCH realized valuation gains of \$7.5 million. It has committed \$50 million of capital into ARCH Fund III, which shall deploy its capital to residential and commercial projects in China, Hong Kong, the Philippines, Taiwan and Thailand.

AG Holdings' direct residential investment in Macau, where it co-invested with ARCH Fund I, continues to generate profits on the back of strong economic growth and unit sales. In 2017, distributions to AG Holdings from the Macau investment amounted to \$1.96 million.

In 2015, AINA, AG Holdings' North American subsidiary, committed to invest \$20 million in a multifamily value-add fund sponsored by the Sares Regis Group, a real estate management company with 18,750 apartment units under management across the US west coast. The multifamily fund's main strategy is to acquire and renovate residential developments in high-growth, supply-constrained markets in the US. As of end-December 2017, the multifamily fund has acquired 12 assets. In June 2017, AINA co-invested \$5 million with the multifamily fund for the acquisition of AMLI Victoria Arbours, a 319-unit apartment community in Rancho Cucamonga, California.

In line with its new mandate, AG Holdings also invested in varied funds that serve as windows into disruptive technologies, evolving trends, and new markets. In 2017, AG Holdings invested in Arbor II, a fintech fund focused on opportunities in Asia; Maloekoe Ventures, an Indonesian-based venture capital fund focused on new technologies; and the New Retail Strategic Opportunities Fund managed by Alibaba focused on investing in retail brick-and-mortar businesses in China.

Moreover, in keeping with AG Holdings' new thrust, AINA, through

~100M

VISITS TO ZALORA WEBSITE  
IN 2017

\$50M

IN CAPITAL COMMITMENT TO ARCH  
FUND III

1.6X

GROWTH IN MYNT'S  
CUSTOMER BASE



Filipinos can access loans using only their cellphones through Fuse's services.

services. To further scale its active users, in the third quarter of the year, GCash ramped up its merchant acquiring business with the launch of QR payments, a new and convenient way for traditional retailers to accept payments using e-money. By forging key partnerships with the likes of Ayala Malls, SM Supermalls, SSI Group, Max's Group, and Suyen Corporation, the service is now widely offered in several locations nationwide.

PFIL North America, invested in Wave Computing, a Silicon Valley startup that develops innovative computing systems that accelerate machine learning, co-founded by Filipino entrepreneur Dado Banatao.

**Zalora**

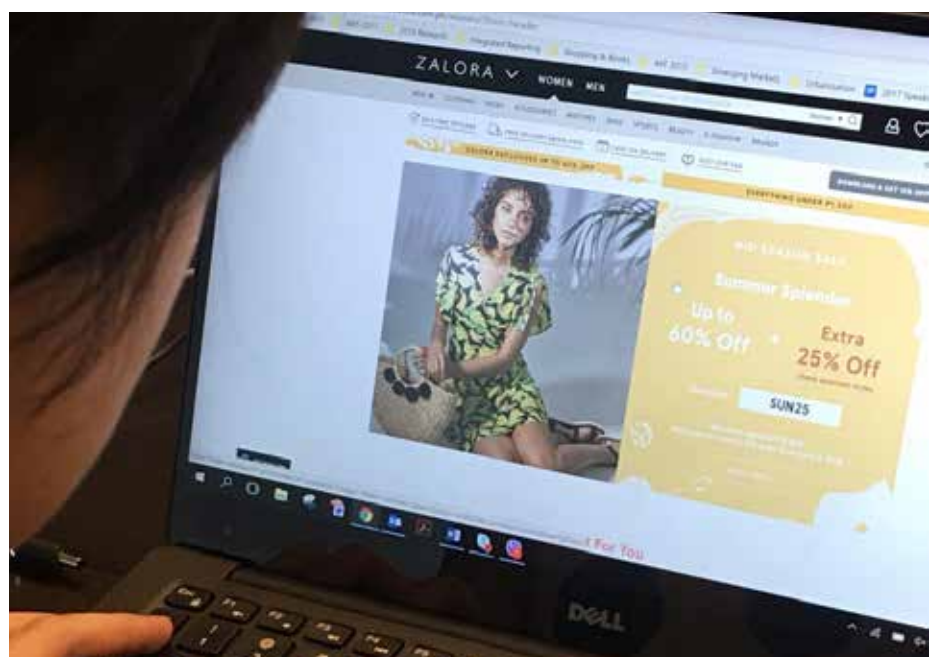
Zalora is riding the wave of the e-commerce boom as the leading online fashion platform in the Philippines with close to 100 million visits in 2017. Zalora is engaging the young and tech-savvy market by providing them access to over 1,000 local and international brands and reaching them through omni-channel initiatives. Zalora is also expanding its reach, serving areas beyond the greater Metro Manila area, to include far flung areas in the Philippines. As a result of these efforts, net merchandise value transacted through Zalora grew at a healthy rate of 29 percent in 2017.

**Mynt**

In 2017, Mynt grew its customer base by 1.6x, while doubling monthly active users through its operating subsidiaries, GCash and Fuse Lending. GCash, Mynt's mobile wallet platform, allows users to buy load, send money, pay bills, and purchase items, among other conveniences. Fuse, which serves as Mynt's lending and microfinancing arm, complements GCash's suite of mobile money

**Strategy**

Strategy	Description	Performance in 2017	Priorities for 2018
Enable new opportunities for the Ayala group	Invest in adjacent businesses complementary to the Ayala group	Acquired stakes in Zalora and Mynt	Look out for disruptive trends as well as explore new business opportunities and relationships
Strengthen AG Holdings' offshore investments	Manage offshore investments to maximize gains for Ayala	Existing investments generated value and returns, while the company made new investments in funds and companies with disruptive strategies	Strengthen existing relationships with partners and continue looking for pockets of opportunities within the real estate sector



Zalora is one of the fastest growing online shopping platforms in the country.

**OUR CAPITALS**

**Financial**

It infuses capital as needed to support its various ventures, and when strategic opportunities arise.

**Manufactured**

Its e-commerce business uses fulfillment infrastructure (i.e. warehousing facilities) in its operations. Meanwhile, its fintech business uses payment infrastructure.

In Asia and the US, it has direct investments in real estate projects.

**Intellectual**

Strong retail brands, e.g., GCash and Zalora, and proprietary software systems enhance its position in business.

An innovative mindset allows it to spot disruptive opportunities, and its knowledge of the market allows management of investments.

**Human**

It has a diverse pool of talents who seek out innovative ways of building businesses  
 Zalora: ~300 employees  
 Mynt: ~400 employees

**Social and Relationship**

Strong partnerships with global and local companies, including retailers and suppliers, investors, and other professional networks also serve as vehicles for growth.

Its affiliation with the Ayala brand bolsters its credibility.

**HOW WE CREATE VALUE**

**Pathfinder**

It explores new trends, businesses, and relationships and invests in businesses that provide innovative and disruptive solutions in evolving markets outside its cornerstones. Through the financial and intellectual capital it provides, it aims to scale up the impact of these businesses.

**Enabler**

With its investments, it synchronizes innovative technologies and practices into the value chains of companies across the Ayala group. The disruptive business models of companies it invests in can provide alternative solutions to Ayala's traditional brick and mortar operations.

**THE VALUE WE CREATE**

**Ayala group**

- Explore innovative trends and business models that could transform the Ayala group's various businesses
- Invest in new ventures and business partnerships that can complement existing businesses

**Customers**

- Provide convenient access to products and services through the use of technology (Zalora and Mynt)

**OUR CONTRIBUTIONS TO THE SDGs**





# AYALA FOUNDATION

*“Ayala Foundation remains true to its “AFI-3Cs—2Ps” strategy—alignment, focus, and impact, for the benefit of our conglomerate, communities, and country, supported by competent people and processes. We continue to make significant headway in improving more lives through our programs.”*

- Ruel T. Maranan, President, Ayala Foundation

## Who we are

Ayala Foundation is the social development arm of the Ayala group. It develops, implements, and sustains programs in education, youth leadership, sustainable livelihood, and arts and culture, and periodically manages special projects, including initiatives in disaster recovery and rehabilitation, and other projects for community development.

Its headquarters are located in Makati City, with regional offices in Cebu City and Cagayan de Oro City. In 2017, its programs are directly implemented in 26 provinces and Metro Manila, but its program beneficiaries are 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.

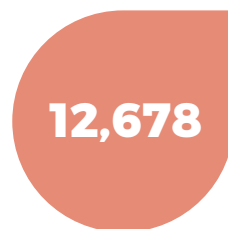
It adheres to the highest standards of transparency and accountability. It is certified by the Philippine Council for NGO Certification, a self-regulating body which certifies nonprofit organizations that meet established minimum criteria for financial management and accountability in service to underprivileged Filipinos. Ayala Foundation is an active member of civil society organizations such as the Association of Foundations and the League of Corporate Foundations. The foundation has a mechanism that measures the impact and tracks the outcomes of its initiatives.



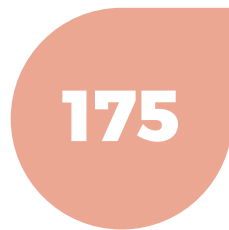
Handcrafted products by the Iraya-Mangyan community in Puerto Galera are available for purchase in select Ayala Malls.



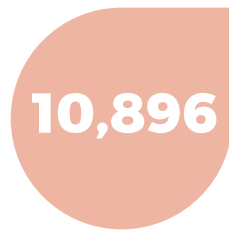
IN INVESTMENTS FOR MARAWI AND SIYAPEN INITIATIVES



STUDENTS WHO BENEFITTED FROM THE CENTEX TRAINING INSTITUTE



FILIPINO YOUTH TRAINED BY THE BANGSAMORO YOUNG LEADERS PROGRAM



STUDENTS REACHED BY GLOBAL FILIPINO SCHOOLS





30 farmers are given sustainable livelihoods through MDC Farms in Calauan, Laguna.

### Market Outlook

As the Philippines Foundation when it was founded in 1961, the Ayala Foundation was the first corporate foundation 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 recent estimates, there are about 60,000 registered nongovernmental organizations in the country today. However, only between 200 and 300 of these organizations have passed the certification process of the PCNC.

The Pork Barrel Scam of 2013 and the NGOs that were used as channels to steal government funds negatively affected the civil society sector and put it under great scrutiny. CSOs responded to the scandal by emphasizing greater transparency and accountability, particularly in matters of corporate governance and financial disclosure.

### Business Review

As it continues its journey to become a bastion of community development, Ayala Foundation contributes to society through its programs in education, youth leadership, sustainable livelihood, and arts and culture.

Ayala Foundation undertook a number of initiatives in education for 2017. It piloted ProFuturo, which uses digital technology to provide access to quality education, in Southeast Asia. Ayala Foundation, Spain's ProFuturo Foundation, and the Department of Education signed an agreement to bring the program to 31 schools in Palawan and Oriental Mindoro.

The CENTEX Training Institute trained 190 teachers in 17 sites, benefitting 12,678 students. The two CENTEX schools, meanwhile, registered a 98 percent cohort survival rate, 100 percent promotion rate, and zero drop-outs.

Global Filipino Schools was turned over to Globe after reaching 11 schools, 297 teachers, and 10,896 students.

In youth leadership, the Bangsamoro Young Leaders Program—Leadership Communities provided training for 175 young leaders from 35 youth groups in ARMM. Twenty-seven youth-led community projects were implemented by participants, despite the Marawi situation.

The first run of GNPower Kauswagan-LeadCom in Lanao del Norte trained 40 young leaders from eight youth groups and implemented eight youth-led community projects.

The Ayala Young Leaders Congress held its 19th congress with 80 participating youth leaders and continues to be a venue for the Ayala group to strategically invest in the leadership skills of the youth.

The Community Engagement Plan developed for Ayala Land's Project Lio identified enterprises with the highest economic potential for Lio's surrounding communities. The market study identified vegetable production, laundry service, on-call manpower service, and choco-cashew production.

The four-hectare ornamental farm established in the Ayala property in Calauan, Laguna, in partnership with the Makati Development Corporation, continued to provide sustainable income for 30 farmers.

The Iraya Mangyan Development Program served 280 families from an indigenous community in Puerto Galera.

Under its arts and culture initiatives, Ayala Foundation partnered with the Bank of the Philippine Islands to manage the BPI Art Collection. This partnership will oversee the cataloguing and assessment of almost

400 significant artworks.

Through the Mañara art installation, which was first opened at the Ayala Museum Plaza in May, the works of artists Toym Imao and Liliana Manahan celebrated the richness, and sought to foster a greater understanding of Moro culture. Mañara was later exhibited in Abreeza Davao, Ayala Center Cebu, and Cotabato City.

The museum introduced its first fully immersive Virtual Reality Experience of Philippine History, bringing to life the execution of National Hero Jose Rizal for museumgoers to experience.

Ayala Foundation also made a splash in the international art scene, as the Ayala Museum became the first Philippine museum to stage a collateral event at the Venice Biennale. Highlighting the works of artist Fernando Zóbel, Zóbel Contrapuntos focused on the artist's Saetas and Serie Negra.

Working with the city government of Marawi and Autonomous Region of Muslim Mindanao, the Ayala Foundation completed the construction of the Siyapen Center, a facility envisioned to provide holistic inpatient and outpatient care for drug dependents. Following the Marawi siege, Siyapen also became a hub of economic activity for Marawi residents, especially those in need of short-term employment. The Ayala group has invested as much as ₱30 million in Marawi- and Siyapen-related initiatives.

Ayala Foundation connected Ayala companies to the Department of Agriculture's Corporate Rice Farming Program, which links large institutional buyers directly to rice farmers. This was supported by the Ayala Multi-Purpose Cooperative and Ayala Land, and was launched in Iloilo (with Seda) and El Nido (with Ten Knots).



Students are empowered through digital education, with AFI's partnership with ProFuturo.

### Strategy

Strategy	Description	Performance in 2017	Priorities in 2018
Align with the conglomerate's sustainability framework	Strengthening relationships with the Ayala group through program partnerships	Worked with Ayala group companies for community engagement programs, including the pilot implementation of four new community enterprises for communities surrounding Lio, a partnership to assess over 400 pieces from BPI's art collection, and an FHL-Manila Water partnership for document management	Further enhance collaboration, synergy, and partnership with Ayala group
Focus on community programs	Implementing development programs relevant to the needs of communities	Sustained gains of existing programs: <ul style="list-style-type: none"> <li>• CENTEX Training Institute trained 190 teachers</li> <li>• LeadCom trained 215 young leaders, who implemented 35 community projects</li> </ul>	Build on 2017 gains for flagship programs in education, youth leadership, sustainable livelihood, and arts and culture
Have an impact on the country's development goals and the promotion of national pride	Implementing programs and special projects that are aligned with the nation's development goals, as well as promote Filipino culture and identity	<ul style="list-style-type: none"> <li>• First Philippine museum to stage a collateral event at the Venice Biennale</li> <li>• Worked closely with government partners like the Department of Agriculture and the Marawi City government</li> <li>• Piloted the ProFuturo education project in Southeast Asia</li> </ul>	Scale up programs to reach a national scale, and further promote Filipino pride both here and abroad
Strengthen people and internal processes	Investing in the training and development of Ayala Foundation talents, supported by stronger and more efficient internal processes	<ul style="list-style-type: none"> <li>• Rolled out a training and development program under a community development framework</li> <li>• Instituted reforms and controls in the second year of a three-year enterprise risk management roadmap</li> </ul>	Strengthen Ayala Foundation citizens as advocates of community development, in support of expanded programs

## OUR CAPITALS

### Financial

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.

### Manufactured

Ayala Museum offers a variety of art and library collections, permanent and travelling exhibitions on the rich history and artistic heritage of the nation, cultivating pride in being Filipino.

### Intellectual

The foundation possesses expertise in community development, program management, education, research and publication, art curation, and impact assessment using social return on investment as a framework.

### Human

Its pool of committed talents has the capacity to link the shared value created by Ayala business units to the needs of people with less capacity and access to resources.

### Social and Relationship:

Good relationships and linkages with local government units, local government agencies, non-government organizations, and community groups

### Natural

The Calauan property is utilized by farmers to produce ornamental plants for the requirements of MDC Greens

## HOW WE CREATE VALUE

### Education Programs

Providing access to high quality education for the poor through teacher training in ICT; classroom management and critical thinking; scholarships; and center-based modelling of strategies.

### Sustainable Livelihood

Providing access to capacity, capital, technology and market link to low income families.

### Youth Leadership

Investing in potential leaders of the country and communities through youth leadership training.

### Arts and Culture

Making Philippine history, culture, and art accessible and inspirational through art exhibitions, and increasing brand and advocacy awareness and reach through traveling exhibitions.

### Employee Engagement

Providing opportunities for the Ayala group to exercise corporate citizenship and help the foundation's partner schools through Brigadang Ayala.

## THE VALUE WE CREATE

### Teachers and Students

Ayala Foundation increases the proficiency of our teachers through coaching and mentoring, benefitting 12,678 students in 17 public schools. The foundation equipped schools with ICT facilities to improve learning of 1,394 students from 33 public schools. It also supported 123 scholars.

Balanced early childhood care and values formation supported the early childhood formation of 80 economically disadvantaged children.

### Communities

Livelihood projects implemented across the country helped the communities improve economic productivity and cultural preservation.

Through Ayala Museum, the foundation also helped widen cultural appreciation, both locally and internationally.

### Young Leaders

It supported the development of young leaders and contributed to their capacity building. These young leaders were able to ideate and implement community-based projects that improve livelihood and support community development

### Employees

Employees from across the Ayala group are given opportunities for volunteerism in communities that it serves

## OUR CONTRIBUTIONS TO THE SDGs







*The Bonifacio Global City is an excellent example of Ayala Land's skill in developing mixed-use estates.*



# OUR GOVERNANCE



# GOVERNANCE: THE BUSINESS OF BUSINESS

*"We realized very early on that we needed to have a sharp focus on quantitative results and metrics for the business to succeed. The business could not be compromised by unreasonable family needs or interests. It had to be run in a highly professional manner with clear business objectives that were defined by the industry environment."*

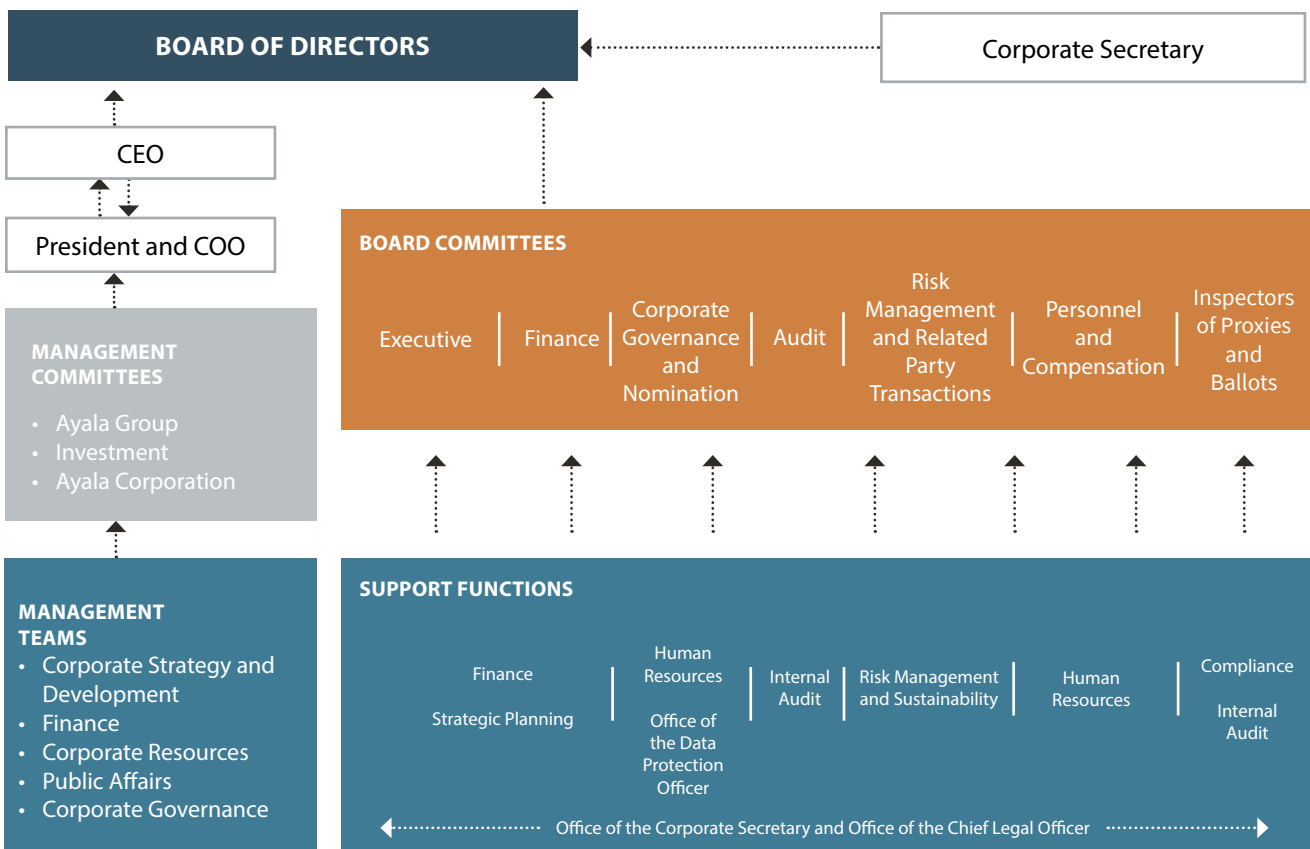
**- Jaime Augusto Zobel de Ayala at the SharePhil Summit 2017**

Governance has always been a hallmark of Ayala. Since becoming a publicly-listed company in 1976, Ayala has never wavered in its belief that good governance plays a paramount role in the success of its businesses. Then or today, Ayala has always adhered to the principles

of good governance; sought to elevate the level of transparency; and ensured that integrity, accountability, and fairness are hallmarks of its dealings with shareholders, customers, investors, and other stakeholders. The basic elements of Ayala's corporate governance system

include a combination of internal and external mechanisms such as the structure, role, and responsibilities of the board of directors, its committees, and management; and sound policies and controls.

## KEY COMPONENTS OF AYALA'S GOVERNANCE SYSTEM (102-18)



Our governance framework is constantly evolving in line with the expectations of regulators, investors, and other stakeholders, which have shifted over the years towards greater board involvement and more active oversight by the board and its committees. By continuously evaluating and improving our governance structures, systems, and procedures, we are able to create a balance between performance and conformance, as well as remain relevant to the changing needs of society and the communities we serve. Having adequate controls while complying with regulatory requirements and international standards allows us to create a sustainable enterprise for the long-term. Ayala is in full compliance with the Code of Corporate Governance for Publicly-Listed Companies set forth by the Securities and Exchange Commission, supported by an attestation from the company's CEO, Compliance Officer, and Chief Audit Executive for 2017.

Ayala's corporate governance practices have been consistently recognized in various awards, polls, and publications in the Philippines and in the region. In 2017, for the fourth consecutive year in FinanceAsia's annual poll, Ayala Corporation was ranked second in the "Best Managed Companies in the Philippines" category. Ayala was also recognized in the same poll as the "Most Committed to Corporate Governance," "Best at Corporate Social Responsibility," and ranked fifth for "Investor Relations." Its Chairman and Chief Executive Officer, Jaime Augusto Zobel de Ayala, was ranked third for "Best CEO." Ayala also ranked 18th in the list of Forbes Magazine's "Global 2000: World's Best Employers," the only Philippine company in the top 20.

Good governance is an important pillar of our operations. Adhering to

high standards allows us to retain the trust and confidence of our partners and stakeholders. We raise the bar higher for ourselves by inculcating a strong sense of commitment across all levels of our organization and upholding a corporate tradition deeply rooted in integrity and trust, as well as an organizational culture that reinforces a well-rounded ethic in all that we do.

## BOARD STRUCTURE AND PROCESS

### KEY ROLES AND RESPONSIBILITIES

Leading Ayala's governance system is its Board of Directors, who provides active management oversight; encourages a culture of trust, openness, and constructive dissent; and ensures individual accountability. As mandated by its Charter, its roles and responsibilities include establishing the vision, as well as the strategies, key company policies, and mechanisms to monitor, evaluate and improve management's performance. In exercising its powers and duties, the Board considers the best interest of the company, its shareholders, and other stakeholders.

The Board oversees the business affairs of the company. It meets regularly and allots time to discuss strategic issues with the Ayala Group Management Committee to gain insights into each specific business area. It leads the review of the company's vision and mission every year, revisits and approves the group's corporate strategy and performance objectives, and monitors its implementation. In 2017, the Board reviewed and affirmed the appropriateness of the Ayala Corporation's vision and mission statement. The Board reviews and ensures the adequacy of the company's internal control mechanisms and risk management process for good governance, and the proper implementation of the Code of Conduct and Ethics.

The Board also reviews and affirms the true and fair representation of the annual financial statements, as it did for the financial statements for fiscal year 2017.

### BOARD COMPOSITION

The structure, size, and composition of the Board are regularly reviewed and monitored by the Corporate Governance and Nomination Committee.

There is sufficient diversity in thinking across our board of directors, characterized by a combination of knowledge, experience, and expertise to guide management as it addresses issues facing the company, new challenges and market opportunities. There is also an appropriate mix of non-executive and executive directors.

- Ayala's Board of Directors is composed of seven directors from a wide variety of backgrounds, all of whom possess expertise in a range of disciplines, including economics, finance, accounting, business, and contract, commercial, and international law.
- Each director is elected by the shareholders annually and serve for a term of one year
- 71 percent of the Board is composed of non-executive and independent directors
- None of the independent directors own more than two percent of the outstanding capital stock
- The profile of each director can be found in the Board of Directors section of this report on page 33.

We ensure an independent minority representation in the Board and the exercise by minority shareholders of their rights, including the right to cumulative voting in the election of directors and appraisal right.

### INDEPENDENT DIRECTORS

The Board is currently composed



of seven members, including three independent directors who make up more than 40 percent of the Board's membership: Xavier P. Loinaz, Antonio Jose U. Periquet, and Ramon R. Del Rosario, Jr.

Aside from their fees and shareholdings, independent directors have no interest or relationship with the company that may hinder their independence from the company or management, or that could reasonably be perceived to interfere with their exercise of independent judgment in carrying out their responsibilities as directors.

Ayala has set a term limit of nine years for its independent directors in accordance with the rules set by the SEC. As of 2017, none of the independent directors have served the company for more than nine years, reckoning from 2012, in compliance with SEC Memorandum Circular No. 9, series of 2011.

Moreover, none of the directors or senior management have worked for Ayala's external auditing firm within the three years immediately preceding the date of their election or appointment.

The non-executive and independent directors met on April 21, 2017 without the presence of the executive directors and management. The meeting was chaired by the Lead Independent Director, Xavier P. Loinaz. Discussions during the meeting revolved around cascading the role of the non-executive directors under the Code of Corporate Governance for Publicly-Listed Companies. The directors also exchanged ideas on management succession and retirement issues, the identification of potential female nominees to the Board, technology and/or cyber risk security issues, the performance of the company's share price, and the quality of the company's partnerships. The Corporate Secretary also informed the directors that, at the time, Ayala Corporation was preparing to comply with the requirements of the Data Privacy Act.

#### **CHAIRMAN AND VICE CHAIRMAN**

(102-23)

The Chairman of the Board is Jaime Augusto Zobel de Ayala, who assumed the position in 2006. Fernando Zobel de Ayala has held the position of Co-Vice Chairman since 1994, and has been the sole Vice Chairman since 2006.

The positions of Chairman of the Board and CEO are 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, enables the Board to maintain independent reviews and quality discussions at meetings.

#### **LEAD INDEPENDENT DIRECTOR**

Xavier P. Loinaz was appointed Lead Independent Director by the Board at its organizational meeting held on April 21, 2017. His role includes, among others, acting as an intermediate between the Chairman of the Board and the other Directors, if and when needed; convening and chairing the periodic meetings of the non-executive directors with the external auditor and heads of internal audit, compliance and risk management, as needed; and contributing to the performance evaluation of the Chairman of the Board.

#### **BOARD PERFORMANCE** (102-28)

The Board is committed to fulfilling its duties and responsibilities and dedicates ample time for their meetings. The presence of at least two-thirds of the number of directors, as fixed in the Articles of Incorporation, constitutes a quorum for the transaction of business.

The annual calendar of activities for the Board and Committees are established and approved at the start of the year. To effectively perform their roles and responsibilities, the Board is supported by the Corporate Secretary who monitors the calendar for the Board and Committees and ensures that the materials are made available at least five working days in advance of the scheduled

meeting, enabling them to make informed decisions. In addition to the company's and group's performance, the Board agenda includes reports on emerging risks; updates on sustainability, business, and the regulatory environment; and reports of the different Board Committees. This provides the Board with critical information on key issues; current trends, challenges and opportunities in the industries in which the Ayala group is present; and developments that may have a significant impact on the group.

Discussions during Board meetings are open, with independent views given due consideration. In accordance with 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.

Each fiscal year, the Board meets at least six times, with the schedule of Board meetings determined before the start of each financial year. All the directors recorded perfect attendance for all Board meetings in 2017. Refer to page 198 for specific details on attendance.

In line with the guidelines in conducting performance assessments, each year, the Board conducts a review to evaluate the performance of the Board, its Committees, and its individual members; 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. 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 were compiled by the Compliance Officer and were reported and discussed during the June 22, 2017 Board meeting immediately following the completion of the survey.

### **CORPORATE SECRETARY**

As the Corporate Secretary, Atty. Solomon M. Hermosura plays an important role in supporting the Board in the fulfillment of its responsibilities. Among his responsibilities are: 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. He is knowledgeable on legal and regulatory requirements and has kept well-informed on relevant developments by taking on a part-time role in teaching graduating law students; appearing as a speaker in various public fora; and taking executive development programs such as the Comparative Tax Policy and Administration Program from the Harvard Kennedy School in 2016. Atty. Hermosura was also recognized as “Company Secretary of the Year,” “among Asia’s best,” by Corporate Governance Asia in November 2014.

### **TRAINING OF DIRECTORS** (102-27)

Ayala ensures that it provides its directors with updates on current trends and relevant training. The company allocates an annual training budget for its directors and encourages them to attend continuing professional development programs and other applicable courses, conferences, and seminars. All new directors must undergo an orientation program on the company’s business and structure, 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.

All directors and senior management met the SEC requirement to undergo corporate governance training annually, through their attendance in training administered by either the Institute of Corporate Directors, or SGV & Co., both accredited training providers of the SEC.

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 our corporate governance structures, and acts as a continuing education program for the Board, CEOs, and senior management. In August 2017, the group held its summit with the theme of “Right to Privacy and Obligation to Transparency.” Its goal was to provide an overview of the changes in the Philippine regulatory landscape, particularly surrounding

data and information, and apprise participants of the movement towards greater transparency in both government and the private sector.

Ayala has also sponsored the ICD’s Distinguished Corporate Governance Speaker Series for the past four years, in support of the ICD’s advocacy to promote professional directorship in line with global principles. The series brings together the world’s foremost thinkers and corporate governance practitioners in a forum to help Philippine corporate directors add value to their boards.

### **DIRECTOR COMPENSATION**

The Personnel and Compensation Committee has the responsibility to recommend to the Board remuneration packages for directors, ensuring that compensation is consistent with the company’s culture, strategy, and control environment, and aligned with



*National Privacy Commissioner Raymund Liboro confers with Chairman and CEO Jaime Augusto Zobel de Ayala at the 2017 Ayala CGRM Summit.*



*The CGRM Summit is a platform through which the group’s Board of Directors and executives can keep abreast of trends and best practices in governance.*

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.

On April 21, 2017, upon the recommendation of the Committee, the Board approved a resolution fixing the current remuneration of non-executive directors. The power of fixing the fees was delegated by the stockholders to the Board during the annual stockholders' meeting in 2011 and is as provided for in the amended by-laws.

Non-executive and independent directors are Board members who are not officers of the company. They receive remuneration consisting of: 1) an annual retainer fee of ₱3,000,000; 2) a per diem of ₱200,000 for each Board meeting attended; and 3) a per diem of ₱100,000 per Committee meeting attended.

None of the non-executive and independent directors have been compensated by Ayala for services other than those provided as a director. They are not entitled to stock options and performance bonuses from the company.

As executive directors, Jaime Augusto Zobel de Ayala and Fernando Zobel de Ayala do not receive remuneration for attending Board meetings.



*The Distinguished Corporate Governance Speaker Series allows global practitioners and thought leaders to share their insights and experiences with Philippine corporate directors.*

In 2017, the following directors received gross remuneration as follows:

Director	Gross Remuneration
Yoshio Amano	900,000.00
Delfin L. Lazaro	5,600,000.00
Xavier P. Loinaz	4,950,000.00
Keiichi Matsunaga*	4,700,000.00
Antonio Jose U. Periquet	5,850,000.00
Ramon R. Del Rosario, Jr.	5,450,000.00
<b>TOTAL</b>	<b>27,450,000.00</b>

*\*Mr. Keiichi Matsunaga was elected to be a member of the Board, replacing Mr. Yoshio Amano, on April 21, 2017*



*An economic briefing is held every year to apprise employees and executives of the domestic, regional, and global economic outlook.*



## BOARD COMMITTEES (102-22)

The Board has created the following committees to assist in exercising its authority and responsibilities, and to aid in good governance:

	Executive Committee	Finance Committee	Corporate Governance and Nomination Committee	Audit Committee	Risk Management and Related Party Transactions Committee	Personnel and Compensation Committee	Committee of Inspectors of Proxies and Ballots***
Jaime Augusto Zobel de Ayala	C	M					
Fernando Zobel de Ayala	M	M					
Keiichi Matsunaga*	M			M	M	M	
Ramon R. Del Rosario, Jr.**			C	M	M	C	
Delfin L. Lazaro*		C				M	
Xavier P. Loinaz**			M	C			
Antonio Jose U. Periquet**		M	M		C		
Solomon M. Hermosura							C
Catherine H. Ang							M
Josephine G. De Asis							M

C - Chairman  
M - Member

\*Non-executive Director

\*\*Independent Director

\*\*\*May not be members of the Board of Directors

The Nomination Committee was renamed "Corporate Governance and Nomination Committee" in May 2017 to expand its role and assist the Board in the performance of its corporate governance responsibilities.

Board Committees are established to provide focus on specific Board functions and assist the Board in the optimal performance of its roles and responsibilities. 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's website.

### Executive Committee

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

The Committee reviewed and approved the following transactions in 2017:

- Renewal and Amendment of Administrative Support and Services Agreement between the

Corporation and Manila Water Company, Inc.

- Additional Capital Infusion into AC Infrastructure Holdings Corp. and Disbursement of Funds for MCX's Capital Expenditures, as well as AC Ventures Holding Corp. and its Initial Investments
- Partial In-Kind Redemption of Arran Investments Pte. Ltd.'s Redeemable Preferred Shares in Liontide Holdings, Inc.
- Actions Relating to the Code of Corporate Governance for Publicly Listed Companies
- Reduction of Investment in Bestfull Holdings Ltd.
- Issuance of Up to US\$400 Million Guaranteed Undated Notes by AYC Finance Limited
- Sale of Shares Held as Available-For-Sale
- Execution of Amended and Restated Equity Support Documents for AC Energy's GNPD Expansion
- Obtention of Confidential Credit Rating from S&P Global Ratings
- Engagement of SWIFT's Services
- Additional Capital Allocation for AC Education, Inc.'s Project Gamma
- Investment in AC Infra for Logistics Business

### Finance Committee

The Finance Committee oversees,

reviews, and evaluates the financial affairs of the company.

The Committee approved various transactions in 2017:

- Additional Equity Infusions and Advances to Wholly-owned Subsidiaries of the Company
- Allocation and Use of the ₱2 Billion General Investment Fund
- Issuance of Fixed-For-Life Bond of up to US\$400 Million
- Sale of Shares Held as Available-For-Sale
- Availment of Credit Facilities and Authorized Counterparties for Peso Yield Enhancer/Investment Products
- Exercise of Right of First Refusal over Renewable Energy Test Center Shares
- Capital Allocation for Ayala Education, Inc., AC Education, Inc., AC Industrial Technology Holdings, Inc., and AC Energy Holdings, Inc.
- ₱30 Billion Shelf Registration
- Availment of a Revolving USD Credit Facility from Bank of China
- Bilateral Fixed Term Loan Facility from UnionBank of the Philippines
- Peso Yield Enhancers or Investment Products

The Finance Committee had 10 meetings in 2017. Refer to page 198 for details on attendance.

## **Corporate Governance and Nomination Committee** (102-24)

The Corporate Governance and Nomination Committee is appointed by the Board. This 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.

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.

The Committee's accomplishments in 2017 were:

- The review of the qualifications of all persons nominated to positions requiring appointment by the Board
- The approval of the final list of nominees for directors for election at the 2017 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 and Revised Manual of Corporate Governance, as well as the rules of the SEC
- The approval of the revision of Committee Charter and additional functions as the reconstituted

## Corporate Governance and Nomination Committee

The Corporate Governance and Nomination Committee is composed of three members, all of whom are independent directors, including the chairman. The Committee had three meetings in 2017, during which the Chairman and members were all present. Refer to page 198 for details on attendance.

### **Audit Committee**

To assist the Board in fulfilling its responsibilities, 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.

As part of its function, the Audit Committee conducts a review on the work performed and reports provided by both internal and external auditors. Based on the assurance gathered from the auditors as a result of their 2017 reviews, the Committee assessed the company's systems of internal controls, risk management, and governance processes to be adequate. The Committee also reports annually to the Board, describing how their responsibilities were discharged, as well as any other information required by law. Refer to the Audit Committee report on page 200 for the highlights of its 2017 activities.

The Audit Committee is composed of three members, the majority of whom are independent directors, including the chairman. At least one of the members possesses a background and expertise in accounting. The Committee had four meetings in 2017. Refer to page 199 for details on attendance.

### **Risk Management and Related Party Transactions Committee**

To assist the Board on risk governance processes, a board-level Risk Management and Related Party Transactions Committee was organized, which is responsible

for the 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. The Board also assigned the Committee 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 and its subsidiaries or affiliates and their shareholders.

During the financial year, the Committee reviewed and confirmed that the company's risk management processes are effective. The Committee also reviewed various material RPTs and ensured that all the transactions are at arm's length prior to endorsement to the Board for approval. The Committee also reports annually to the Board with descriptions on how it carried out its responsibilities. Refer to the Risk Management and RPT Committee report on page 201 for the highlights of its 2017 activities.

The Risk Management and RPT Committee is composed of three members, the majority of whom are independent directors, including the chairman. The Committee had three meetings in 2017, during which the Chairman and members were all present. Refer to page 199 for details on attendance.

### **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 directors for the work required, considering the company's size and scope.

The Committee's accomplishments in 2017 were:

- The approval of the performance bonus and merit increases of the company's employees
- The approval of the 2017 Employee Stock Ownership Plan

The Personnel and Compensation Committee is composed of three members, chaired by an independent director. The Committee had one meeting in 2017. Refer to page 199 for details on attendance.

### **Committee of Inspectors of Proxies and Ballots**

The Committee of Inspectors of Proxies and Ballots has the responsibility of ensuring that the validating process of the proxies and ballots is transparent, fair, and in accordance with applicable laws, regulations, and company policies.

The Committee's accomplishments in 2017 were:

- The validation and tabulation of the proxy votes received for the 2017 Annual Stockholders' Meeting
- The tabulation of the stockholders' votes for items taken up during the 2017 Annual Stockholders' Meeting

The Committee met twice during the year where the Chairman and the members were all present. Refer to page 199 for details on attendance.

## **MANAGEMENT**

### **ROLES AND RESPONSIBILITIES**

Management is accountable to the Board of Directors for the operations of the company and its performance. Furthermore, they:

- Define the company's business objectives and goals in concrete and specific terms
- Execute the Board-approved strategies for achieving these targets
- Inform the Board in a regular and timely manner about any issues concerning the company's strategy, risk management, and compliance

- Provide updates to the Board on the implementation of the company's strategy

The respective roles of the Chairman and CEO and the President and COO are complementary and ensure a strategic distribution of leadership functions with clearly defined accountabilities:

- The CEO takes the lead on company strategy, visioning, and developing business partnerships.
- The President and 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 Chairman and CEO and the President and COO are supported by management 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.

The Board, CEO, and senior leadership team are also supported by the Chief Legal Officer. Through his deep knowledge of the law and regulations, he acts as an advisor on a range of issues and strategies to minimize legal risks, and on legal matters and protocols that relate to their roles and the company's operations.

A culture of good governance is fostered throughout the organization, with the management and the Board equally responsible for ensuring that the mechanisms and structures for good governance are securely in place. The Chairman and CEO, the President and COO, and members of the management committees attend the annual stockholders' meetings.

### **SENIOR EXECUTIVE COMPENSATION**

Ayala provides market-competitive executive compensation and benefits, which are aligned to

corporate goals, annual targets, and long-term strategic plans. It also adopts a performance-based variable compensation scheme using the KRA scorecard accomplishments as metrics. In addition, Ayala provides a long-term incentive program for senior executives and key talents. 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 2017. The basis for grants is a consistent outstanding performance record over a period of three years. The grant price is based on the PSE volume weighted average price over 30-day trading days ending April 17, 2017.

### **MANAGEMENT COMMITTEES**

Management has created committees to ensure 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** (102-20)

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 204-206.

#### **Investment Committee**

The Investment Committee is composed of the Chairman and CEO, the President and COO, and key members of the company's



senior management. 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.

### **Ayala Corporation Management Committee**

The Ayala Corporation Management Committee includes the Chairman and CEO, the President and COO, and the five Group Heads. The Committee approves corporate, administrative, and organizational matters that pertain exclusively to the company, as well as group-wide affairs when relevant.

## **INTERNAL GOVERNANCE MECHANISMS**

### **STRATEGY FORMULATION AND EXECUTION**

Ayala utilizes an inclusive and iterative approach in crafting and executing a long-term strategic plan for the entire Ayala Group. As these plans are finalized, we also ensure that risk is managed appropriately using a robust risk management process. Refer to pages 52-55 for a discussion on Ayala's risk management mechanisms, and pages 56-58 for a discussion on the company's principal risks.

### **ACCOUNTABILITY AND AUDIT**

#### **External Auditors**

SGV & Co. is the external auditor of the company for the year 2017, with Lucy L. Chan as the lead engagement partner. During the Annual Stockholders' Meeting last April 21, 2017, the shareholders re-appointed SGV & Co. as the company's external auditor. The external auditor's 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 has the primary responsibility to recommend

the appointment and removal of the external auditor. The Audit Committee also oversees the work of the external auditors and ensures that they have unrestricted access to records, properties, and personnel to enable the performance of the required audit. The Audit Committee had an executive session with the external auditor in November 2017 without the presence of management.

All audit, audit-related, and permitted non-audit services rendered by the external auditor must be approved by the Audit Committee to ensure that the external auditor maintains the highest level of independence from the company, both in fact and appearance. Non-audit services expressly prohibited by regulations of the SEC are 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 and Co. for the years ended December 31, 2017 and 2016 amounted to ₱11.09 million and ₱17.04 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 2017 and 2016 are shown below:

*(Amount in millions of pesos)*

<b>External Auditor Fees</b>	<b>2017</b>	<b>2016</b>
Audit and Audit-Related Fees	₱10.97	₱15.85
Non-Audit Fees	0.12	1.19
<b>Grand Total</b>	<b>₱11.09</b>	<b>₱17.04</b>

*Audit and Audit-Related Fees include the audit of Ayala Corporation'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 2017 and 2016. This also includes 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 one-time, non-recurring special projects, consulting services and seminars.*

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.

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 adequacy and effectiveness of controls encompassing the company's governance, operations, and information systems, reliability and integrity of financial and operational information, safeguarding of assets, and compliance with laws, rules, and regulations. The Committee also ensures that audit resources are adequate and reasonably allocated to the areas of highest risk.

As of 2017, the audit team has an average of 12.4 years audit experience and an average of 7.5 years tenure in the company. The audit team has the following certifications and professional affiliations: certified public accountants, certified internal auditors, a certified risk management assurance practitioner, a certified foreign exchange professional, IT auditors, a crisis communication planner; certified in ISO 9001, ISO 22301, ISO 27001, IT Infrastructure Library, COBIT 5 (F), and Global Innovation Management Institute Level 1; and 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.

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. Synergy is also strengthened within the internal audit functions of the group, including its subsidiaries and affiliates, by sharing resources, knowledge, tools, and best practices through the Ayala Group Internal Auditors' Network Council, four AGIAN Circles, and AGIAN quarterly technical sessions. In November 2017, AGIAN also held its 2nd Chief Audit Executive Forum and 19th Annual Conference with the theme "The Future is Now. Internal Audit and the New Reality" to further strengthen collaboration among internal auditors and increase their awareness on digital disruption and business model transformation.

To equip the internal auditors with the required auditing skills during the conduct of their reviews, the company provides continuing training and development programs, from specific job skills to long-term professional development.

#### CHIEF COMPLIANCE OFFICER

As Ayala's Compliance Officer, Atty. Solomon M. Hermosura:

- Ensures the proper onboarding of new directors and the attendance of Board members and key officers to relevant trainings
- Monitors, reviews, evaluates, and ensures compliance by the company, its officers and directors with relevant laws, the Code of Corporate Governance for Publicly Listed Companies, and relevant rules and regulations, as well as all governance issuances of regulatory agencies
- Reports to the Board if violations are found and recommends the imposition of appropriate

- disciplinary action
- Ensures the integrity and accuracy of all documentary submissions to regulators
- Identifies and manages compliance risks
- Ensures that the company adheres to sound corporate governance and best practices
- Issues an annual Integrated Annual Corporate Governance Report that is duly signed under oath by the Chairman, Chief Executive Officer, or President, all independent directors, the Compliance Officer, and the Corporate Secretary
- Facilitates a yearly performance assessment of the Board, Board Committees, and individual members of the Board using a formal self-rating system
- Performs other such duties and responsibilities as may be provided for by the SEC

On April 27, 2017, Atty. Hermosura participated as a panelist on Unity in Diversity: The Changing Role of the In-House Counsel and Legal Profession within an ASEAN Integration at the Asian Legal Business Philippine In-house Legal Summit.

There were no cross or pyramid shareholdings.

#### Accurate and Timely Disclosures

Ayala is committed to providing quality, accurate, and timely disclosures to regulators and the investing public, including information on the results of its operations and financial performance. There are procedures for internal reporting and ensuring that disclosures are promptly provided to the investing public on significant and market sensitive information that may affect their decisions. Ayala conducts investors' meetings and quarterly analysts' briefings, as well as press briefings, where the senior management discusses the results of the company's operations with investment and financial analysts. Refer to pages 172-175 for more details.

All relevant disclosures are filed in a timely manner with the SEC, Philippine Stock Exchange, and Philippine Dealing and Exchange Corporation. Policies and procedures are in place to make sure that Ayala consistently complies with disclosure requirements under the listing rules of the SEC, PSE, and PDEX.

## DISCLOSURE AND TRANSPARENCY

### Ownership Structure (102-5)

As of December 31, 2017, Ayala's outstanding common shares were held as follows:

	Outstanding Common Shares	% Ownership
Mermac, Inc.	296.3 million	47.68
PCD Nominee Corporation (Non-Filipino)*	168.2 million	27.07
PCD Nominee Corporation (Filipino)*	71.3 million	11.48
Mitsubishi Corporation	63.1 million	10.15
Others	22.5 million	3.62
<b>Total</b>	<b>621.4 million</b>	<b>100</b>

\*Out of the 239.5 million common shares registered under the name of PCD Nominee Corporation, 67.1 million or 10.81% are for the account of Deutsche Bank Manila while 60.96 million or 9.81% are for the account of Hongkong Shanghai Banking Corporation.

	Outstanding Shares	% Foreign Owned
Common Shares	621.3 million	
Voting Preferred Shares	200.0 million	
<b>Total Voting Shares</b>	<b>821.3 million</b>	<b>32.58</b>
Preferred B Series 1 Shares	20.0 million	
Preferred B Series 2 Shares	27.0 million	
<b>Total Outstanding Shares</b>	<b>868.3 million</b>	<b>30.83</b>

As a result of Ayala's continued efforts to provide timely and relevant information:

- On April 11, 2017, the Annual Report (SEC Form 17-A) together with the consolidated audited financial statements for 2016 were submitted to the SEC, within 120 days after year-end
- On February 06, 2017, the Notice of the Annual Stockholders' Meeting with a detailed explanation of the Agenda items was released to the SEC and PSE, 74 days ahead of the scheduled annual meeting on April 21, 2017
- On March 22 and 26, 2017, the audited financial statements as contained in the Definitive Information Statement were submitted to the SEC and PSE, respectively, 26 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 readily available through the company's website.

Refer to page 202 for the company's filings in 2017, including unstructured disclosures and clarifications of news reports.

### **Financial and Non-Financial Reports**

Through the Audit Committee, the Board has a responsibility to the shareholders to ensure the integrity of the company's consolidated financial statements and any financial information disclosed in the company's Integrated Report. These financial statements comply with the Philippine Financial Reporting Standards.

Both financial and non-financial performance indicators are disclosed and thoroughly discussed in the Integrated Report to help shareholders appreciate the company's various businesses and their impact on the company's

overall value creation. Refer to pages 40-43 and 72-74 of this report for the financial and non-financial performance indicators, respectively.

Ayala has an existing policy on Related Party Transactions. These are transactions between the company or any of its subsidiaries or affiliates and a related party which shall be subject to review and approval to ensure that they are at arm's length, fair, and will inure to the best interest of the company and its subsidiaries or affiliates and the shareholders. These transactions may include sales and purchases of goods and services to and from related parties that are concluded at normal commercial terms consistent with the principles of transparency and fairness. As per policy, the company or a related party or any of its subsidiaries or affiliates, as the case may be, shall disclose material RPTs to the Risk Management and RPT Committee for review and approval prior to entering into the transaction, unless it is considered as a pre-approved RPT. Material RPTs are transactions that meet the threshold values – ₱50 million or five percent of the total assets of either party, whichever is lower.

There were no RPTs classified as financial assistance to entities other than wholly-owned subsidiaries. There were also no cases of non-compliance with the laws, rules, and regulations pertaining to significant or material RPTs in the past three years. RPTs are discussed and quantified in the Notes to the Consolidated Financial Statements, which are made available on the company's website.

### **POLICY ON INSIDER TRADING**

Ayala adheres to zero tolerance for all unethical practices and is committed to complying with all relevant laws and standards.

To protect shareholders, the company 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 three full trading days had lapsed from the disclosure thereof.

### **Reporting of Transactions**

Guidelines for all directors, officers, employees and consultants on when to declare trades have been clearly established and implemented.

All directors and officers from Managing Directors and above, and the Comptroller, Chief Audit Executive, Chief Risk Officer, Treasurer, Corporate Secretary, and Assistant Corporate Secretary must report all acquisitions or disposals, or any changes in their shareholdings in the company within three trading days from the transaction date, two days earlier than the five-day disclosure requirement of the PSE. All other officers and employees must submit a quarterly report on their trades of company securities to the Compliance Officer.

Refer to page 203 for the directors' and officers' reported trades in Ayala Securities in 2017.

### **Trading Blackouts**

The Policy on Insider Trading provides that all directors, officers, consultants, and employees of the company who may have knowledge of material facts or changes in the affairs of Ayala that have not been disclosed to the public, and members of covered persons' immediate families are prohibited from trading in Ayala's shares during the trading blackout period commencing 10 trading days before and three trading days after the disclosure of quarterly and annual financial results. In addition, they are also required to submit annually a certification of compliance with the prohibition against trading during the blackout periods.

In 2017, notices of trading blackouts were disseminated and issued to all covered personnel via e-mail. Compliance was strictly enforced during these trading blackout periods and there have been no violations of the company's policy on insider trading in the past three years.



## STAKEHOLDER RELATIONS

Ayala aims to adhere to the highest possible level of moral benchmarks and fairness in dealing with shareholders, customers, employees, and business partners to constantly strengthen its foundation for long-term beneficial relationships.

### Shareholder 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 stock entitles the registered holder to one vote.

Since 2014, Ayala has provided an electronic voting platform to enable stockholders in absentia to execute their voting rights during the annual stockholders meeting. The company also provides non-controlling or minority shareholders the right to nominate candidates for board of directors.

### Shareholder and Investor Relations

It is the policy of the company to encourage active participation and regular dialogues with institutional and retail investors. Through Investor Relations, a unit under Finance, information requirements of the investing public and minority shareholders are fully disclosed to securities regulators on time.

Ayala continues to strengthen its investor relations framework. In 2017, the Investor Relations Unit organized the third Ayala Group Investor Relations Forum to keep management abreast of the best practices, global trends, and external perspectives on the evolving role of investor relations. It also engaged an external party to conduct an Investor Perceptions Audit to understand its strengths in investor communications and identify areas for improvement.

Please refer to pages 59-61 for further discussion on Ayala's relationships with its stakeholders.

## KEY PARTNERSHIPS

Ayala is among the oldest, largest, and leading conglomerates in the Philippines. The company has been building businesses that transform industries, challenging the status quo, and introducing innovations that contribute to the nation's social and economic agenda.

Ayala combines its over 180-years of experience in doing business in the country with its partners' expertise and strengths to grow its businesses. The company has interests in real estate, financial services, telecommunications, water, power, industrial technologies, infrastructure, e-commerce, healthcare and education. The company has also entered disruptive sectors through investments in e-commerce and fintech.

Ayala continues to explore dynamic and innovative business models, and introduce pioneering products and services across its businesses. The company strives to maintain mutually-beneficial relationships with its partners to generate value for its stakeholders.

## CODE OF CONDUCT AND ETHICS

(102-16)

The Board established a Code of Conduct and Ethics to guide all directors, officers, and employees in executing their roles and

responsibilities. The Code is anchored on the company's four core values: integrity, long-term vision, empowering leadership, and commitment to national development.

All the company's directors, officers and employees are expected to avoid situations of conflicts of interest or impropriety. The Code provides for the definition, guidelines, and procedures, including the reporting of any such circumstances involving conflict of interest.

On an annual basis, all directors, officers, and employees are required to report and disclose any business and family-related transactions to ensure that all 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. As the overall governing body, the Board ensures that all directors, officers, and employees of the company adhere to the Code.

## WHISTLEBLOWER POLICY

Empowered by a legacy built on integrity, Ayala established the Whistleblower Policy to encourage directors, officers, and employees and all suppliers, business partners, contractors and sub-contractors, and other third parties to report any perceived wrongdoing or



*The Annual Stockholders' Meeting is a venue for shareholders to learn about the company's achievements and strategic direction from its leadership.*

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.

The whistleblower may 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 and Sustainability.

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 2017, there were no incidents reported through the whistleblowing reporting channels.

#### **ANTI-CORRUPTION POLICY**

Ayala is committed to the highest standards of ethical conduct and has adopted a zero tolerance policy towards corruption and bribery in any form. 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. Seeking undue financial and material advantage from any transactions is strictly prohibited. The company has also set guidelines for dealing with gifts and gratuities to protect the integrity of its employees and its business interests. 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 company likewise strictly adheres to the provisions of the Anti-Money Laundering Law.

#### **DATA PRIVACY POLICY**

Ayala appointed its Data Protection Officer, Atty. Solomon M. Hermosura, and designated Compliance Officers for Privacy, Atty. Charlene Mae C. Tapic-Castro and Chris Angelica L. Bustonera, to support the company's commitment to protect and respect individual personal information in accordance with the Data Privacy Act of 2012.

The company implements reasonable and appropriate physical, technical, and organizational security measures to maintain the integrity and confidentiality of personal data, and protect these against natural and human dangers, such as accidental loss or destruction, unauthorized access, fraudulent misuse, and unlawful alteration. Inquiries or concerns regarding data privacy or data subjects' rights may be communicated to the Office of the Data Protection Officer through channels provided on the website.

#### **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](http://www.ayala.com.ph). As part of our stakeholder engagement, Ayala also maintains social media accounts at Facebook.com/AyalaCorporation and Twitter @Ayala\_1834. The Ayala Investor Relations mobile application also offer the investment community with a wealth of investor-related information on Ayala.

# ANNEXES



# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

(102-45)

Ayala Corporation recorded a net income of P30.3 billion in 2017, climbing 16 percent from the previous year on the back of robust double-digit growth of its real estate and power businesses.

## Consolidated Sales of Goods and Services

Sales of goods and services climbed 22 percent to P242.2 billion, on the back of higher sales in all housing, residential, and condominium units of Ayala Land; strong vehicle sales across AC Industrials' automotive brands; and the improved output of Integrated Micro-Electronics' automotive electronics and industrial segments, as well as the consolidation of its new subsidiary. In addition, higher service revenues from AC Energy, primarily from the consolidation of its new subsidiary and Retail Electricity Supply (RES) unit, as well as from IMI and Manila Water, contributed to this. The account stands at 91 percent of Ayala's total revenues for 2017.

## Real Estate

The resurgence of property sales combined with a solid leasing business drove Ayala Land's net earnings during the year, jumping 21 percent to P25.3 billion.

Revenues from property development, which includes residential and office-for-sale developments, as well as commercial lot sales, rose 24 percent to P96.4 billion on new bookings and project completion. Growth in

reservation sales bounced back to double-digit levels during the year at 13 percent, reaching P122 billion.

Commercial leasing revenues, meanwhile, grew 10 percent to P31 billion driven by new mall openings, stabilized occupancy of office spaces, and the improved performance of its hotels and resorts portfolio.

Ayala Land's strategy to rebalance its net income mix is increasingly taking shape. In terms of location, established estates (Makati, Nuvali, Bonifacio Global City, Alabang and Cebu) accounted for 54 percent, while new estates and growth centers made up for 46 percent of Ayala Land's net earnings in 2017. In terms of business line, Ayala Land's recurring income (mall and office leasing, hotels and resorts, and property management segments) accounted for 35 percent, while development income (property sales and construction) contributed 65 percent of Ayala Land's net income during the year.

Ayala Land spent P91.4 billion in capital expenditure during the year. It launched 28 residential projects amounting to P88.8 billion. In leasing, it opened five new malls with 189,000 in gross leasable area, and six new offices with 185,000 in gross leasable area. In addition, it opened six new hotel and resort facilities, adding 556 rooms to its portfolio in 2017.

## Water

Manila Water posted a muted net income growth of one percent to P6.2 billion as higher operating expenses and business development costs tempered topline growth during the year.

Revenues rose five percent to P18.5 billion, bolstered by strong revenue contributions from Laguna Water and Boracay Water, as well as higher supervision fees recognized by Estate Water balancing out flat revenue growth in the Manila Concession.

Operating expenses expanded 19 percent to P7.4 billion on higher overhead costs owing to Estate Water's expansion, business development costs, and a one-time write-off of uncollectible accounts in Laguna Water.

Manila Water posted higher billed volume across all its business lines, with the non-Manila Concession posting strong double-digit billed volume growth. This brought total billed volume to 738.7 million cubic meters, three percent higher year-on-year. In the Manila Concession, the two percent-increase in billed volume helped offset the impact of tariff reduction.

Manila Water continues to intensify its infrastructure build-up with a 48 percent expansion in capital expenditures. Last year, the Manila Concession completed the Marikina North Sewerage Treatment Plant, while the Pasig North and South

System Project is scheduled for completion in November 2019. Both projects have a capacity of 100 million liters per day.

Further, Manila Water received a notice of award from the City of Ilagan Water District to establish a joint venture for a bulk water supply and septage management company. Manila Water also received a notice of award from the Leyte Metropolitan Water District to establish a joint venture for a concession company. As part of its ongoing expansion in Southeast Asia, Manila Water is establishing a footprint in Thailand with the signing of a share purchase agreement in February to acquire an 18.72 percent stake in Eastern Water Resources Development and Management Public Company Limited, a publicly-listed water supply and distribution company in Thailand.

### **Industrial Technologies**

AC Industrials registered a net income of ₱1.2 billion, up four percent from its year-ago level, on the better performance of both its electronics manufacturing and vehicle retail units.

IMI's net earnings expanded 21 percent to US\$34 million on the back of solid revenue growth, which exceeded the US\$1 billion mark during the year. This topline growth was driven by contribution from recent acquisitions and sustained growth in the automotive and industrial markets.

Last February, IMI successfully completed its ₱4.998 billion rights offer with the issue of 350 million common shares to existing shareholders. AC Industrials, which previously held 50.6 percent of IMI's outstanding shares, subscribed to its proportionate share, as well as any unsubscribed rights shares. This raised its stake in IMI to 52 percent. Proceeds of the rights offer will be used to fund IMI's capital expenditure program and for debt refinancing.

Meanwhile, revenues from AC Automotive expanded 37 percent to ₱31.2 billion, boosted by strong sales across all brands—Honda, Isuzu, Volkswagen, and KTM.

AC Industrials continues to ramp up its portfolio in global and domestic industrial technologies by capitalizing on opportunities arising from disruptive technological shifts, changing industry landscapes, and increasing demand from end-users. Last month, AC Industrials acquired a controlling stake in Merlin Solar Technologies Inc., with an ownership interest of 78.2 percent after the close of the transaction and completion of other related activities. Merlin is an emerging company that is developing differentiated solar solutions resulting in products with high durability, flexibility, and increased solar power output, allowing for potentially innovative applications in areas with demanding environments, such as transportation

and infrastructure. Headquartered in San Jose, California, Merlin currently has additional manufacturing facilities in Thailand.

### **Power Generation**

AC Energy's net earnings jumped 31 percent to ₱3.5 billion in 2017, primarily driven by fresh equity earnings contribution from its geothermal platform, and boosted by solid contributions from its wind energy assets.

A strong wind regime bolstered the better performance of NorthWind and North Luzon Renewables during the year. Services income derived from the financial close of a new power plant likewise contributed to AC Energy's net earnings.

AC Energy continues to execute on its diversification strategy. Following the acquisition of Salak and Darajat Geothermal in Indonesia in early 2017, AC Energy is assembling a portfolio of renewable energy assets in Southeast Asia. It is developing a 75 megawatt wind project in Sidrap, Indonesia, which is expected to come online in the first quarter of 2018.

Last January, AC Energy, in partnership with BIM Group of Vietnam, agreed to jointly develop over 300 megawatts of solar power projects in Ninh Thuan province, Vietnam. The initial 30 megawatts of the solar project broke ground, with investment for this phase expected to reach 800 billion VND

(102-45)

and to be completed within the year. The solar project is envisioned to be expanded by an additional 300 megawatts.

Similarly, AC Energy is boosting its conventional energy portfolio. Last December, the project financing for the second unit of its 2 x 668 MW super-critical coal fired power plant in Bataan, GNPowr Dinginin, achieved financial close. AC Energy has approximately 50 percent economic stake in the project, which has an estimated cost of US\$1.7 billion. The project will support the increasing electricity demand of Luzon and Visayas. Construction of the first unit is well underway, and is targeted for commercial operations by 2019, with the second unit scheduled for completion by 2020.

#### **Share of Profit of Associates and Joint Ventures**

Share of profits of associates and joint ventures reached P18.5 billion, up two percent, primarily on the steady increase of equity earnings from investees of Ayala Land and AC Energy, and the better performance of BPI. This was partially offset by a slight decline in share in earnings from Globe.

#### **Banking**

Bank of the Philippine Islands recorded a net income of P22.4 billion, up 1.7 percent from its year-ago level, as the absence of one-off gains tempered strong growth in its core banking business during the year. Excluding one-off gains from the sale of securities in 2016, net income grew 31 percent in 2017.

Total revenues rose seven percent to P71 billion as net interest income expanded 13 percent to P48 billion driven by asset growth and improvement in net interest margin. Non-interest income, meanwhile, dropped five percent to P22.9 billion on the absence of significant trading

gains registered in 2016. This was partially offset by the bank's higher fee-based income, which grew 16 percent to P19.9 billion, lifted by higher credit card fees, trust and investment management fees, insurance fees, bank commissions, and service charges.

BPI continues to be a leader in profitability metrics, with cost-to-income ratio at 54.3 percent, slightly higher from the 52.5 percent posted a year ago, mainly driven by its digitalization initiatives.

Total loans jumped 16 percent to P1.2 trillion, boosted by corporate loans. Asset quality improved with the gross 90-day non-performing loans ratio declining from 1.46 percent to 1.29 percent and reserve cover ratio increasing from 119 percent to 129 percent.

Last year, BPI announced the creation of a business banking segment, a new client group focused on the banking needs of the country's small and medium scale enterprises. It also raised a record P12.2 billion from its offering of long-term negotiable certificates of time deposit, the largest issuance by far in the industry.

Last January, the bank announced a stock rights offering of up to P50 billion to support its strategic initiatives, including the strengthening of its market-leading businesses and core franchises through the expansion of lending activities across consumer, SME, and microfinance segments to capture positive momentum in the domestic economy. In addition, the stock rights offer will strengthen BPI's capital base as it pursues its growth strategy in the medium term. Ayala has signified its participation in the rights offering.

#### **Telecom**

Globe Telecom's net earnings

dropped five percent to P15.1 billion in 2017 due to higher operating expenses and depreciation charges as a result of increased investments in its data network.

Topline growth, however, remains strong, with service revenues reaching P127.9 billion during the year, up six percent year-on-year. This was fueled by sustained demand for data-related products. Mobile revenues grew seven percent to P98.5 billion. Globe's mobile subscriber base reached 60.7 million at the end of 2017, three percent lower from a year ago. The decline in the cumulative mobile subscriber base was a result of the change in reporting Globe's prepaid subscribers in 2017, which excluded prepaid subscribers who do not reload within 90 days of the second expiry period. Mobile data continues to drive Globe's total mobile revenues, accounting for 44 percent from 38 percent a year ago.

Globe's home broadband segment posted a seven percent increase in revenues to P15.6 billion in 2017. Total home broadband subscribers climbed 15 percent to 1.3 million year-on-year, putting Globe on track with its target to provide internet service to two million homes by 2020. Corporate data business increased four percent from a year ago to P10.3 billion owing to strong demand for data-driven solutions by corporates.

Globe's consolidated EBITDA improved seven percent to P53.3 billion, while EBITDA margin stood at 42 percent from 41 percent in the previous year.

Globe spent around P42.5 billion in capital expenditure in 2017 to support its continuous network infrastructure enhancement. It launched new products to enable the Filipino digital lifestyle,

including Mynt's rollout of the GCash scan-to-pay system in malls, fast food chains, major retailers, and convenience stores.

### Other Income (Charges)

Other income surged 66 percent to P20.9 billion in 2017, as compared to P12.6 billion in the previous year. This was largely attributed to income from higher rehabilitation works of Manila Water; the reversal of impairment provision for a real estate property and higher management and marketing fees of Ayala Land; commission fees of AC Energy; and gains on disposal of certain investments of AG Holdings. Other charges which pertain to rehabilitation works consequently increased in 2017.

### Costs and Expenses

Consolidated cost of sales for the year stood at P175.7 billion, a 24 percent increase, brought about by higher sales from the real estate segment, particularly in lots and residential units, AC Industrials' electronic manufacturing and automotive retail businesses, and stronger service revenues of the energy group.

Consolidated general and administrative expenses rose 20 percent to P25.2 billion. This was a result of combined increments in the groups expenses, particularly from Ayala Land's contracted services, professional fees, taxes, retirement, and trainings; the parent's, AC Energy's, and Manila Water's manpower, insurance costs, depreciation expenses, as well as Manila Water's AR provisions; AC Industrials' automotive business' marketing and promotional expenses, and IMI's manpower costs and professional and management fees. This also includes the impact of consolidation of IMI and AC Energy's new subsidiaries.

### Balance Sheet Highlights

Ayala's balance sheet remains at a healthy level, allowing it to continue supporting its investments and meet its debt and dividend obligations.

Investments in associates and joint ventures rose to P202.6 billion, as a result of new investments made by AC Energy, AC Ventures, and Ayala Land. The parent's share in net earnings from BPI and Globe, as well as existing investees of Ayala Land, Manila Water, AC Energy, and AC Infrastructure, also contributed to growth, tempered in part by Bestfull's disposal of certain investments.

Investments in property jumped 24 percent to P137.7 billion through the real estate unit's expansion projects in malls, office properties, and select land development. Meanwhile, investments in property and equipment recorded a 33 percent increase to P85.4 billion. This was lifted by AC Energy's construction of power plants for GNP Kauswagan, Ayala Land's capex for hotels and resorts, IMI's new capital spending for its Europe and Mexico sites, and Manila Water's expansion projects. The impact from the consolidation of AC Energy's and IMI's new subsidiaries also factored in this account's growth.

At the end of 2017, total debt at the consolidated level stood at P350.6 billion, a 19 percent increase from the December 2016 level of P295.9 billion. This was due to capital-raising exercises by the parent, AYC, and Ayala Land, as well as borrowings for expansion projects of the real estate, energy, and water segments. Total assets crossed the P1 trillion mark in 2017.

Cash at the parent level reached P18.6 billion, while net debt stood at P64.7 billion. Net debt-to-equity ratio was 0.68 at the consolidated level, and 0.59 at the parent level. Ayala's

loan-to-value ratio, or the ratio of the parent net debt to the total value of its investments, was 6.4 percent as of end-December 2017.

### Outlook for 2018

2017 marked a year of stronger-than-expected, broad-based economic growth for the world, with a recovery in global trade, investment, and manufacturing. This is expected to continue in the short-term, though medium-term prospects are somewhat more muted. Asia continues to remain a bright spot in the global economy.

The Philippines continues to grow at a healthy pace. Already-robust domestic consumption is expected to increase further, supported by the passage of the first package of the government's tax reform program. Some pockets of uncertainty remain, particularly in external and internal policy that may affect trade, and the local business and investment climate. As such, the group will continue to monitor relevant global and domestic macroeconomic indicators that may have an effect on its businesses.

Ayala remains overall positive about the macroeconomic environment and its prospects for growth as it continues to execute on its five-year growth strategy through 2020.

Ayala maintains a healthy balance sheet with access to various funding options to meet requirements. A robust risk management system allows the company to maximize opportunities for reinvention, and navigate the challenges faced by its business units.



# MATERIALITY (102-46, 102-47, 102-49)

MATERIAL FACTORS	RELATED GRI TOPICS	SPECIFIC TOPICS	REPORTING COMPANIES	WHY IT IS MATERIAL	GRI DISCLOSURES
<b>E C O N O M I C</b>					
Economic Performance	201:Economic Performance	Economic value generated, distributed and retained	All companies	This is our direct contribution to Philippine economy and to our stakeholders.	201-1
Business Resilience to Climate Change	201:Economic Performance	Climate proofing of infrastructure	Globe	Resilience of our infrastructure is important for business continuity.	201-2
Impact of use of products or services	203: Indirect Economic Impact	Increase in income or productivity of communities, enterprises and companies served	Globe, BPI, IMI, Ayala Land, AC Infra	As an indirect contribution to the Philippine economy, our products and services help promote the growth of other businesses.	203-1, 203-2
Jobs supported in the supply chain	204: Procurement Practices	Indirect hires	All companies except AC Ventures	Managing our supply chain is integral to business continuity.	102-8
		Spending on local suppliers	Globe, Globe, Manila Water, AC Energy (NLR, Montesol, SLTEC, North Wind)		204-1
		Supplier assessment and accreditation	Globe, Ayala Land, IMI, Manila Water		308-2, 414-2
Foreign and Indirect Investments	203: Indirect Economic Impact	Acquisitions	Manila Water, IMI, AC Ventures, AC Industrials, AC Health, AC Health, AC Energy, AC Infra, BPI, Globe	Expansion of our portfolio allows us to diversify, enter new markets and industries, and increase our sources of revenue.	203-2
		CAPEX	All companies		
Impact to the vulnerable sector	203: Indirect Economic Impact	Affordable education and healthcare	AC Education, AC Health	We innovate on products and services to make them more available especially for the low-income segments.	203-2
<b>E N V I R O N M E N T A L</b>					
Energy as Business	302: Energy	Power generation from thermal and renewable sources	AC Energy	Through our energy business, we invest in power generation to cater to the region's energy demand.	N/A
Energy as Consumption	302: Energy	Electricity consumption within the organization	All companies except AC Ventures	Energy, in the form of electricity and fuel, is used to run our operations.	302-1
		Electricity consumption outside the organization	Ayala Land		302-2
		Fuel consumption within the organization	Ayala Land, BPI, Globe, Manila Water, IMI (Philippines only), AC Infra, AC Energy, AC Automotive		302-1
		Fuel consumption outside the organization	BPI, AC Automotive, AC Energy (SLTEC)		302-2
		Energy intensity	All companies except AC Ventures		302-3
		Reduction of energy consumption	Ayala Land, BPI, AC Infra (MCX), AC Education (APEC), IMI		302-4
Greenhouse gases	305: Emissions	Scope 1	Ayala Land, BPI, Globe, Manila Water, IMI, AC Infra, AC Energy, AC Automotive	This is a by-product of our business operations. Managing and reducing GHG emissions helps us move towards a low-carbon economy.	305-1
		Scope 1 Intensity			305-4
		Scope 2	All companies except AC Ventures		305-2
		Scope 2 Intensity			305-4
		Scope 3	AC Automotive, Ayala Land, BPI, Globe, Manila Water, IMI, AC Energy		305-3

MATERIAL FACTORS	RELATED GRI TOPICS	SPECIFIC TOPICS	REPORTING COMPANIES	WHY IT IS MATERIAL	GRI DISCLOSURES
<b>E N V I R O N M E N T A L</b>					
Water as Business	303: Water	Water distribution	Manila Water	As a business activity, water is abstracted from nature, and is treated and distributed to our customers.	N/A
		Used water treatment	Manila Water		306-1
		Water abstraction	Manila Water		303-1
Water as Consumption	303: Water	Water consumption	Ayala Land, IMI (Philippines only), BPI, Globe, AC Energy (SLTEC), AC Education, AC Automotive, AC Health	Water is used in our business operations as natural capital for industrial and office consumption.	303-1
		Water intensity			N/A
		Water recycled and reused	AC Energy (SLTEC)		303-3
Ecosystems and Biodiversity	304: Biodiversity	Biodiversity	AC Energy (NLR), Ayala Land	Some of our operations are located near areas rich in biodiversity. Protecting flora and fauna is a form of environmental stewardship, and their presence in our sites is an indicator of good environmental management.	304-1, 304-4
		Watershed management	Manila Water		304-1, 304-3
		Tree planting	All companies		304-3
Resource Efficiency	301: Materials 306: Effluents and Waste 308: Supplier Environmental Assessment	Construction materials	Ayala Land	The materials we use in developing communities and the wastes we generate in our operations pose significant environmental impacts. We create efforts to manage them efficiently.	301-1
		Hazardous wastes	Manila Water, Ayala Land, AC Infra (LRMC), AC Automotive, IMI, Globe		306-2, 306-4
		Non-hazardous wastes	Ayala Land, Globe, IMI (Philippines only), AC Education, AC Energy (SLTEC)		306-2
		Recycling and landfill diversion	IMI, Globe		306-2
		Effluents	AC Energy (SLTEC), AC Automotive		306-1, 306-5
		Supplier environmental assessment	IMI, Ayala Land, Manila Water		308-1
<b>S O C I A L</b>					
Employee Engagement	401: Employment	Total employee headcount	All companies except AC Ventures	Our businesses create meaningful and gainful jobs.	102-8
		New hires and turnover	All companies except AC Ventures		401-1
		Parental leave	All companies except AC Ventures		401-3
		Indirect hires	All companies except AC Ventures		102-8
		Employee engagement	All companies		102-43
		Collective bargaining agreements	Ayala Land, Manila Water, BPI, Globe		102-41, 407-1
Occupational Health and Safety	403: Occupational Health and Safety	Types of injuries	All companies except Ayala Corporation, BPI, AC Infra and AC Ventures	A healthy workforce and a safe working environment are integral in the daily operation of our businesses.	403-2
Training and Development	404: Training and Education	Training hours and training programs	All companies except AC Ventures	The sustainability of our businesses are directly related to the knowledge and skills of our employees.	404-1, 404-2
Diversity, Equal Opportunity & Anti-Discrimination	405: Diversity and Equal Opportunity 406: Non-discrimination	Breakdown of employees by age, gender and rank	All companies except AC Ventures	A highly engaged, diverse, and talented workforce enables us to continue and expand our operations.	405-1
		Non-discrimination	All companies		406-1
Workplace Conditions	408: Child Labor 409: Forced or Compulsory Labor 414: Supplier Social Assessment	Child labor	All companies	Our businesses comply with labor standards.	408-1, 414-2
		Forced or compulsory labor	All companies		409-1, 414-2
Customer Management	102: General Disclosure	Customer satisfaction performance	Ayala Land, Globe, Manila Water, IMI (Philippines only), AC Automotive, HXC, AC Health	Customer satisfaction indicates quality of our products and services, and drives customer loyalty and revenue growth.	102-43
Security Practices and Privacy	410: Security Practices 418: Customer Privacy	Security practices	Ayala Land, BPI, AC Infra (MCX)	We aim to ensure the safety of individuals within our business scope against external dangers. We also comply to the Data Privacy Act.	410-1
		Data privacy policies	Globe, BPI, Ayala Foundation		418-1
Community Relationship	413: Local Communities	Sustainable livelihood programs	Ayala Foundation	We strongly believe in the need to play an active part in national development.	413-1

# TABLE OF RESTATEMENTS (102-48, 102-49)

GRI Disclosure	Item	Year	Figure in 2016 <IR>	Figure in 2017 <IR>
201-1	Economic Value Generated	2015	378,908.65	362,123.09
201-1	Economic Value Generated	2016	421,406.15	402,338.02
201-1	Economic Value Distributed (Operating Cost)	2015	172,499.62	171,274.96
201-1	Economic Value Distributed (Operating Cost)	2016	190,795.76	191,682.98
201-1	Economic Value Distributed (Payment to the Employees)	2015	37,871.02	37,738.00
201-1	Economic Value Distributed (Payment to Employees)	2016	39,806.80	39,870.51
201-1	Economic Value Distributed (Payment to Providers of Capital)	2015	49,318.13	49,695.86
201-1	Economic Value Distributed (Payment to Providers of Capital)	2016	54,671.22	55,138.44
201-1	Economic Value Distributed (Payment to Government)	2015	33,863.74	33,881.21
201-1	Economic Value Distributed (Payment to Government)	2016	34,279.30	34,302.27
201-1	Economic Value Distributed (Payment to Communities)	2015	287.46	287.86
201-1	Economic Value Distributed (Payment to Communities)	2016	221.22	221.46
302-1	Diesel	2015	20,175,881.84	20,066,478.56
302-1	Diesel	2016	19,275,044.83	19,321,868.45
302-1	Gasoline	2015	3,112,322.56	3,234,395.22
302-1	Gasoline	2016	3,971,726.70	4,218,825.01
302-1	Electricity Consumption	2015	1,274,759,927.62	1,306,681,320.67
302-1	Electricity Consumption	2016	1,081,476,389.87	985,605,142.47
303-1	Water Consumption	2015	10,679,071.77	12,553,618.62
303-1	Water Consumption	2016	12,279,403.33	11,358,780.21
305-1	GHG Emission Scope 1	2015	720,731.97	715,410.97
305-1	GHG Emission Scope 1	2016	1,730,435.75	1,728,161.47
305-2	GHG Emission Scope 2	2015	753,948.95	753,660.05
305-2	GHG Emission Scope 2	2016	647,498.25	675,593.28
305-3	GHG Emission Scope 3	2015	14,745.82	14,384.82
306-2	Hazardous Waste (Batteries)	2015	62,318.00	62,508.00
306-2	Hazardous Waste (Batteries)	2016	246,717.00	184,176.0
306-2	Hazardous Waste (E-waste)	2015	148,192.63	49,880.7
306-2	Hazardous Waste (Total)	2015	230,550.34	1,207,789.62
306-2	Hazardous Waste (Total)	2016	413,665.38	1,624,907.3
401-1	New Hires	2015	12,226.00	12,307.00
401-1	New Hires	2016	15,235.00	15,271.00
401-1	Turnover	2015	11,497.00	11,550.00
401-1	Turnover	2016	11,939.00	11,980.00
102-7	Total number of employees	2016	48,996.00	48,753.00
102-8	Total number of employees - male	2016	20,695.00	20,456.00
102-8	Total number of employees - female	2016	28,301.00	28,297.00
102-8	Total number of employees - below 30 years old	2016	19,698.00	19,650.00
102-8	Total number of employees -30 to 50 years old	2016	25,902.00	25,720.00
102-8	Total number of employees - over 50 years old	2016	3,396.00	3,383.00
102-8	Total number of employees - rank and file	2016	32,815.00	32,646.00
102-8	Total number of employees - middle management	2016	13,676.00	13,615.00
102-8	Total number of employees - senior management	2016	1,410.00	1,397.00
404-1	Average training hours	2016	18.22	17.43
404-1	Average training hours - rank and file	2016	14.97	14.73
404-1	Average training hours - middle management	2016	25.81	25.62
404-1	Average training hours - senior management	2016	15.83	14.43
404-1	Average training hours	2015	16.61	16.47
404-1	Average training hours - rank and file	2015	14.31	14.09
404-1	Average training hours - middle management	2015	25.97	25.72
404-1	Average training hours - senior management	2015	13.02	11.60
	Billed Volume	2016	553.42	550.23
	Net Electricity Generated	2016	6,179,604,813.00	5,992,622,789.00
	CO2e Avoided	2015	125,670.14	126,025.28
	CO2e Avoided	2016	164,067.62	160,475.99

Unit	Page	Reason
Million peso	75, 187	Updated figures from IMI and BPI, exclusion of LiveIT, and inclusion of HCX and AffinityX
Million peso	76, 187	Updated figures from IMI , AC Health, BPI, exclusion of LiveIT, and inclusion of HCX and AffinityX
Million peso	187	Updated figures from BPI, exclusion of LiveIT, and inclusion of HCX and AffinityX
Million peso	187	Updated figures from AC Health, BPI, exclusion of LiveIT, and inclusion of HCX and AffinityX
Million peso	188	Exclusion of LiveIT and inclusion of HCX and AffinityX
Million peso	188	Exclusion of LiveIT and inclusion of HCX and AffinityX
Million peso	188	Exclusion of LiveIT and inclusion of AffinityX
Million peso	188	Exclusion of LiveIT and inclusion of AffinityX
Million peso	188	Exclusion of LiveIT and inclusion of HCX and AffinityX
Million peso	188	Exclusion of LiveIT and inclusion of HCX and AffinityX
Million peso	188	Exclusion of LiveIT and inclusion of AffinityX
Million peso	188	Inclusion of HCX and AffinityX
Liters	182	Updated figures from AC Automotive
Liters	182	Updated figures from AC Infra and AC Automotive
Liters	182	Updated figures from AC Automotive and inclusion of Ayala Land unleaded gasoline
Liters	182	Updated figures from AC Automotive and AC Infra and inclusion of Ayala Land unleaded gasoline
Kilowatt-hours	98, 182	Updated figures from Ayala Land
Kilowatt-hours	98, 182	Updated figures from Ayala Land, Manila Water, and Globe
Cubic meters	103, 181	Inclusion of water treated from Balayan Bay for process use of AC Energy (SLTEC) and updated figures from Ayala Land
Cubic meters	103, 181	Inclusion of water treated from Balayan Bay for process use of AC Energy (SLTEC) and updated figures from Ayala Land and Globe
Tonnes of CO2e	99, 183	Updated figures from AC Energy (SLTEC)
Tonnes of CO2e	99, 183	Updated figures from AC Energy (SLTEC)
Tonnes of CO2e	99, 183	Updated figures from Ayala Land
Tonnes of CO2e	99, 183	Updated figures from AC Infra and AC Health and inclusion of HCX and AffinityX
Tonnes of CO2e	183	Updated figures from Manila Water
Kilograms	180	Updated figures from AC Automotive
Kilograms	180	Updated figures from AC Automotive and Globe and inclusion of Manila Water
Kilograms	180	Updated figures from Globe and inclusion of Manila Water and AC Infra
Kilograms	107, 180	Updated figures from AC Automotive, Globe and inclusion of Manila Water and AC Infra
Kilograms	107, 180	Updated figures from AC Automotive and Globe, inclusion of Manila Water and AC Infra, and addition of grease waste, asbestos-containing products, and other hazardous wastes
Head count	185	Inclusion of HCX
Head count	185	Inclusion of HCX
Head count	185	Inclusion of HCX
Head count	185	Inclusion of HCX
Head count	87, 184	Updated figures from AC Energy
Head count	87, 184	Updated figures from AC Energy
Head count	87, 184	Updated figures from AC Energy
Head count	87, 184	Updated figures from AC Energy
Head count	87, 184	Updated figures from AC Energy
Head count	87, 184	Updated figures from AC Energy
Head count	88, 185	Updated figures from AC Energy
Head count	88, 185	Updated figures from AC Energy
Head count	88, 185	Updated figures from AC Energy
Hours	86, 187	Updated figures from AC Energy
Hours	86, 186	Updated figures from AC Energy
Hours	86, 186	Updated figures from AC Energy
Hours	86, 186	Updated figures from AC Energy
Hours	86, 187	Restatement due to changes in total training hours
Hours	86, 186	Restatement due to changes in total training hours
Hours	86, 186	Restatement due to changes in total training hours
Hours	86, 186	Restatement due to changes in total training hours
Million cubic meter	101, 181	Updated figures from Manila Water (Laguna Water)
Kilowatt-hours	97, 183	Updated figures from AC Energy (GMCP and SLTEC)
Tonnes of CO2e	183	Updated figures from AC Energy (Northwind)
Tonnes of CO2e	183	Updated figures from AC Energy (Northwind and Montesol)



# PERFORMANCE INDICES

## MATERIALS AND WASTE

MATERIALS USED AND WEIGHT BY TYPE IN TONNES (301-1)	2015	2016	2017
Rebar/steel	188,160.0	253,928.0	165,625.0
Consumed cement	230,262.0	295,710.0	355,876.0
Intensity Rebars (Tonnes per million pesos revenue)	0.91	2.04	1.16
Intensity Consumed cement (Tonnes per million pesos revenue)	2.15	2.37	2.50

NON-HAZARDOUS WASTE GENERATED IN TONNES (306-2)	2015	2016	2017
Recyclables	2,428.5	6,638.6	4,915.0
Residual	10,361.9	16,560.7	17,022.5
Compostable and Food Waste	2,604.9	16,353.5	14,229.6
<b>Total</b>	<b>15,395.3</b>	<b>39,552.8</b>	<b>36,167.1</b>

RECYCLABLES IN TONNES	2015	2016	2017
Ayala Land	1,463.7	5,542.3	4,899.2
Globe	24.2	24.4	15.8
IMI (Philippines)	940.6	1,071.9	-
<b>Total</b>	<b>2,428.5</b>	<b>6,638.6</b>	<b>4,915.0</b>
Recyclable construction waste from Ayala Land in '000 cubic meters	3,439.6	165.9	644.3

RESIDUALS IN TONNES	2015	2016	2017
Ayala Land	10,167.2	16,359.9	16,867.0
Globe	172.0	178.9	155.5
IMI (Philippines)	22.7	21.9	-
<b>Total</b>	<b>10,361.9</b>	<b>16,560.7</b>	<b>17,022.5</b>
Residual construction waste from Ayala Land in '000 cubic meters	9,248.1	384.4	194.2

COMPOSTABLE AND FOOD IN TONNES	2015	2016	2017
Ayala Land	2,604.9	16,353.5	14,229.6

HAZARDOUS WASTE GENERATED BY TYPE IN KG (306-4)	2015	2016	2017
Batteries	62,508.0	184,176.0	160,400.6
E-waste	139,684.4	49,880.7	246,454.3
Organic solvent	28,548.0	18,755.8	19,178.0
Used oil	206,337.0	345,144.4	520,961.4
Grease-waste	8,848.5	5,115.0	12,263.0
Asbestos-containing products	-	-	21,800.0
Other hazardous wastes	126,197.8	604,717.8	807,613.2
<b>Total</b>	<b>572,123.6</b>	<b>1,207,789.6</b>	<b>1,788,670.5</b>

HAZARDOUS WASTE GENERATED BY COMPANY IN KG (306-4)	2015	2016	2017
Globe	193,086.0	198,786.6	361,313.9
IMI (Philippines)	171,831.3	207,267.4	588,628.1
IMI (Global Sites)	-	-	144,920.0
AC Automotive	207,206.3	319,610.6	430,153.0
AC Infra (LRMC)	-	4,285.0	1,379.9
Ayala Land	-	-	97,448.1
Manila Water	-	477,840.0	164,827.5
<b>Total</b>	<b>572,123.6</b>	<b>1,207,789.6</b>	<b>1,778,670.5</b>

BATTERIES IN KG	2015	2016	2017
Globe	58,926.0	167,360.0	116,298.0
IMI (Philippines)	994.0	858.0	1,720.0
AC Automotive	2,588.0	12,778.0	14,922.0
Ayala Land	-	-	19,927.1
Manila Water	-	3,180.0	7,533.5
<b>Total</b>	<b>62,508.0</b>	<b>184,176.0</b>	<b>160,400.6</b>

ELECTRONIC WASTE IN KG	2015	2016	2017
Globe	124,572.2	22,812.9	224,290.7
IMI (Philippines)	15,112.2	4,731.8	16,470.3
AC Infra (LRMC)	-	746.0	153.5
Ayala Land	-	-	4,399.8
Manila Water	-	21,590.0	1,140.0
<b>Total</b>	<b>139,684.4</b>	<b>49,880.7</b>	<b>246,454.3</b>

## WATER

USED OIL IN KG	2015	2016	2017
Globe	739.3	3,498.7	8,462.2
IMI (Philippines)	979.4	5,234.0	11,417.0
Ayala Auto	204,618.3	306,832.6	415,231.0
AC Infra (LRMC)	-	3,539.0	1,226.4
Ayala Land	-	-	20,494.8
Manila Water	-	26,040.0	64,130.0
<b>Total</b>	<b>206,337.0</b>	<b>345,144.4</b>	<b>520,961.4</b>

USED OIL IN LITERS	2015	2016	2017
Globe	844.0	3,994.0	9,660.0
IMI (Philippines)	1,118.0	5,974.9	13,033.1
Ayala Auto	233,582.5	350,265.5	474,008.0
AC Infra (LRMC)	-	4,040.0	1,400.0
Ayala Land	-	-	23,395.9
Manila Water	-	29,726.0	73,207.8
<b>Total</b>	<b>235,544.5</b>	<b>394,000.4</b>	<b>594,704.8</b>

ORGANIC SOLVENT / SPENT CHEMICALS IN KG	2015	2016	2017
IMI (Philippines)	28,548.0	18,755.8	19,018.0
Manila Water	-	-	160.0
<b>Total</b>	<b>28,548.0</b>	<b>18,755.8</b>	<b>19,178.0</b>

GREASE WASTE IN KG	2015	2016	2017
Globe	8,848.5	5,115.0	12,263.0

BUSTED FLUORESCENT LAMPS IN KG	2015	2016	2017
Ayala Land	-	-	52,626.5
IMI	-	-	300.0
Manila Water	-	2,670.0	16,564.0
<b>Total</b>	<b>-</b>	<b>2,670.0</b>	<b>69,490.4</b>

ASBESTOS-CONTAINING PRODUCTS	2015	2016	2017
Manila Water	-	-	21,800.0

OTHER WASTES	2015	2016	2017
Manila Water	-	424,360.0	53,500.0
IMI (Philippines)	126,197.8	177,687.8	539,702.8
IMI (Global)	-	-	144,920.0
<b>Total</b>	<b>126,197.8</b>	<b>602,047.8</b>	<b>738,122.8</b>

WATER CONSUMPTION FROM WATER UTILITIES IN CUBIC METERS (303-1)	2015	2016	2017
Ayala Land	11,089,483.4	9,834,866.1	12,868,284.2
IMI (Philippines)	711,495.8	823,334.1	900,845.0
BPI	423,013.1	414,902.2	387,087.1
Globe	216,309.4	125,340.8	104,129.9
AC Energy (SLTEC)	113,317.0	160,337.0	161,499.0
AC Education	-	-	43,933.0
AC Automotive	-	-	38,818.0
AC Health	-	-	21,179.1
<b>Total</b>	<b>12,553,618.6</b>	<b>11,358,780.2</b>	<b>14,525,775.4</b>
Water Intensity (cubic meters/ million pesos revenue)	36.60	29.58	28.12
Water Productivity (million pesos revenue/cubic meters)	0.03	0.03	0.04

WATER ABSTRACTION IN MILLION CUBIC METERS (303-1)	2015	2016	2017
Manila Water - from ground water	48.0	76.5	87.0
Manila Water - from surface water	536.2	576.7	595.2
<b>Total</b>	<b>584.2</b>	<b>653.2</b>	<b>682.3</b>
AC Energy (SLTEC) - Drawn from Balayan Bay and treated to be converted to Demineralized Water for process use in cubic meters	144,717.0	235,656.0	203,501.0

WATER SUPPLIED (BILLED VOLUME) IN MILLION CUBIC METERS	2015	2016	2017
Manila Concession (East Zone)	461.4	478.9	488.4
Boracay Water	4.3	4.9	5.5
Clark Water	12.8	13.4	14.5
Laguna Water	36.2	39.4	44.1
Cebu Water	8.1	11.6	13.0
Estate Water	-	2.1	4.5
<b>Total (Philippine Operations)</b>	<b>522.8</b>	<b>550.2</b>	<b>570.0</b>

USED WATER TREATED IN MILLION CUBIC METERS (306-1)	2015	2016	2017
Manila Concession (East Zone)	32.2	37.2	40.7
Boracay Water	2.1	2.1	2.5
Clark Water	6.2	6.3	6.9
Laguna Water	1.9	1.7	1.5
Estate Water	-	4.3	4.8
<b>Total (Philippine Operations)</b>	<b>42.4</b>	<b>51.5</b>	<b>56.4</b>

WASTEWATER TREATED IN CUBIC METERS (306-1)	2015	2016	2017
AC Energy (SLTEC) - Waste Water Treated for re-use as service water (303-3)	33,258.0	39,645.0	48,059.0
AC Automotive - through centralized water treatment in estates where offices are located	-	-	38,818.0
AC Energy (SLTEC) - Percent water recycled of total withdrawal (303-3)	23.0%	16.8%	23.6%

## ENERGY

<b>ENERGY CONSUMED WITHIN THE ORGANIZATION IN GIGAJOULES (302-1, 302-3)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Diesel	768,415.8	739,902.1	678,493.5
Gasoline	112,101.5	146,221.0	147,840.3
Sub-bituminous coal	6,774,994.0	17,339,968.0	22,437,639.0
Purchased electricity	4,704,052.8	3,548,178.5	4,623,469.7
Total direct energy consumption	12,359,564.1	21,774,269.6	27,887,442.4
Total Energy Intensity (GJ/ million pesos revenue)	32.60	51.13	53.98
Total Energy Productivity (million pesos revenue/GJ)	0.03	0.02	0.02

<b>DIESEL CONSUMPTION IN LITERS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Ayala Land	6,072,601.5	6,076,208.3	5,733,883.4
BPI	52,268.2	44,289.9	-
Globe	10,020,194.1	10,185,751.8	9,922,205.6
Manila Water	1,075,248.0	1,181,615.0	1,246,410.0
IMI (Philippines)	841,676.5	686,977.5	81,923.0
AC Infra	10,091.0	70,989.9	74,891.7
AC Energy	1,983,850.1	1,047,996.1	596,865.0
AC Automotive	10,549.2	28,040.0	62,059.9
<b>Total</b>	<b>20,066,478.6</b>	<b>19,321,868.5</b>	<b>17,718,238.6</b>

<b>ENERGY CONSUMPTION FROM DIESEL IN GIGA-JOULES</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Ayala Land	232,541.2	232,679.3	219,570.5
BPI	2,001.5	1,696.0	-
Globe	383,708.4	390,048.2	379,956.0
Manila Water	41,175.0	45,248.2	47,729.4
IMI (Philippines)	32,230.7	26,306.8	3,137.1
AC Infra	386.4	2,718.5	2,867.9
AC Energy	75,968.6	40,131.4	22,856.1
AC Automotive	404.0	1,073.7	2,376.5
<b>Total</b>	<b>768,415.8</b>	<b>739,902.1</b>	<b>678,493.5</b>

<b>GASOLINE CONSUMPTION IN LITERS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Ayala Land	135,068.0	186,948.0	213,392.9
Globe	2,832,388.3	3,616,301.0	3,656,970.6
Manila Water	74,603.0	190,795.7	130,613.0
IMI (Philippines)	14,232.8	17,050.9	10,842.0
AC Infra	175.5	2,310.9	2,933.2
AC Energy	1,970.0	2,579.6	8,660.0
AC Automotive	175,957.7	202,838.9	242,132.6
<b>Total</b>	<b>3,234,395.2</b>	<b>4,218,825.0</b>	<b>4,265,544.3</b>

<b>ENERGY CONSUMPTION FROM GASOLINE IN GIGA-JOULES</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Ayala Land	4,681.3	6,479.5	7,396.0
Globe	98,168.2	125,338.0	126,747.6
Manila Water	2,585.7	6,612.8	4,526.9
IMI (Philippines)	493.3	591.0	375.8
AC Infra	6.1	80.1	101.7
AC Energy	68.3	89.4	300.1
AC Automotive	6,098.5	7,030.2	8,392.1
<b>Total</b>	<b>112,101.5</b>	<b>146,221.0</b>	<b>147,840.3</b>

<b>ELECTRICITY/INDIRECT ENERGY IN KILOWATT-HOURS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Ayala Land (Inside)	-	339,881,038.6	374,007,590.6
Ayala Land (Inside + Outside)	663,218,940.7	-	-
BPI	52,873,390.8	52,566,069.4	48,832,505.6
Globe	384,584,462.6	332,980,770.6	482,360,321.0
Manila Water	135,331,000.0	156,800,000.0	173,500,000.0
IMI (Philippines)	50,398,915.0	50,355,209.3	73,141,952.0
IMI (Global sites)	-	-	71,207,957.0
AC Health	610,400.0	1,193,468.9	1,364,502.4
AC Automotive	6,573,212.6	7,062,238.9	7,418,881.0
AC Infra	10,208,182.0	42,660,890.0	49,460,939.0
AC Education	1,959,750.9	1,464,463.7	2,725,524.0
HCX	-	-	103,000.0
AffinityX	-	-	173,968.0
LiveIT	923,066.1	640,993.0	-
Total electricity / indirect energy consumption	1,306,681,320.7	985,605,142.5	1,284,297,140.7
Indirect Energy Intensity in GWh per million peso revenue	0.0034	0.0023	0.0025

<b>ELECTRICITY/INDIRECT ENERGY IN GIGAJOULES</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Ayala Land (Inside)	-	1,223,571.7	1,346,427.3
Ayala Land (Inside + Outside)	2,387,588.2	-	-
BPI	190,344.2	189,237.8	175,797.0
Globe	1,384,504.1	1,198,730.8	1,736,497.2
Manila Water	487,191.6	564,480.0	624,600.0
IMI (Philippines)	181,436.1	181,278.8	263,311.0
IMI (Global sites)	-	-	256,348.6
AC Health	2,197.4	4,296.5	4,912.2
AC Automotive	23,663.6	25,424.1	26,708.0
AC Infra	36,749.5	153,579.2	178,059.4
AC Education	7,055.1	5,272.1	9,811.9
HCX	-	-	370.8
AffinityX	-	-	626.3
LiveIT	3,323.0	2,307.6	-
Total electricity / indirect energy consumption in gigajoules	4,704,052.8	3,548,178.5	4,623,469.7

## EMISSIONS

ELECTRICITY CONSUMED OUTSIDE THE ORGANIZATION IN KILOWATT-HOURS (302-2)	2015	2016	2017
Ayala Land	8,918,624.6	388,869,075.2	410,507,701.4

ENERGY GENERATED FROM THERMAL SOURCES IN GIGAWATT-HOURS (302-1)	2015	2016	2017
GMCP	3,391.1	4,081.3	4,287.5
SLTEC	689.5	1,569.2	1,854.4
<b>Total</b>	<b>4,080.6</b>	<b>5,650.5</b>	<b>6,141.9</b>

ENERGY GENERATED FROM RENEWABLE SOURCES IN GIGAWATT-HOURS (302-1)	2015	2016	2017
NLR (Wind)	181.2	212.9	259.4
Northwind (Wind)	95.7	107.6	126.6
Montesol (Solar)	-	21.6	24.3
<b>Total</b>	<b>276.9</b>	<b>342.1</b>	<b>410.3</b>

CO2 AVOIDED IN TONNES CO2E	2015	2016	2017
NLR (Wind)	100,315.1	117,853.1	143,554.0
Northwind (Wind)	25,710.2	30,669.1	37,990.4
Montesol (Solar)	-	11,953.8	14,679.7
<b>Total</b>	<b>126,025.3</b>	<b>160,476.0</b>	<b>196,224.2</b>

ENERGY CONSUMED OUTSIDE THE ORGANIZATION IN GIGAJOULES (302-2)	2015	2016	2017
Ayala Land	32,107.0	1,399,928.7	1,477,827.7
BPI	32,150.0	29,476.1	27,676.7
AC Automotive	3,775.7	5,334.3	5,188.4
AC Energy (SLTEC)	922.1	3,457.8	5,590.9
<b>Total</b>	<b>68,954.8</b>	<b>1,438,197.0</b>	<b>1,516,283.7</b>

DIESEL CONSUMED OUTSIDE THE ORGANIZATION IN LITERS	2015	2016	2017
AC Automotive	98,598.7	139,301.0	135,489.8
AC Energy (SLTEC)	24,079.0	90,298.5	146,000.0
BPI	839,566.9	769,741.9	722,752.0
<b>Total</b>	<b>962,244.6</b>	<b>999,341.4</b>	<b>1,004,241.7</b>

GHG EMISSIONS IN TONNES CO2E SCOPE 1 DIRECT ENERGY EMISSIONS (305-1)	2015	2016	2017
Ayala Land	33,574.0	43,360.1	16,796.4
BPI	138.5	117.4	-
Globe	36,779.9	39,081.2	38,531.8
Manila Water	3,056.0	3,952.1	3,768.9
IMI (Philippines)	154.5	256.2	246.9
AC Infrastructure	27.5	48.1	147.0
AC Automotive	763.6	980.5	1,131.3
AC Energy	640,917.0	1,640,366.0	2,122,608.0
AC Energy (renewables)	(126,025.3)	(160,476.0)	(196,224.2)
<b>Total</b>	<b>715,411.0</b>	<b>1,728,161.5</b>	<b>2,183,230.2</b>
Scope 1 Intensity (305-4)	1.89	4.05	4.28

GHG EMISSIONS IN TONNES CO2E SCOPE 2 INDIRECT ENERGY EMISSIONS (305-2)	2015	2016	2017
Ayala Land (Inside)	-	197,214.3	210,931.0
Ayala Land (Inside + Outside)	357,885.0	-	-
BPI	36,459.0	36,247.1	28,700.6
Globe	216,345.9	251,047.8	271,458.8
Manila Water	100,633.0	112,851.0	112,423.8
IMI (Philippines)	30,400.6	30,374.3	44,119.2
IMI (Global sites)	-	-	63,454.2
AC Health	387.5	719.9	823.1
AC Automotive	3,644.1	3,886.5	4,444.5
AC Infrastructure	6,157.6	42,016.8	29,385.1
AC Education	1,182.1	883.4	1,644.0
HCX	65.0	109.4	62.1
AffinityX	172.3	118.9	104.9
LiveIT	565.2	352.3	-
<b>Total</b>	<b>753,660.1</b>	<b>675,593.3</b>	<b>767,551.5</b>
Scope 2 Intensity (305-4)	1.98	1.60	1.49

GHG EMISSIONS IN TONNES CO2E SCOPE 3 OTHER INDIRECT EMISSIONS (305-3)	2015	2016	2017
Ayala Land (From sold residential properties and common areas in malls and offices)	5,379.7	248,406.5	266,780.1
BPI	2,250.2	2,063.1	1,958.7
Globe	2,247.4	1,893.7	1,610.4
Manila Water	1,126.0	1,765.0	1,652.8
IMI (Philippines)	2,188.4	2,097.3	-
AC Energy	1,193.1	2,047.8	2,672.2
AC Automotive	267.2	377.5	367.2
<b>Total</b>	<b>14,652.0</b>	<b>258,650.8</b>	<b>275,041.4</b>



## HR PERFORMANCE

TOTAL WORKFORCE									
BREAKDOWN OF PERMANENT AND FULL-TIME EMPLOYEES (102-7,102-8)	2015			2016			2017		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Ayala Corp	133	148	149						
Ayala Land	4,220	4,369	5,040						
BPI	14,647	15,201	17,036						
Globe	6,864	7,180	7,206						
Manila Water	1,555	1,753	2,022						
IMI	14,328	14,146	16,748						
AC Automotive	1,553	1,750	1,759						
Live It	3,131	574	-						
AffinityX	-	-	564						
HCX	-	114	113						
AC Energy	195	207	606						
AC Infra	1,281	1,492	1,553						
AC Education	750	1,095	1,297						
AC Healthcare	409	637	1,093						
AFI	89	87	78						
Group-wide Headcount	49,155	48,753	55,264						

GENDER DISTRIBUTION (102-8 405-1)	2015		2016		2017	
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
Ayala Corp	67	66	70	78	70	79
Ayala Land	2,155	2,065	2,128	2,241	2,461	2,579
BPI	4,392	10,255	4,514	10,687	5,214	11,822
Globe	3,620	3,244	3,806	3,374	3,860	3,346
Manila Water	1,013	542	1,120	633	1,250	772
IMI	5,320	9,008	5,581	8,565	6,261	9,011
AC Automotive	743	810	1,035	715	1,042	717
Live It	1,689	1,442	292	282	-	-
AffinityX	-	-	-	-	292	272
HCX	-	-	49	65	50	63
AC Energy	128	67	128	79	438	168
AC Infra	889	392	1,001	491	1,064	489
AC Education	292	458	432	663	481	816
AC Healthcare	186	223	270	367	606	487
AFI	31	58	30	57	27	51
Group-wide Headcount by Gender	20,525	28,630	20,456	28,297	23,116	30,672

AGE DISTRIBUTION (405-1)	2015			2016			2017		
	BELOW 30 YEARS OLD	30-50 YEARS OLD	OVER 50 YEARS OLD	BELOW 30 YEARS OLD	30-50 YEARS OLD	OVER 50 YEARS OLD	BELOW 30 YEARS OLD	30-50 YEARS OLD	OVER 50 YEARS OLD
Ayala Corp	13	62	58	19	70	59	16	76	57
Ayala Land	1,634	2,245	341	1,765	2,297	307	2,144	2,552	344
BPI	7,005	6,477	1,165	7,270	6,892	1,039	8,484	7,494	1,058
Globe	1,543	5,116	205	1,641	5,291	248	1,609	5,304	293
Manila Water	399	619	537	491	711	551	600	907	515
IMI	6,085	7,591	652	5,871	7,575	700	6,871	7,594	807
AC Automotive	681	807	65	842	828	80	863	800	96
Live It	1,789	1,218	124	379	191	4	-	-	-
AffinityX	-	-	-	-	-	-	379	181	4
HCX	-	-	-	62	50	2	52	59	2
AC Energy	93	88	14	91	107	9	197	359	50
AC Infra	192	878	211	288	981	223	383	959	211
AC Education	242	369	139	517	437	141	700	465	132
AC Healthcare	226	177	6	385	242	10	636	441	16
AFI	29	54	6	29	48	10	23	43	12
Group-wide Headcount by Age Group	19,931	25,701	3,523	19,650	25,720	3,383	22,957	27,234	3,597

DISTRIBUTION BY POSITION (405-1)	2015			2016			2017		
	RANK AND FILE	MIDDLE MANAGEMENT	SENIOR MANAGEMENT	RANK AND FILE	MIDDLE MANAGEMENT	SENIOR MANAGEMENT	RANK AND FILE	MIDDLE MANAGEMENT	SENIOR MANAGEMENT
Ayala Corp	51	57	25	56	66	26	54	71	24
Ayala Land	2,858	1,185	177	3,167	1,138	64	3,700	1,276	64
BPI	8,903	5,555	189	10,095	4,913	193	10,427	6,411	198
Globe	2,572	3,828	464	2,617	4,086	477	2,527	4,203	476
Manila Water	252	1,202	101	255	1,375	123	444	1,444	134
IMI	12,476	1,447	405	12,171	1,577	398	13,137	1,747	388
AC Automotive	1,418	96	39	1,591	112	47	1,588	128	43
Live It	922	151	17	506	62	6	-	-	-
AffinityX	-	-	-	-	-	-	491	67	6
HCX	-	-	-	70	42	2	69	42	2
AC Energy	65	107	23	143	52	12	278	278	50
AC Infra	1,200	51	30	1,384	71	37	1,091	397	65
AC Education	-	-	-	-	-	-	1,127	149	21
AC Healthcare	344	58	7	543	85	9	70	18	3
AFI	53	32	4	48	36	3	55	20	3
Group-wide Headcount by Position	31,114	13,769	1,481	32,646	13,615	1,397	35,058	16,251	1,477

TOTAL NEW EMPLOYEE HIRES (401-1)	2015	2016	2017
Ayala Corp	16	28	10
Ayala Land	902	848	1,199
BPI	1,751	3,630	3,652
Globe	1,286	1,009	753
Manila Water	178	133	414
IMI	6,177	7,512	849
AC Automotive	423	547	450
Live It	431	228	-
AffinityX	-	-	35
HCX	81	36	28
AC Energy	61	103	146
AC Infra	511	213	188
AC Education	274	697	228
AC Healthcare	197	271	23
AFI	19	16	16
Group-wide Total New Hires	12,307	15,271	7,991

TOTAL EMPLOYEE TURNOVER (401-1)	2015	2016	2017
Ayala Corp	12	13	8
Ayala Land	553	566	611
BPI	1,646	2,064	1,943
Globe	599	666	155
Manila Water	75	123	186
IMI	7,526	7,355	535
AC Automotive	443	397	309
Live It	304	200	-
AffinityX	-	-	35
HCX	53	41	31
AC Energy	46	112	58
AC Infra	16	101	69
AC Education	83	156	160
AC Healthcare	166	173	35
AFI	28	13	13
Group-wide Total Turnover	11,550	11,980	4,148

PERCENTAGE OF EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS (102-41)	2015	2016	2017
BPI	95%	84%	86%
Manila Water	-	10%	9%
Globe	3%	3%	4%
Ayala Land	5%	4%	-

TOTAL TRAINING HOURS (404-1)	2015			2016			2017		
	RANK AND FILE	MIDDLE MANAGEMENT	SENIOR MANAGEMENT	RANK AND FILE	MIDDLE MANAGEMENT	SENIOR MANAGEMENT	RANK AND FILE	MIDDLE MANAGEMENT	SENIOR MANAGEMENT
Ayala Corp	738	912	408	1,084	884	2	1,985	2,217	96
Ayala Land	70,394	29,254	2,856	67,981	35,599	1,311	89,275	39,725	3,337
BPI	246,744	150,304	1,464	286,533	129,680	1,800	250,360	90,848	1,136
Globe	46,468	96,324	5,564	45,156	121,772	9,656	30,884	91,953	1,765
Manila Water	1,564	39,531	3,365	2,350	31,311	2,350	2,351	38,735	2,768
IMI	6,438	8,902	2,666	11,141	18,901	3,260	413,766	92,487	18,980
AC Automotive	32,152	899	394	38,898	1,573	1,152	27,664	1,271	314
Live It	33,000	1,580	240	25,055	1,647	28	-	-	-
AffinityX	-	-	-	-	-	-	23,039	1,177	300
HCX	-	-	-	28	48	-	156	521	24
AC Energy	768	26,358	227	2,084	6,884	532	1,569	5,638	240
AC Infra	72	29	-	406	236	20	2,127	7,730	862
AC Education	-	-	-	-	-	-	32,187	4,065	1,354
AC Healthcare	-	-	-	-	-	-	2,844	1,416	72
AFI	-	-	-	309	215	48	1,027	554	57
Group-wide Total	438,338	354,092	17,184	481,023	348,748	20,157	879,234	378,337	31,304

AVERAGE TRAINING HOURS BY RANK (404-1)	2015			2016			2017		
	RANK AND FILE	MIDDLE MANAGEMENT	SENIOR MANAGEMENT	RANK AND FILE	MIDDLE MANAGEMENT	SENIOR MANAGEMENT	RANK AND FILE	MIDDLE MANAGEMENT	SENIOR MANAGEMENT
Ayala Corp	14.5	16.0	16.3	19.4	13.4	0.1	36.8	31.2	4.0
Ayala Land	24.6	24.7	16.1	21.5	31.3	20.5	24.1	31.1	52.1
BPI	27.7	27.1	7.7	28.4	26.4	9.3	24.0	14.2	5.7
Globe	18.1	25.2	12.0	17.3	29.8	20.2	12.2	21.9	3.7
Manila Water	6.2	32.9	33.3	9.2	22.8	19.1	5.3	26.8	20.7
IMI	0.5	6.2	6.6	0.9	12.0	8.2	31.5	52.9	48.9
AC Automotive	22.7	9.4	10.1	24.4	14.0	24.5	17.4	9.9	7.3
Live It	35.8	10.5	14.1	49.5	26.6	4.7	-	-	-
AffinityX	-	-	-	-	-	-	46.9	17.6	49.9
HCX	-	-	-	0.4	1.1	-	2.3	12.4	12.0
AC Energy	11.8	246.3	9.9	14.6	132.4	44.3	5.6	20.3	4.8
AC Infra	0.1	0.6	-	0.3	3.3	0.5	1.9	19.5	13.3
AC Education	-	-	-	-	-	-	28.6	27.3	64.5
AC Healthcare	-	-	-	-	-	-	40.6	78.7	24.0
AFI	-	-	-	6.4	6.0	15.8	18.7	27.7	19.0
Group-wide Average Training Hours by Rank	14.1	25.7	11.6	14.7	25.6	14.4	25.1	23.3	21.2

AVERAGE TRAINING HOURS (404-1)	2015	2016	2017
Ayala Corp	15.5	13.3	28.8
Ayala Land	24.3	24.0	26.3
BPI	27.2	27.5	20.1
Globe	21.6	24.6	17.3
Manila Water	28.6	20.5	21.7
IMI	1.3	2.4	31.4
AC Automotive	21.5	23.8	16.6
Live It	11.1	46.6	-
AffinityX	-	-	43.5
HCX	-	0.7	6.2
AC Energy	140.3	45.9	12.3
AC Infra	0.1	0.4	6.9
AC Education	-	-	29.0
AC Healthcare	-	-	4.0
Ayala Foundation	-	6.6	21.0
Group-wide Average Training Hours	16.5	17.4	23.3

PARENTAL LEAVE (401-3)	2017
Employees entitled to maternal leave	4,350
Employees entitled to paternal leave	4,241
Employees entitled to solo parent leave	30
Employees that availed maternal leave	176
Employees that availed paternal leave	132
Employees that availed solo parent leave	40
Employees that returned to work after maternal leave	158
Employees that returned to work after paternal leave	131
Employees that returned to work after solo parent leave	40
Employees that returned to work after maternal leave and still employed after 12 months	105
Employees that returned to work after paternal leave and still employed after 12 months	84
Employees that returned to work after solo parent leave and still employed after 12 months	28
Return to work rate after maternal leave	90%
Return to work rate after paternal leave	99%
Return to work rate after solo parent leave	100%
Retention rate after maternal leave	60%
Retention rate after paternal leave	64%
Retention rate after solo parent leave	70%

OCCUPATIONAL HEALTH AND SAFETY ILLNESSES (403-2)	2017
Headaches	654
First Aid Injury / Illness (FAI) inc. Minor Wounds	254
Musculoskeletal Strain	160
Hypertension, incl. Hyperlipidemia	110
Acute Upper Respiratory Infection	94
Medical Treatment Injury / Illness (MTI)	79
Colds / Sorethroat	46
Urinary Tract Infection	46
Diabetes Mellitus	42
Physical Injuries	38
Lost Time Injury / Illness (LTI)	17
Fatality	2
Other Illnesses	132

HEADCOUNT OF SUPPORT STAFF	2016	2017
Ayala Corp	-	53
Ayala Land	54,241	53,774
BPI	2,634	2,415
Globe	17,090	24,623
Manila Water	647	405
IMI	413	567
AC Automotive	-	698
AffinityX	14	19
HCX	11	11
AC Energy	308	820
AC Infra	91	162
AC Education	104	105
AC Healthcare	-	90
Ayala Foundation	64	68
<b>Total</b>	<b>75,617</b>	<b>83,810</b>

## ECONOMIC PERFORMANCE

ECONOMIC VALUE GENERATED AND DISTRIBUTED (201-1)			
ECONOMIC VALUE GENERATED - REVENUE IN MILLION PESOS	2015	2016	2017
ALI	107,182.94	124,628.80	142,297.00
BPI	59,359.00	66,551.00	71,020.00
Globe	120,545.37	126,436.00	137,550.40
MWC	17,277.78	17,971.21	20,019.73
IMI	36,963.97	39,993.39	55,028.26
AC Infra	2.26	0.74	6.83
AC Energy	38.50	960.92	2,215.64
AC Automotive	18,644.03	23,805.05	33,698.38
AC Healthcare	1.27	40.36	16.30
HCX	626.55	335.06	208.69
AffinityX	1,472.29	1,594.53	1,746.67
AC Education	9.13	20.97	34.96
AC Ventures	-	-	-
<b>Total</b>	<b>362,123.09</b>	<b>402,338.02</b>	<b>463,842.87</b>

PAYMENTS TO SUPPLIERS - OPERATING COSTS IN MILLION PESOS	2015	2016	2017
ALI	58,105.46	68,157.06	81,552.24
BPI	10,248.98	11,229.20	13,380.13
Globe	54,081.45	55,729.80	60,458.40
MWC	3,470.00	4,052.35	4,565.76
IMI	27,197.48	29,628.75	41,979.81
AC Infra	30.84	35.98	79.62
AC Energy	60.48	255.69	1,134.34
AC Automotive	17,651.33	21,985.31	31,148.60
AC Healthcare	9.60	89.00	82.45
HCX	3.86	3.28	6.93
AffinityX	409.46	484.55	562.21
AC Education	6.00	32.00	82.60
AC Ventures	-	-	4.60
<b>Total</b>	<b>171,274.96</b>	<b>191,682.98</b>	<b>235,037.69</b>



<b>PAYMENTS TO EMPLOYEES - WAGES AND BENEFITS IN MILLION PESOS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
ALI	4,943.55	5,458.79	4,969.21
BPI	12,295.73	13,266.30	13,652.65
Globe	9,764.17	10,109.60	12,236.30
MWC	2,118.45	1,924.02	2,084.55
IMI	6,763.17	6,971.61	9,319.86
AC Infra	21.62	26.45	24.81
AC Energy	24.84	51.71	115.00
AC Automotive	576.80	900.31	1,416.73
AC Healthcare	1.14	22.60	34.03
HCX	359.47	211.96	123.15
AffinityX	838.69	885.09	1,003.76
AC Education	30.37	42.07	47.05
AC Ventures	-	-	-
<b>Total</b>	<b>37,738.00</b>	<b>39,870.51</b>	<b>45,027.10</b>

<b>PAYMENTS TO PROVIDERS OF CAPITAL - DIVIDENDS AND INTEREST IN MILLION PESOS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
ALI	12,663.03	14,375.60	15,041.67
BPI	18,329.97	20,552.11	22,226.30
Globe	14,236.35	15,504.30	17,538.90
MWC	3,497.49	3,514.33	2,444.69
IMI	470.73	595.08	768.65
AC Infra	-	-	-
AC Energy	-	-	40.34
AC Automotive	88.85	112.47	144.81
AC Healthcare	-	-	-
HCX	-	-	-
AffinityX	409.46	484.55	33.10
AC Education	-	-	-
AC Ventures	-	-	-
<b>Total</b>	<b>49,695.86</b>	<b>55,138.44</b>	<b>58,238.45</b>

<b>PAYMENTS TO GOVERNMENT - TAXES IN MILLION PESOS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
ALI	9,537.44	11,200.97	13,146.88
BPI	11,978.32	12,115.17	13,578.03
Globe	8,162.11	7,209.10	8,020.10
MWC	2,852.76	2,981.09	2,878.52
IMI	451.72	515.85	682.25
AC Infra	17.47	14.06	18.34
AC Energy	232.03	69.89	167.86
AC Automotive	614.76	141.78	206.50
AC Healthcare	1.68	12.50	2.79
HCX	6.42	2.27	1.85
AffinityX	26.47	31.11	15.02
AC Education	0.02	8.46	0.37
AC Ventures	-	-	0.30
<b>Total</b>	<b>33,881.21</b>	<b>34,302.27</b>	<b>38,718.50</b>

<b>PAYMENTS TO COMMUNITIES IN MILLION PESOS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
ALI	126.02	84.83	42.67
BPI	103.34	109.20	87.21
Globe	5.94	-	5.00
MWC	51.67	26.67	31.84
IMI	0.50	0.50	0.65
AC Infra	-	0.03	-
AC Energy	-	-	-
AC Automotive	-	-	-
AC Healthcare	-	-	-
HCX	-	-	-
AffinityX	0.40	0.03	0.04
AC Education	-	0.22	0.20
AC Ventures	-	-	-
<b>Total</b>	<b>287.86</b>	<b>221.46</b>	<b>167.62</b>

<b>ECONOMIC VALUE GENERATED, DISTRIBUTED AND RETAINED (201-1)</b>			
<b>GROUP-WIDE ECONOMIC PERFORMANCE IN MILLION PESOS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Economic Value Generated	362,123.09	402,338.02	463,842.87
Payments to Suppliers - Operating Costs	171,274.96	191,682.98	235,037.69
Payments to Employees - Wages and Benefits	37,738.00	39,870.51	45,027.10
Payments to Providers of Capital - Dividends and Interests	49,695.86	55,138.44	58,238.45
Payments to Government - Taxes	33,881.21	34,302.27	38,718.50
Payments to Communities	287.86	221.46	167.62
<b>Economic Value Distributed</b>	<b>292,877.89</b>	<b>321,215.66</b>	<b>377,189.37</b>
<b>Economic Value Retained</b>	<b>69,245.20</b>	<b>81,122.37</b>	<b>86,653.50</b>

<b>AT THE PARENT COMPANY - AYALA CORPORATION IN MILLION PESOS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Economic Value Generated	193,759.79	217,610.27	259,656.58
Operating Costs	111,893.58	132,761.25	168,029.26
Employee Wages and Benefits	20,320.08	17,161.38	21,274.78
Payment to Providers of Capital	18,126.41	19,108.19	20,025.44
Payment to Government	44,959.85	44,528.39	50,492.09
Payment to Communities	608.51	406.72	254.89
<b>Economic Value Distributed</b>	<b>195,908.43</b>	<b>213,965.93</b>	<b>260,076.46</b>
<b>Economic Value Retained</b>	<b>(2,148.64)</b>	<b>3,644.34</b>	<b>(419.88)</b>

---

# INDEPENDENT ASSURANCE STATEMENT

---

## 2017 INTEGRATED REPORT OF AYALA CORPORATION

### Introduction

Ayala Corporation (“Ayala Corp.”) engaged DNV GL Business Assurance Philippines Branch (“DNV GL”), part of DNV GL Group to undertake independent assurance of sustainability/non-financial disclosures in Ayala Corp.’s 2017 Integrated Report (the “Report”) for the year ended 31st December 2017. This assurance engagement was planned and carried out using DNV GL’s assurance methodology VeriSustain<sup>TM1</sup> (Version 5.0) which is based on our professional experience, international assurance best practice including the International Standard on Assurance Engagement 3000 (ISAE3000) Revised<sup>2</sup> and the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

### Scope of Assurance

The scope of assurance included a review of sustainability disclosures and performance data from Ayala Corp. and its business units in the Philippines. The boundary of the Report for identified material topics and topic-specific disclosures are set out in ‘About this report’ section, the respective chapters and Materiality section. We evaluated the Report for adherence to the reporting principles for defining the sustainability report content as set forth in the GRI Standards and the guiding principles in the International <IR> Framework (“<IR> Framework”). We understand that the reported financial data and information are based on Ayala Corp.’s and respective business units’ financial statements, which are subject to a separate independent audit process. The review of financial data taken from the Financial statements is not within the scope of our work.

### Responsibilities of Ayala Corp. and of the assurance provider

The Board of Ayala Corp. has sole responsibility for the integrity of the Report. The responsibility includes designing, implementing, and maintaining internal controls over collection, analysis, aggregation and preparation, fair presentation of the information, and data that are free from material misstatement including maintenance of integrity of their website. In performing our assurance work, our responsibility is solely towards the management of Ayala Corp. in accordance with the terms of reference agreed on with Ayala Corp., however our statement represents our independent opinion and is intended to inform Ayala Corp.’s stakeholders. DNV GL’s responsibility is to form an independent conclusion, based on the procedures we have performed and the evidence we have obtained. DNV GL is responsible for planning and performing the engagement to obtain limited assurance about whether the selected information is free from material misstatement and meets the disclosure requirements.

### Basis of our opinion

To test the reliability of data and the robustness of the data aggregation process including related management approach for identified material topics, a multi-disciplinary team of sustainability and assurance specialists performed the work at Ayala Corp.’s headquarters (in Makati City) and its business units in the Philippines, from February to March 2018. As part of the verification, we planned and performed our work based on DNV GL’s Risk Based Approach to obtain the evidence that we considered necessary to provide a basis for our assurance opinion. Within the framework of our assessment, we performed the following procedures and other activities including;

---

<sup>1</sup> The VeriSustain protocol is available on request from [www.dnvgl.com](http://www.dnvgl.com).

<sup>2</sup> Assurance Engagements other than Audits or Reviews of Historical Financial Information

- conducted interview with data owners from Ayala Corp. and its business units including Ayala Land, Inc., Manila Water Company, Inc., Globe Telecom, Inc. and Integrated Micro-Electronics Inc., Bank of the Philippine Islands, AC Infrastructure Holdings Corporation, AC Automotive Holdings Corporation, AC Energy Holdings, Inc., AC Health, AC Education and Ayala Foundation to understand the key processes and controls for reporting business units' performance data;
- assessed the robustness of the underlying data and information flow and controls;
- performed data analysis using a risk-based approach and materiality; and
- challenged the sustainability-related disclosure, statements and claims;
- performed limited testing on a sampling basis of the selected information at corporate Headquarters, at business units' Headquarters and at facilities operated by business units to check that the selected environmental and social data had been properly measured, gathered, recorded, collated and reported.

We also performed the following activities to assess the adherence to reporting principles;

- interviewed senior managers and representatives responsible for sustainability management and made enquiries to determine their understanding of stakeholder engagement and materiality;
- reviewed the current sustainability issues that could affect Ayala Corp. and could be of interest of stakeholders.

## Conclusion

Based on the work undertaken, we provide a limited level of assurance over non-financial disclosure presented in Ayala Corp.'s 2017 Integrated Report i.e. nothing has come to our attention that causes us to believe that the reported data and information disclosed in the Report does not give a fair representation of Ayala Corp.'s related sustainability performance. Without affecting our assurance opinion, we also provide the following observations regarding the adherence to the reporting principles for defining the sustainability report content and for defining report quality as defined in the GRI Standards and the guiding principles in <IR> Framework;

### **Stakeholder Inclusiveness (GRI), Stakeholder relationships (<IR> Framework)**

Ayala Corp. has identified key internal and external stakeholder groups including Investors and Shareholders, Creditors, Investment Community, Government agencies and regulators, Employees, Customers, Industry Association, Media, Communities, NGOs and Civil Societies. Ayala Corp. engages with the stakeholders at the Conglomerate and business units levels through various channels to identify sustainability concerns and expectations. The Report discloses how Ayala Group engages with stakeholders, what are their concerns with relevant material topics and how Ayala Group responds.

### **Sustainability Context (GRI)**

The Report presents Ayala Corp.'s non-financial performance in the wide context of sustainability. Ayala Corp. commits to creating shared value and improving the impact on society and the environment in its Sustainability philosophy and updated 360° Sustainability framework. The Report explains how Ayala Corp. and its business units have created shared value with its core businesses and how various initiatives are aligned with achieving United Nations Sustainable Development Goals.

### **Materiality (GRI, <IR> Framework)**

Ayala Corp. established a materiality matrix in 2013 and has revisited its material topics in 2017 through group-wide materiality workshop and roadshows to business units. The Sustainability representatives from each Ayala business unit, together with senior management and data holders, participated in the workshop and roadshow to identify material topics and business outputs for Ayala Corp. and the a Group as well as to validate the list of material topics at the business unit level. A detailed materiality assessment process is addressed in the Report and Ayala Corp. provides a matrix of mapping material topics and enterprise risks in the materiality section of the Report.

### **Reliability and Completeness (GRI, <IR> Framework)**

The Report has fairly attempted to disclose material topics and relevant topic-specific disclosures. Ayala Corp. has selected, compiled and reported information in a relatively consistent manner. The presentation within the Report enables stakeholders to analyze changes in the sustainability performance over time. Data owners could demonstrate the origin and interpretation of the data in a reliable manner. The Report covers global sustainability disclosures of Ayala Group for the identified material topics.

#### **Strategic focus and future orientation (<IR> Framework)**

Risk description, potential impact, and corresponding control/mitigation measures addressed in 'Risk management' provides insight into Ayala group's strategy on risk management. The Report shows the value chain maps of each business unit with six (6) capitals, key activities in the value chain, outputs and targets. The Report also presents how its capitals are managed and its future strategy.

#### **Connectivity of information (<IR> Framework)**

The business models of Ayala Corp. and its business units describe the unique portfolio of businesses and the connection with the respective business units' roles and contribution to create the values in their unique value chain. Past and current capability of Ayala Corp. and its business units are presented in terms of six (6) capitals and performances. Narrative and quantitative information in the Report represents the Ayala Group's ability on creating values. The Report also provides the connection to references in relevant websites.

#### **Conciseness (<IR> Framework)**

Considering the principle of conciseness, infographics and graphs are appropriately used to convey information. The Report clearly addresses stakeholder engagement results and materiality of Ayala Corporation. Relevant information on sustainability performance and prospects are presented in a simple and succinct manner.

#### **Consistency and Comparability (GRI and <IR> Framework)**

Ayala Corp. has applied a consistent process to select, compile and report the selected information across the business units. The Report in general presents its performance over time so that the reader can analyse changes and compare the performances.

#### **Balance (GRI and <IR> Framework)**

In our opinion, the tone in the Report is generally neutral and with no obvious and deliberate intent to unduly influence the stakeholders.

#### **Accuracy (GRI)**

The data measurement techniques and basis for calculations have been duly described to us and can be replicated with same results. We have evaluated the accuracy of the selected data and information by sampling. Any errors or misstatements identified during the engagement were communicated for correction prior to the Report being published. Certain restatements are provided to changes in historical disclosure. Ayala Corp. has rolled out data collection portal which enables data collection process faster and easier and reduces risk of human error during collating, compiling and computing process, however some historical activity data provided by respective business units were found not accurate, which causes restatement of disclosures. Ayala Corp. together with its business units could establish robust internal check process to improve the quality and integrity of data. Any errors or misstatements identified during the assurance engagement were communicated for correction prior to the Report being published.

#### **Timeliness (GRI)**

Ayala Corp. is committed to disclose its sustainability performance on annual basis and this is the second Integrated Report from Ayala Corp. reporting its sustainability performance in the annual integrated report.

#### **Clarity (GRI)**



The information is presented in the Report in a simple and logical manner and consolidated non-financial data tables help to make the information understandable. All the information in this report will be made available to stakeholders through printed hard copies and pdf soft copies which will be made accessible through the Ayala Corporation website.

## Limitation

Our assurance relies on the premise that the data and information provided by Ayala Corp. to us as part of our review procedures have been provided in good faith and free from 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. The engagement excludes the sustainability management, performance and reporting practices of Ayala Corp.'s associated companies, suppliers, contractors and any third-parties mentioned in the Report. The company position statements, the statements for the management approach, and case studies and examples are excluded from the scope of our work. We did not interview external stakeholders as part of this assurance engagement. The reported disclosures related to Economic performances are based on the financial disclosures and data, which were cross-checked with internal documents and the audited consolidated financial statements. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied as per agreed scope of engagement. The baseline data for Environmental and Social performance are verified with samples randomly taken by and the aggregated data at the corporate level are used for the verification. The procedures performed in a limited assurance engagement vary in nature and timing, and are less 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. We expressly disclaim any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

## Statement of Competence and Independence

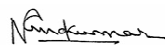
DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including 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 Conduct<sup>3</sup> during the assurance engagement and maintain independence where 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 statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the assurance process. DNV GL has provided assurance to Ayala Land, Inc., Globe Telecom, Inc and Manila Water which are business units of Ayala Corp. In our opinion, there is no conflict of interest in the assurance engagement provided to the business units. DNV GL did not provide any services to Ayala Corp. during 2017 that could compromise the independence or impartiality of our work.

For and on behalf of DNV GL Business Assurance AS Philippines Branch

6 April 2018 / Manila, Philippines



Seung Hyun Kwak  
Lead Assuror



Nandkumar Vadakepathh  
Assurance Reviewer  
Head – Regional Sustainability Operations  
Region India and Middle East  
DNV GL Business Assurance India Pvt. Ltd. India

DNV GL Business Assurance is a global provider of certification, verification, assurance, assessment and training services, helping customers to build sustainable business performance. [www.dnvgl.com](http://www.dnvgl.com)

<sup>3</sup> The DNV GL Code of Conduct is available from DNV GL website ([www.dnvgl.com](http://www.dnvgl.com))

# GRI CONTENT INDEX (102-55)

This report has been prepared in accordance with the GRI Standards: Core option

The GRI Content Index below indicates the reported disclosures, the location of information in this report, and reference pages to the independent assurance statement for relevant indicators.



## GRI 101: FOUNDATION 2016

### GENERAL DISCLOSURES

GRI Standard	Disclosure	Page number or direct answers
<b>GRI 102: General Disclosures 2016</b>	<b>Organizational Profile</b>	
	102-1	Name of the organization Ayala Corporation
	102-2	Activities, brands, products, and services 6-7
	102-3	Location of headquarters 6-7
	102-4	Location of operations 10-11
	102-5	Ownership and legal form 167
	102-6	Markets served 6-7,10-11
	102-7	Scale of the organization 86,184
	102-8	Information on employees and other workers 86,184
	102-9	Supply chain 82, Refer to Ayala Integrated Report 2016, p. 104
	102-10	Significant changes to the organization and its supply chain 76-77
	102-11	Precautionary Principle or approach 52-58
	102-12	External initiatives Founding Member of UN Global Compact Network Philippines
	102-13	Membership of associations Membership to other associations and advocacy organizations are held in a personal capacity by AC citizens.
	<b>Strategy</b>	
	102-14	Statement from senior decision-maker 20-31
	102-15	Key impacts, risks, and opportunities 52-58
	<b>Ethics and integrity</b>	
	102-16	Values, principles, standards, and norms of behavior 4,169
	<b>Governance</b>	
	102-18	Governance structure 158
	102-19	Delegating authority 52
	102-20	Executive-level responsibility for economic, environmental, and social topics 34, 165
	102-21	Consulting stakeholders on economic, environmental, and social topics 59-61
	102-22	Composition of the highest governance body and its committees 163
	102-23	Chair of the highest governance body 160
	102-24	Nominating and selecting the highest governance body 164
	102-27	Collective knowledge of highest governance body 161
	102-28	Evaluating the highest governance body's performance 160
	102-29	Identifying and managing economic, environmental, and social impacts 62-69
	102-30	Effectiveness of risk management processes 52
	102-31	Review of economic, environmental, and social topics 70-71
102-32	Highest governance body's role in sustainability reporting 3	

Stakeholder Engagement		
102-40	List of stakeholder groups	59-61
102-41	Collective bargaining agreements	88, 185
102-42	Identifying and selecting stakeholders	59-61
102-43	Approach to stakeholder engagement	59-61, 83, 94
102-44	Key topics and concerns raised	59-61
Reporting practice		
102-45	Entities included in the consolidated financial statements	172-175
102-46	Defining report content and topic Boundaries	176-177
102-47	List of material topics	176-177
102-48	Restatements of information	178-179
102-49	Changes in reporting	176-177, 178-179
102-50	Reporting period	2
102-51	Date of most recent report	2
102-52	Reporting cycle	2
102-53	Contact point for questions regarding the report	3
102-54	Claims of reporting in accordance with the GRI Standards	2
102-55	GRI content index	193-197
102-56	External assurance	2

## MATERIAL TOPICS

E C O N O M I C			
GRI Standard	Disclosure		Page number or direct answers
Economic Performance			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	176-177
	103-2	The management approach and its components	75,81-82,176-177
	103-3	Evaluation of the management approach	20-31
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	75-76, 187-188
	201-2	Financial implications and other risks and opportunities due to climate change	81
Indirect Economic Impacts			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	176-177
	103-2	The management approach and its components	77-81
	103-3	Evaluation of the management approach	Indirect economic impacts of Ayala Corporation have been increasing due to acquisitions of new companies, and growth of existing businesses in the group.
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	80-81
	203-2	Significant indirect economic impacts	77-78, 79-81
Procurement Practices			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	176-177
	103-2	The management approach and its components	82
	103-3	Evaluation of the management approach	IMI does not track the spending on local suppliers due to the diverse supply chain of its global sites. Data collection for this aspect is still being established by the companies. Globe and AC Energy are yet to track total procurement budget for all their sites.
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	82, Manila Water spent 99 percent of its total procurement budget to local suppliers.
E N V I R O N M E N T			
Materials			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	176-177
	103-2	The management approach and its components	106
	103-3	Evaluation of the management approach	106

GRI 301: Materials 2016	301-1	Materials used by weight or volume	106, 180
<b>Energy</b>			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	176-177
	103-2	The management approach and its components	97-99
	103-3	Evaluation of the management approach	Expanded operations and energy efficiency initiatives across the group led to only a minimal increase in energy consumption. Also, data collection for fuel consumption of IMI sites abroad is still being established.
GRI 302: Energy 2016	302-1	Energy consumption within the organization	98-99, 182-183, Electricity consumption was based on electric bills issued by distribution utilities. Fuel consumption was also based on receipts from fuel purchases for company-owned vehicles and equipment.
	302-2	Energy consumption outside of the organization	183, Electricity consumption was based on electric bills of tenants. Fuel consumption was also based on receipts from fuel purchases for outsourced vehicles and equipment.
	302-3	Energy intensity	98-99, 182
	302-4	Reduction of energy consumption	97-98
Ayala specific disclosures	Total power generated		96-97
	Total power generated from renewable energy sources		96-97
<b>Water</b>			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	103-105, 176-177
	103-2	The management approach and its components	103-105
	103-3	Evaluation of the management approach	103
GRI 303: Water 2016	303-1	Water withdrawal by source	103-105, 181
	303-2	Water sources significantly affected by withdrawal of water	103-105
	303-3	Water recycled and reused	181
Ayala specific disclosures	Volume of water delivered (billed volume)		101
	Water loss (non-revenue water)		102
<b>Biodiversity</b>			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	176-177
	103-2	The management approach and its components	104-105
	103-3	Evaluation of the management approach	105
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	105
	304-3	Habitats protected or restored	104-105
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	105
<b>Emissions</b>			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	99, 176-177
	103-2	The management approach and its components	99-101
	103-3	Evaluation of the management approach	100, Setting groupwide GHG targets is being explored.
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	99, 183, Standards used for the computation are based on the GHG Protocol Corporate Accounting and Reporting Standard. The gases reported include carbon dioxide, methane and nitrous oxide.
	305-2	Energy indirect (Scope 2) GHG emissions	99, 183, Standards used for the computation are based on the GHG Protocol Corporate Accounting and Reporting Standard. Location-based grid emission factors are based on the Department of Energy (Philippines) and Institute for Global Environmental Strategies (global sites). The gases reported include carbon dioxide, methane and nitrous oxide.
	305-3	Other indirect (Scope 3) GHG emissions	99, 183, Standards used for the computation are based on the GHG Protocol Corporate Accounting and Reporting Standard. Location-based grid emission factors are based on the Department of Energy (Philippines). The gases reported include carbon dioxide, methane and nitrous oxide.
	305-4	GHG emissions intensity	99, 183
	305-5	Reduction of GHG emissions	97-98
<b>Effluents and Waste</b>			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	176-177
	103-2	The management approach and its components	103, 106-107
	103-3	Evaluation of the management approach	All local companies are compliant with DENR laws on transportation and treatment of hazardous waste by hiring an accredited third party transporter and treater.
GRI 306: Effluents and Waste 2016	306-1	Water discharge by quality and destination	102-103, 181
	306-2	Waste by type and disposal method	106-108, 180-181
	306-4	Transport of hazardous waste	107-108, 180-181



Supplier Environmental Assessment			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	176-177
	103-2	The management approach and its components	82, 108, IMI does not track the number of suppliers due to the diverse supply chain of its global sites. Data collection for this aspect is still being established by the companies. Only the management approach and criteria is reported this year.
	103-3	Evaluation of the management approach	108, Environmental impacts in the supply chain were identified and managed accordingly.
GRI 308: Supplier Environmental Assessment 2016	308-2	Negative environmental impacts in the supply chain and actions taken	108
S O C I A L			
Employment			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	176-177
	103-2	The management approach and its components	83-84
	103-3	Evaluation of the management approach	83-84
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	86, 185
	401-3	Parental leave	187
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	176-177
	103-2	The management approach and its components	84-85
	103-3	Evaluation of the management approach	84-85
GRI 403: Occupational Health and Safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	84-85, 187
Training and Education			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	176-177
	103-2	The management approach and its components	85-86
	103-3	Evaluation of the management approach	85-86
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	86,186-187
	404-2	Programs for upgrading employee skills and transition assistance programs	85-86
Diversity and Equal Opportunity			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	176-177
	103-2	The management approach and its components	86-87
	103-3	Evaluation of the management approach	Male:female employee ratio has narrowed to 1:1.33 from 1:37 in 2016.
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	86-87, 184-185
Non-discrimination			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	176-177
	103-2	The management approach and its components	An Employee Development and Industrial Relations Policy can be viewed at <a href="http://www.ayala.com.ph">www.ayala.com.ph</a> . Moreover, non-discrimination is observed by the group.
	103-3	Evaluation of the management approach	Existing management approach is successful as no cases were filed against the Ayala group for discrimination in the workplace.
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	No incidents reported, no aspect of operations within our organization was identified to have existence of discrimination
Freedom of Association and Collective Bargaining			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	176-177
	103-2	The management approach and its components	88
	103-3	Evaluation of the management approach	Existing management approach is successful as no parts of operations and suppliers were found to be at risk of violating right to freedom of association and collective bargaining
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	No incidents reported, no aspect of operations within our organization and suppliers were found to be at risk of violating right to freedom of association and collective bargaining
Child Labor			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	176-177
	103-2	The management approach and its components	A Policy on Child Labor and Forced or Compulsory Labor can be viewed at <a href="http://www.ayala.com.ph">www.ayala.com.ph</a> . Moreover, the group ensures that child labor is non-existent in the companies and supply chain.
	103-3	Evaluation of the management approach	Existing management approach is successful as no cases were filed against the Ayala group for child labor in the workplace.

GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	No incidents reported, no aspect of operations within our organization was identified to have existence of child labor
<b>Forced or Compulsory Labor</b>			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	176-177
	103-2	The management approach and its components	A Policy on Child Labor and Forced or Compulsory Labor can be viewed at <a href="http://www.ayala.com.ph">www.ayala.com.ph</a> . Moreover, the group ensures that forced or compulsory labor is non-existent in the companies and supply chain.
	103-3	Evaluation of the management approach	Existing management approach is successful as no cases were filed against the Ayala group for forced or compulsory labor in the workplace.
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	No incidents reported, no aspect of operations within our organization was identified to have existence of forced or compulsory labor
<b>Security Practices</b>			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	176-177
	103-2	The management approach and its components	94-95
	103-3	Evaluation of the management approach	Management approach is successful as there were no reported cases of security personnel violation of human rights.
GRI 410: Security Practices 2016	410-1	Security personnel trained in human rights policies or procedures	All of our security personnel undergo trainings with topics touching on policies and procedures on human rights.
<b>Local Communities</b>			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	176-177
	103-2	The management approach and its components	95
	103-3	Evaluation of the management approach	95
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	95
<b>Supplier Social Assessment</b>			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	176-177
	103-2	The management approach and its components	82
	103-3	Evaluation of the management approach	Social impacts in the supply chain were identified and managed accordingly.
GRI 414: Supplier Social Assessment 2016	414-2	Negative social impacts in the supply chain and actions taken	There were no reported cases of negative social impacts in our companies' supply chain.
<b>Customer Privacy</b>			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	176-177
	103-2	The management approach and its components	95
	103-3	Evaluation of the management approach	Our Privacy policy can be viewed at <a href="http://ayala.com.ph/privacy-policy">ayala.com.ph/privacy-policy</a>
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	95, Ayala Corporation has not identified any substantiated complaints.

# BOARD, BOARD COMMITTEE MEETINGS, AND DIRECTORS' ATTENDANCE

## Board

Directors	Composition	No. of Meetings Attended/Held <sup>1</sup>	% Present
Jaime Augusto Zobel de Ayala	Chairman (ED)	7/7	100
Fernando Zobel de Ayala	Vice Chairman (ED)	7/7	100
Delfin L. Lazaro	Non-Executive Director (NED)	7/7	100
Xavier P. Loinaz	Independent Director (ID)	7/7	100
Ramon R. Del Rosario, Jr.	Independent Director (ID)	7/7	100
Antonio Jose U. Periquet	Independent Director (ID)	7/7	100
Yoshio Amano <sup>2</sup>	Non-Executive Director (NED)	3/3	100
Keiichi Matsunaga <sup>2</sup>	Non-Executive Director (NED)	4/4	100

## Finance Committee

Members	Designation	No. of Meetings Attended/Held	% Present
1 Delfin L. Lazaro	Chairman (NED)	10/10	100
2 Antonio Jose U. Periquet	Member (ID)	9/10	90
3 Jaime Augusto Zobel de Ayala	Member (ED)	10/10	100
4 Fernando Zobel de Ayala	Member (ED)	10/10	100

## Corporate Governance and Nomination Committee

Members	Designation	No. of Meetings Attended/Held	% Present
1 Ramon R. Del Rosario, Jr.	Chairman (ID)	3/3	100
2 Antonio Jose U. Periquet	Member (ID)	3/3	100
3 Xavier P. Loinaz	Member (ID)	3/3	100

<sup>1</sup> In 2017 and during the incumbency of the director

<sup>2</sup> Mr. Keiichi Matsunaga was elected to be a member of the Board, replacing Mr. Yoshio Amano, on April 21, 2017

<sup>3</sup> May not be members of the Board of Directors

## Audit Committee

	Members	Designation	No. of Meetings Attended/Held	% Present
1	Xavier P. Loinaz	Chairman (ID)	4/4	100
2	Ramon R. Del Rosario, Jr.	Member (ID)	4/4	100
3	Yoshio Amano <sup>2</sup>	Member (NED)	2/2	100
4	Keiichi Matsunaga <sup>2</sup>	Member (NED)	1/2	50

## Risk Management and Related Party Transactions Committee

	Members	Designation	No. of Meetings Attended/Held	% Present
1	Antonio Jose U. Periquet	Chairman (ID)	3/3	100
2	Ramon R. Del Rosario, Jr.	Member (ID)	3/3	100
3	Yoshio Amano <sup>2</sup>	Member (NED)	2/2	100
4	Keiichi Matsunaga <sup>2</sup>	Member (NED)	1/1	100

## Personnel and Compensation Committee

	Members	Designation	No. of Meetings Attended/Held	% Present
1	Ramon R. Del Rosario, Jr.	Chairman (ID)	1/1	100
2	Delfin L. Lazaro	Member (NED)	1/1	100
3	Yoshio Amano <sup>2</sup>	Member (NED)	1/1	100

## Committee of Inspectors of Proxies and Ballots

	Members <sup>3</sup>	Designation	No. of Meetings Attended/Held	% Present
1	Solomon M. Hermosura	Chairman	2/2	100
2	Catherine H. Ang	Member	2/2	100
3	Josephine G. De Asis	Member	2/2	100



# REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS

## FOR THE YEAR ENDED 31 DECEMBER 2017

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:

- Systems of internal controls, risk management and governance process of the Company
- Integrity of the Company's financial statements and the financial reporting process
- Performance of the internal auditors and the external auditors
- Compliance with Company policies, applicable laws, rules 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 external and internal auditors;
- We recommended for approval of the Board and endorsement to the shareholders the reappointment of SGV & Co. as the Company's 2017 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, with management, internal auditors and SGV & Co. as the Company's external auditors. 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 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;
- We have reviewed the reports and updates of the internal auditors ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues. 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, and governance processes are adequate;
- 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 and confirm that the Committee had satisfactorily performed its responsibilities based on the requirements of its Charter; and
- We reviewed and reassessed the Audit Committee Charter to ensure that it is updated and aligned with regulatory requirements. The revised Charter was approved by the Board of Directors in December 1, 2017.

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, 2017 for filing with the Securities and Exchange Commission and the Philippine Stock Exchange. We are also recommending the re-appointment of SGV & Co. as Ayala Corporation's external auditor and the related audit fee for 2018 based on their performance and qualifications.

March 7, 2018

  
**XAVIER P. LOINAZ**  
Chairman

  
**RAMON R. DEL ROSARIO, JR.**  
Member

  
**KEIICHI MATSUNAGA**  
Member

# REPORT OF THE RISK MANAGEMENT AND RELATED PARTY TRANSACTIONS COMMITTEE TO THE BOARD OF DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2017

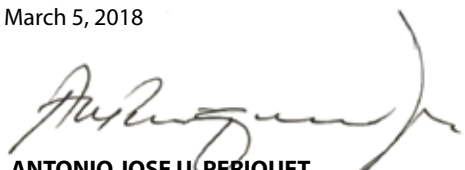
The Risk Management and Related Party Transactions Committee assists the board in fulfilling its oversight mandate in the areas of risk governance and related party transactions. Its objectives are to ensure that there exists a sound risk management framework and culture within the company and to screen all material related party transactions for their fairness to shareholders.

The Committee held three meetings in 2017, during which it:

- Reviewed management's adopted risk management framework and its ongoing programs to instill a culture of risk awareness within the Ayala group.
- Was briefed on sources of downside risk and their possible effects on the company, as identified by management and the Group Risk Management and Sustainability Unit.
- Evaluated proposed investments, asset sales, and leases involving related parties, and recommended them for either approval or modification in accordance with fairness to the company's shareholders.
- Reviewed its committee charter for relevance.

There were no emergencies that required the calling of any special committee meeting during the year.

March 5, 2018



**ANTONIO JOSE U. PERIQUET**  
Chairman



**RAMON R. DEL ROSARIO, JR.**  
Member



**KEICHI MATSUNAGA**  
Member

# 2017 DISCLOSURES

In 2017, the company filed, among others, unstructured disclosures involving the following:

## 2017 UNSTRUCTURED DISCLOSURES

- Ayala Corporation's second ₱10 billion issuance in its fixed rate bond program rated PRSAaa
- AC Health invests in MedGrocer ePharmacy service
- Ayala acquires 43.3 percent stake in Zalora Philippines
- Ayala group allots ₱185 billion capex in 2017
- AYC Holdings transfers ownership in Integrated Micro-Electronics to AC Industrials
- Ayala and Ant Financial Services Group invest in Globe Fintech Innovations, Inc.
- SEC's approval of the Amended Articles of Incorporation (Extension of Corporate Term)
- Board Approval of ESOWN Grants
- Results of the 2016 and 2017 ESOWN Grant
- Results of Annual Stockholders' Meeting and Organizational Board of Directors' Meeting
- Redemption of AC's ₱10 billion 7.20 percent fixed rate puttable bonds due 2017
- Participation of directors and officers in Corporate Governance seminars
- Retirement of an Officer
- Shelf registration with the SEC of up to ₱30 billion debt securities
- Ayala Corporation successfully launches US\$400 million senior unsecured and guaranteed fixed for life perpetual notes
- Notice and agenda of the 2017 Annual Stockholders' Meeting with detailed explanation of the agenda items
- Attendance of the Board of Directors in 2017
- Top 100 Stockholders' Reports
- Notices of Analysts' Briefing
- Public Ownership Reports
- Certification of Nominees for Independent Directors
- Updates on Annual Corporate Governance Report for the year 2017
- Notice of interest payment for all outstanding corporate bonds.
- Annual and quarterly press statements on the financial and operating results
- Declaration of cash dividends to outstanding Common and Preferred Shares
- Setting of the 2018 Annual Stockholders' Meeting
- AC Energy acquires renewable energy development platform
- AC Energy completes acquisition of Chevron's Indonesia geothermal assets
- AC Infrastructure and SM Investments Corporation submit unsolicited proposal for C3 Elevated Expressway
- AC Energy and UPC Renewables to develop small island power projects in Indonesia
- AC Energy Consortium transfers interest in Philippine BidCo to AllFirst Equity Holdings, Inc.
- AC Energy and UPC Renewables to develop small island power projects in Indonesia
- AC Energy Consortium transfers interest in Philippine BidCo to AllFirst Equity Holdings,
- Financial close of GNPowr Dinginin Unit 2
- AYC Holdings transfers ownership in Integrated Micro-Electronics to AC Industrials
- AC Industrials acquires MT Misslbeck Technologies

## NEWS CLARIFICATIONS

- AC Energy eyes ₱7.489 billion RE investment deal in Indonesia
- Ayala to expand healthcare business
- Ayala also looking at logistics business
- Ayala also keen on rehab of MRT3
- MetroPac offers ₱12 billion MRT3 rehab
- Big Consortium to Rebuild NAIA

# CHANGES IN SHAREHOLDINGS

Summarized below are the reported trades in Ayala Securities of the directors and officers in 2017:

	Security	Balance as of December 31, 2016	Acquired	Disposed Of	Balance as of December 31, 2017
<b>Directors</b>					
Jaime Augusto Zobel de Ayala	Common	136,396	165,037	79,427	222,006
	Preferred B Series 1	20,000	0	0	20,000
	Voting Preferred	543,802	0	0	543,802
Fernando Zobel de Ayala	Common	177,846	180,290	130,000	228,136
	Voting Preferred	554,983	0	0	554,983
Keiichi Matsunaga	Common	1	0	0	1
Delfin L. Lazaro	Common	30,807	21,429	24,400	27,836
	Voting Preferred	258,297	0	0	258,297
Xavier P. Loinaz	Common	126,614	0	0	126,614
	Voting Preferred	65,517	0	0	65,517
Antonio Jose U. Periquet	Common	1,200	0	0	1,200
	Preferred B Series 2	400,000	0	0	400,000
Ramon R. Del Rosario, Jr.	Common	1	0	0	1
<b>Officers</b>					
Jose Rene Gregory D. Almendras	Common	10,800	28,545	0	39,345
Catherine H. Ang	Common	10,209	5,987	0	16,196
	Voting Preferred Shares	5,290	0	0	5,290
Arthur R. Tan	Common	256,538	56,753	0	313,291
Alfredo I. Ayala	Common	152,697	33,936	14,087	172,546
Paolo Maximo F. Borromeo	Common	26,420	29,034	16,480	38,974
Cezar P. Consing	Common	46,609	30,435	0	77,044
Ma. Cecilia T. Cruzabra	Common	9,714	7,740	0	17,454
Josephine G. De Asis	Common	9,201	7,329	0	16,530
Ferdinand M. Dela Cruz	Common	0	39,755	0	39,755
Bernard Vincent O. Dy	Common	0	9,567	0	9,567
Ernest Lawrence L. Cu*	Common	75,205	28,569	0	103,774
John Eric T. Francia	Common	81,516	61,341	9,090	133,767
Solomon M. Hermosura	Common	96,993	69,358	44,010	122,341
	Voting Preferred Shares	53,583	0	0	53,583
Jose Teodoro K. Limcaoco	Common	163,688	76,689	13,700	226,677
Ruel T. Maranan	Common	5,155	7,884	0	13,039
John Philip S. Orbeta	Common	471,659	61,178	0	532,837
Dodjie D. Lagazo	Common	0	0	0	0
Joanne M. Lim	Common	0	0	0	0
<b>TOTAL</b>		<b>3,790,741</b>	<b>920,856</b>	<b>331,194</b>	<b>4,380,403</b>

\*Not a reportable officer of Ayala Corporation but a member of the Ayala Group Management Committee



# AYALA GROUP MANAGEMENT COMMITTEE MEMBERS

## **CEZAR P. CONSING**

Filipino, 58, is a Senior Managing Director of Ayala Corporation and has been a member of the Ayala Group Management Committee since April 2013. He has been the President and CEO of Bank of the Philippine Islands since April 2013, one of the Ayala Group's publicly-listed companies. He also holds the following positions in other publicly-listed companies: Independent Director of Jollibee Foods Corporation and Chairman of National Reinsurance Corporation of the Philippines. His other significant positions are: President of Bancnet, Inc., Director of LGU Guarantee Corporation, Filgifts.com., The Rohatyn Group, Scream Technologies, and Endeavor Philippines. He is also a board director of the US-Philippines Society, trustee of the Manila Golf Club Foundation, and a member of the Trilateral Commission. He served as an independent director of CIMB Group Holdings from 2006 to 2013 and First Gen Corporation from 2005 to 2013. Prior to being President of BPI, he first worked for BPI's corporate planning and corporate banking from 1980 - 1985. He worked for J.P. Morgan & Co. in Hong Kong and Singapore from 1985 - 2004 and became the co-head of the firm's investment banking business in Asia Pacific from 1997 - 2004 and President of J.P. Morgan Securities (Asia Pacific) Ltd. As a senior Managing Director of J.P. Morgan, he served as a member of the firm's global investment banking management committee and its Asia Pacific management committee. He was a partner at The Rohatyn Group from 2004 - 2013, ran its Hong Kong office, and its private investing business in Asia, and was a board director of its real estate, and energy and infrastructure private equity investing subsidiaries. He graduated with a degree of A.B (Accelerated Program) Economics (Magna Cum Laude) from De La Salle University in 1979 and M.A. in Applied Economics from the University of Michigan, Ann Arbor, in 1980.

## **BERNARD VINCENT O. DY**

Filipino, 54, is a Senior Managing Director of Ayala Corporation and has been a member of the Ayala Group Management Committee since April 2014. He is the President and Chief Executive Officer of Ayala Land, Inc. Prior to this post, he was the Head of the Residential Business, Commercial Business, and Corporate

Marketing and Sales of ALI. He also holds the following positions in other publicly-listed Companies: Chairman of Prime Orion Philippines, Inc. and Director of Cebu Holdings, Inc., Cebu Property Ventures and Development Corporation, and MCT Bhd of Malaysia. His other significant positions include: Chairman of Ayala Property Management Corporation, Makati Development Corporation, Amaia Land Corporation, AyalaLand Commercial Reit, Inc., Bellavita Land Corporation, Ayagold Retailers, Inc., Station Square East Commercial Corporation, Aviana Development Corp., Cagayan De Oro Gateway Corp., BGSouth Properties, Inc., BGNorth Properties, Inc., BGWest Properties, Inc., Portico Land Corp., and Philippine Integrated Energy Solutions, Inc.; Vice Chairman of Ayalaland Estates, Inc., Ayala Greenfield Development Corporation, Alviera Country Club, Inc., and the Junior Golf Association of the Philippines; Director and President of Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshires Holdings, Inc., Fort Bonifacio Development Corporation, Aurora Properties Incorporated, Vesta Property Holdings, Inc., Ceci Realty Inc., Alabang Commercial Corporation, and Accendo Commercial Corp.; President of the Hero Foundation Incorporated and Bonifacio Art Foundation, Inc.; Director of Alveo Land Corp., Amicass Process Solutions, Inc., Whiteknight Holdings, Inc., AyalaLand Medical Facilities Leasing, Inc., Serendra, Inc., Alveo-Federal Land Communities, Inc., ALI Eton Property Development Corporation, and Nuevocentro, Inc.; Trustee of Ayala Foundation, Inc. and Ayala Group Club, Inc. In 2015, he was inducted as member of the Advisory Council of the National Advisory Group for the Police Transformation Development of the Philippine National Police. He earned a degree of B.B.A Accountancy from the University of Notre Dame in 1985 and took his Master's Degree in Business Administration in 1997 and in International Relations in 1989, both at the University of Chicago.

## **ARTHUR R. TAN**

Filipino, 58, has been a Senior Managing Director of Ayala Corporation since January

2007 and has been a member of the Ayala Group Management Committee since 2002. He has been the Chief Executive Officer of Integrated Micro-Electronics, Inc., a publicly-listed company, since April 2002. He was the President of IMI from April 2002 to June 23, 2016. Concurrently, he is also the Chairman of the Board and Chief Executive Officer of PSi Technologies Inc., President and Chief Executive Officer of Speedy-Tech Electronics Ltd.; and President and Chief Executive Officer of AC Industrial Technology Holdings, Inc. Prior to IMI, he was the Northeast Area Sales Manager and Acting Design Center Manager of American Microsystems Inc. (Massachusetts, USA), from 1994 to 1998, of which he became the Managing Director for Asia Pacific Region/Japan from 1998 to 2001. He graduated with B.S. in Electronics Communications Engineering degree from Mapua Institute of Technology in 1982 and attended post-graduate programs at the University of Idaho, Singapore Institute of Management, IMD, and Harvard Business School.

## **ERNEST LAWRENCE L. CU**

Filipino, 57, has been a member of the Ayala Group Management Committee since January 2009. He is the President and Chief Executive Officer of Globe Telecom, Inc., a publicly-listed company. He is a trustee of Ayala Foundation, Inc. and Hero Foundation, Inc. Prior to joining Globe, he was the President and CEO of SPI Technologies, Inc. In 2017, he was adjudged Best CEO by Finance Asia. A second for Cu, he first received the award in 2010. Also in 2017, for the fifth straight year, Cu was recognized as one of the 100 most influential telecom leaders worldwide by London-based Global-Telecoms Business Magazine Power 100. Frost & Sullivan Asia Pacific has also named him CEO of the Year twice, first in 2012, and again in 2017. He earned a degree in BS Industrial Management Engineering from De La Salle University in 1982 and took his Master's Degree in Business Administration at the J.L. Kellogg Graduate School of Management in 1984.

## **FERDINAND M. DELA CRUZ**

Filipino, 50, has been a Managing Director since 2011 and a member of the Ayala Group Management Committee since

April 2017. He is the President and CEO of Manila Water Company, Inc. Prior to his election as President of MWC, he was the Chief Operating Officer for Manila Water Operations; and President of Manila Water Total Solutions Corporation and Manila Water Foundation. He joined MWC in July 2011 as the East Zone Business Operations Group Director and was concurrently Group Director for Corporate Strategic Affairs. Before joining MWC, he was the head of the Consumer Sales Group of Globe Telecom for two years, and was head of its Wireless Business Group from October 2002 to June 2009. Prior to that, he was the President and General Manager of Kraft Foods (Philippines) Inc. for more than a year and the same company's Country General Manager for its various operating companies in Indonesia. He also held senior leadership roles in ALLI, San Miguel Brewing Philippines, Inbisco Philippines, and Unilever Philippines. He graduated cum laude with a degree in BS Mechanical Engineering from the University of the Philippines. He is a board top-notch and a licensed Mechanical Engineer.

**JOSE RENE GREGORY D. ALMENDRAS**

Filipino, 57, has been a Managing Director and member of the Ayala Corporation Management Committee and the Ayala Group Management Committee since August 2016. He is currently the President of AC Infrastructure Holdings Corporation; Chairman of Light Rail Manila Holdings 6, Inc., and MCX Tollway, Inc.; and Executive Vice President of Asiacom Philippines, Inc. He also serves as a member of the Board of Directors of the following companies within the Ayala Group: Light Rail Manila Holdings, Inc., Light Rail Manila Holdings 2, Inc., AC Energy, Inc., and A2 Airport Partners, Inc. On a concurrent basis, he heads the Public Affairs Group of Ayala Corporation. He served as Secretary of Foreign Affairs for the Republic of the Philippines from March to June 2016. He also served as the Cabinet Secretary under the Office of the President from November 2012 to March 2016. Prior to his appointment as Cabinet Secretary, he served as the Secretary of the Department of Energy from July 2010 to October 2012. Under his leadership, the Department of Energy ranked as one of the Top 10 Performers, in a survey among government agencies on government performance specifically in ensuring integrity in public service. In 2011, he became the co-chair of the high-level discussion on the Long Term

Strategy for the International Renewable Energy Agency held in Abu Dhabi. In the same year, the Philippines became a rotating member of the Executive Board of the International Energy Forum. Last September 2013, after stepping down as Energy Secretary, Rene was awarded ASEAN Individual Excellence in Energy Management by his fellow Energy Ministers during the 31st ASEAN Ministers on Energy Meeting and ASEAN Energy Awards, which was another 1st for the Philippines. In June 2013, he was given the rare privilege of addressing the United Nations Economic and Social Council at the Palais des Nations, Geneva and then again in December 2013 for the United Nations' Special Meeting of the ECOSOC in New York. He was the President and CEO of Manila Water Company, Inc. before he decided to serve the government in 2010. During his term, the company was awarded as one of the Best Managed Companies in Asia, the Best in Corporate Governance, one of the Greenest Companies in the Philippines, and hailed as the world's Most Efficient Water Company. In June 2016, a Presidential Award, Order of Lakandula, Rank of Gold Cross Bayani, highest honor given to a civilian by the Republic of the Philippines, was awarded to him by President Benigno S. Aquino III, for his remarkable performance during the Aquino administration. He obtained his Bachelors of Science in Business Management degree from the Ateneo de Manila University in 1981. He attended the Strategic Business Economics Program from University of Asia & the Pacific in 1999.

**ALFREDO I. AYALA**

Filipino, 56, has been a Managing Director of Ayala Corporation and a member of the Ayala Group Management Committee since June 2006. He is the President and Chief Executive Officer of Livelt Investments Ltd. and of AC Education, Inc. which are Ayala Corporation's holding companies for its business processing outsourcing and education investments, respectively. Currently, he also holds the following positions: Director of Affinity Express Holdings, Ltd., Affinity Express Philippines, Inc., and Azalea International Venture Partners Limited.; Chairman and President of AC College of Enterprise and Technology, Inc. and LINC Institute; Chairman of Affordable Private Education Center, Inc. and Newbridge International Investments Limited; Vice Chairman, President, and CEO of the University

of Nueva Caceres; and Trustee of Ayala Foundation, Inc. He is also a Trustee of Philippine Business for Education (PBEd). He has an MBA from the Harvard Graduate School of Business Administration and B.A. in Development Studies (Honors) and Economics from Brown University.

**PAOLO MAXIMO F. BORROMELO**

Filipino, 40, has been a Managing Director since January 2016 and a member of the Ayala Corporation Management Committee and the Ayala Group Management Committee since September 2014. He has served as Group Head of Corporate Strategy and Development of the Company since September 2014. In his role, he oversees the overall corporate planning process, portfolio strategy, group-wide innovation projects, and new business development initiatives. In addition, he leads Ayala Corporation's healthcare businesses. He sits on the board of Ayala Healthcare Holdings, Inc. and the Generika Group of Companies. He also sits on the board of AC Education, Inc., Affordable Private Education Center, Inc., AC College of Enterprise and Technology Holdings, Inc., LINC Institute, Inc., AC Ventures Holding Corp., AC Industrial Technology Holdings Inc., HCX Technology Partners, Inc., Ayala International Holdings Limited, AG Holdings Limited, and Livelt Investments, Ltd. Prior to joining Ayala, he was a Principal at Booz & Company, a global strategy consulting firm, based in San Francisco, California, USA. He obtained his Bachelors of Science degree in Management Engineering from the Ateneo de Manila University and his Master's in Business Administration with honors from the Wharton School at the University of Pennsylvania.

**JOHN ERIC T. FRANCIA**

Filipino, 46, has been a Managing Director and a member of the Ayala Corporation Management Committee and the Ayala Group Management Committee since January 2009. He is the President and Chief Executive Officer of AC Energy, Inc. In his previous role as Head of Ayala's Corporate Strategy and Development group, he led Ayala's entry into the energy and transport infrastructure sectors in 2011. Under his leadership, Ayala invested in over 1,000MW of attributable capacity in the energy sector, and secured over \$1 billion worth of PPP projects in the transport infrastructure space. He is a Director of Manila Water Company, Inc., a publicly-listed company. He is also a member of the Board of Directors of the

following companies within the Ayala group: Purefoods International Limited, Ayala Healthcare Holdings, Inc., AC Education, Inc., AC College of Enterprise and Technology, Inc., AC Ventures Holding Corp., Ayala Aviation Corporation, Zapfam, Inc., Northwind Power Development Corporation, North Luzon Renewable Energy Corporation, Light Rail Manila Corporation, AC Infrastructure Holdings Corporation, MCX Tollway, Inc., and various other companies. Prior to joining Ayala, he was a senior consultant and member of the management team of Monitor Group, a strategy consulting firm based in Cambridge, Massachusetts, USA. Prior to consulting, he spent a few years in the field of academe and media. He received his undergraduate degree in Humanities and Political Economy from the University of Asia & the Pacific, graduating magna cum laude. He then completed his Masters Degree in Management Studies at the University of Cambridge in the United Kingdom, graduating with First Class Honors.

#### **SOLOMON M. HERMOSURA**

Filipino, 55, has served as Managing Director of Ayala Corporation since 1999 and a member of the Ayala Corporation Management Committee since 2009, and the Ayala Group Management Committee since 2010. He is also the Group Head of Corporate Governance, and the Chief Legal Officer, Chief Compliance Officer, Corporate Secretary, and Data Protection Officer of Ayala Corporation. He is the CEO of Ayala Group Legal. He serves as the Corporate Secretary and Group General Counsel of Ayala Land, Inc., and Corporate Secretary of Globe Telecom, Inc., Manila Water Company, Inc., Integrated Micro-Electronics, Inc., and Ayala Foundation, Inc. He also serves as a Corporate Secretary and a member of the Board of Directors of a number of companies in the Ayala group. He served as a Director of the Bank of the Philippine Islands from April 18, 2013 to April 9, 2014. He graduated valedictorian with Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examinations.

#### **JOSE TEODORO K. LIMCAOCO**

Filipino, 55, has been the Chief Finance Officer and Finance Group Head of Ayala Corporation since April 2015. He is also the Chief Risk Officer and Sustainability Officer of Ayala Corporation. He is a director of Globe Telecom, Inc. and Integrated Micro-Electronics, Inc., two of the publicly-listed companies of the Ayala Group; and an

independent director of SSI Group, Inc, also a publicly-listed company. He is the Chairman of Darong Agricultural and Development Corporation, Zapfam Inc., and Arlington Mariveles Philippine GP Corporation. He is the President and CEO of AC Ventures Holding Corp. He is the Vice Chairman of Lagdigan Land Corporation. He is the President of Liontide Holdings, Inc. and of Philwater Holdings Company, Inc. He is a Director of Ayala Hotels, Inc., AC Energy, Inc., Ayala Aviation Corporation, AC Education, Inc., Asiacom Philippines, Inc., Ayala Group Legal, Michigan Holdings, Inc., AC Industrial Technology Holdings, Inc., Kauswagan Power GP Corp., A.C.S.T Business Holdings, Inc., LICA Management Inc., and Just For Kids, Inc. He is the Treasurer of Ayala Retirement Fund Holdings, Inc. He joined Ayala Corporation as a Managing Director in 1998. Prior to his appointment as CFO in April 2015, he held various responsibilities including President of BPI Family Savings Bank, President of BPI Capital Corporation, Officer-in-Charge for Ayala Life Assurance, Inc. and Ayala Plans, Inc., Trustee and Treasurer of Ayala Foundation, Inc., President of myAyala.com, and CFO of Azalea Technology Investments, Inc. He has held prior positions with JP Morgan & Co. and with BZW Asia. He graduated from Stanford University with a BS Mathematical Sciences (Honors Program) in 1984 and from the Wharton School of the University of Pennsylvania with an MBA (Finance and Investment Management) in 1988.

#### **RUEL T. MARANAN**

Filipino, 55, has been a Managing Director of Ayala Corporation since January 2015. He has also served as President of Ayala Foundation, Inc. since March 1, 2015. He is also a member of the board of directors of Asticom Technology, Inc. and a member of the board of representatives of CIFAL Philippines. He was the Group Director of Manila Water Company, Inc.'s Corporate Human Resources Group from 2004 to 2014. Before joining MWC, he was part of various organizations such as Globe Telecom, Inc., Vitarich Corporation, and Integrated Farm Management, among others. In MWC, he introduced numerous innovations in human resources management, rallying behind the company's being the first Filipino company to win the prestigious Asian Human Capital Award in 2011, an award sponsored by the Singapore Ministry of Manpower, CNBC Asia-Pacific, and INSEAD. Through his leadership in human resources, MWC was vested the 2006

Outstanding Employer of the Year by the People Management Association of the Philippines. Mr. Maranan earned his AB Social Sciences degree from the Ateneo de Manila University and his law degree from the University of Santo Tomas. The latter institution has recently granted him the UST 2016 Outstanding Alumni Award under Private Sector. He has also completed the Leadership Management Program under Harvard.

#### **JOHN PHILIP S. ORBETA**

Filipino, 56, has served as a member of the Ayala Corporation Management Committee since May 2005 and the Ayala Group Management Committee since April 2009. He is currently the Managing Director, Chief Human Resources Officer, and Group Head for Corporate Resources, covering Strategic Human Resources, Knowledge Management, Information & Communications Technology, AC Synergy, and Corporate Support Services at Ayala Corporation. He is currently the Chairman of Ayala Aviation Corporation; Chairman and President of HCX Technology Partners, Inc.; and Vice Chairman of Ayala Group Club, Inc. Mr. Orbeta also serves as a Board Director of Ayala Group Legal, AC Industrial Technology Holdings, Inc., Ayala Healthcare Holdings, Inc., Ayala Retirement Fund Holdings, Inc., BPI Family Bank, Inc., ALFM Growth Fund, Inc., ALFM Money Market Fund, Inc., ALFM Peso Bond Fund, Inc., ALFM Dollar Bond Fund, Inc., ALFM Euro Bond Fund, Inc., and the Philippine Stock Index Fund Corp. Mr. Orbeta previously served as the President and CEO of AC Industrial Technology Holdings, Inc. (formerly Ayala Automotive Holdings Corporation) and Automobile Central Enterprise, Inc. (Philippine importer of Volkswagen), and the Chairman and CEO of Honda Cars Makati, Inc., Isuzu Automotive Dealership, Inc., and Iconic Dealership, Inc. Prior to joining Ayala Corporation, he was the Vice President and Global Practice Director of the Human Capital Consulting Group at Watson Wyatt Worldwide (now Willis Towers Watson), overseeing the firm's practices in executive compensation, strategic rewards, data services, and organization effectiveness around the world. He was also a member of Watson Wyatt's Board of Directors. He graduated with a degree in A.B. Economics from the Ateneo de Manila University in 1982.

# SENIOR LEADERSHIP

## MANAGING DIRECTORS

Emmanuel A. Aligada\*  
Gil B. Genio\*  
Ginaflor C. Oris\*  
Virgilio C. Rivera, Jr.\*  
Jaime E. Ysmael\*

## EXECUTIVE DIRECTORS

Josette Adrienne A. Abarca\*  
Fatima P. Agbayani\*  
Catherine H. Ang  
Ruby P. Chiong\*  
Ma. Cecilia T. Cruzabra  
Josephine G. De Asis  
Emily C. De Lara  
Rosallie A. Dimaano\*  
Maria Corazon G. Dizon\*  
Felipe Antonio P. Estrella III  
Romualdo L. Katigbak\*  
Noel Eli B. Kintanar\*  
Monina C. Macavinta\* (retired Dec 31, 2017)  
Michael C. Montelibano  
Jenara Rosanna F. Ong\*  
Maria Angelica B. Rapadas  
Alfonso Javier D. Reyes\*  
Ma. Victoria P. Sugapong\*  
Sheila Marie U. Tan\*  
Norma P. Torres\*

## ASSOCIATE DIRECTORS

Yla Patricia G. Alcantara  
Maria Susana C. Bables  
Robert Michael N. Baffrey\*  
Antonio Joselito G. Lambino II  
Erwin P. Locsin\* (retired Dec 31, 2017)  
Guillermo M. Luz  
Gabino Ramon G. Mejia\*  
Aditas Vivian L. Santamaria  
Ma. Victoria A. Tan  
Gabriel Q. Villaluz III

## CONSULTANTS / ADVISERS

Patrice R. Clausese\*  
Simon C. Mossesgeld\*  
Luis Juan B. Oreta\*  
Marciano A. Paynor, Jr.

\*seconded to subsidiaries



# AYALA GROUP NETWORK

## **AYALA CORPORATION**

34F Tower One  
Ayala Triangle, Ayala Avenue  
Makati City 1226 Philippines  
Tel: +632 908 3000  
Fax: +632 848 5846  
www.ayala.com.ph

### **Investor Relations**

E-mail: investorrelations@ayala.com.ph

### **Sustainability**

E-mail: sustainability@ayala.com.ph

## **AYALA LAND**

31F Tower One  
Ayala Triangle, Ayala Avenue  
Makati City 1226 Philippines  
Tel: +632 908 3000  
Fax: +632 848 5336  
www.ayalaland.com.ph

### **Investor Relations**

E-mail: iru@ayalaland.com.ph

### **Sustainability**

E-mail: gonzales.anna@ayalaland.com.ph

## **BANK OF THE PHILIPPINE ISLANDS**

6768 Ayala Avenue  
Makati City 1226 Philippines  
Tel: +632 818 5541 to 48  
Express Phone Banking: +632 89 100  
www.bpiexpressonline.com

### **Investor Relations**

E-mail: investorrelations@bpi.com.ph

### **Sustainability**

E-mail: sustainability@bpi.com.ph

## **GLOBE TELECOM**

The Globe Tower  
32nd Street corner 7th Avenue  
Bonifacio Global City  
Taguig 1634 Philippines  
Tel: +632 730 2000 (Trunk Line for  
Corporate Office)  
+632 730 1000 (Customer Care)  
+632 730 1010 (Sales)  
+632 730 1300 (Loyalty)  
Mobile: 211  
www.globe.com.ph

### **Investor Relations**

E-mail: ir@globe.com.ph

### **Sustainability**

E-mail: gtcormcomm@globe.com.ph

## **MANILA WATER**

2F MWSS Administration Building  
489 Katipunan Road, Balara  
Quezon City 1105 Philippines  
Tel: +632 917 5900  
Hotline: +632 1627  
www.manilawater.com

### **Investor Relations**

E-mail: invrel@manilawater.com

### **Sustainability**

E-mail: sustainability@manilawater.com

## **AC ENERGY**

4F 6750 Building  
Ayala Avenue  
Makati City 1226 Philippines  
Tel: +632 730 6300  
www.acenergy.com.ph

## **Sustainability**

E-mail: Maranan.is@ayalainfra.com

## **AC INDUSTRIALS**

### **INTEGRATED MICRO-ELECTRONICS, INC.**

North Science Avenue, Special  
Export Processing Zone  
Laguna Technopark, Biñan  
Laguna 4024 Philippines  
Tel: +632 756 6840  
Fax: +6349 544 0322  
www.global-imi.com

### **Investor Relations**

E-mail: ir@global-imi.com

### **Sustainability**

E-mail: maribeth.gamao@global-imi.com

## **AC AUTOMOTIVE**

11F Bonifacio One Technology Tower  
3030 Rizal Drive West corner 31st  
Street  
Bonifacio Global City  
Taguig 1634 Philippines  
Tel: +632 459 4504

### **Sustainability**

E-mail: cruzag@hondamakati.com.ph

## **HONDA CARS MAKATI, INC.**

1 Pres. Sergio Osmeña Highway  
Magallanes  
Makati City 1232 Philippines  
Tel: +632 902 9393  
Fax: +632 852 1158  
www.hondamakati.com.ph

**ISUZU AUTOMOTIVE  
DEALERSHIP, INC.**

Alabang-Zapote Road corner Acacia  
Avenue  
Ayala Alabang  
Muntinlupa City 1780 Philippines  
Tel: +632 807 1788  
Fax: +632 809 5053  
www.isuzuautodealer.com.ph

**AUTOMOBILE CENTRAL  
ENTERPRISE, INC.**

11F Bonifacio One Technology Tower  
3030 Rizal Drive West cor. 31st Street  
Bonifacio Global City  
Taguig City 1634 Philippines  
Tel: +632 459 4555  
www.volkswagen.com.ph

**AC INFRASTRUCTURE**

32F Tower One Ayala Triangle  
Ayala Avenue  
Makati City 1226 Philippines  
Tel: +632 908 3000  
Fax: +632 759 4881  
www.acinfra.com.ph

**Sustainability**

E-mail: quesada.jam@acinfra.com.ph

**AC HEALTH**

3F Makati Stock Exchange Bldg.  
6767 Ayala Avenue  
Makati City 1226 Philippines  
Tel: +632 745 2508  
www.achealth.com.ph

**Sustainability**

E-mail: garcia.gp@achealth.com.ph

**AC EDUCATION**

33F Tower One Ayala Triangle  
Ayala Avenue  
Makati City 1226 Philippines  
Tel: +632 744 5370; +632 908 3455  
Fax: +632 892 5112  
www.aceducation.ph

**Sustainability**

E-mail: joyce.samaniego@apecschools.  
edu.ph

**AC VENTURES**

33F Tower One Ayala Triangle  
Ayala Avenue  
Makati City 1226 Philippine

**AYALA FOUNDATION**

8F 111 Paseo Building  
Paseo de Roxas corner Legaspi Street  
Legaspi Village  
Makati City 1229 Philippines  
Tel: +632 717 5800  
Fax: +632 813 4488  
www.ayalafoundation.org

**Sustainability**

E-mail: rebete.ji@ayalafoundation.org

# 2017 AWARDS AND RECOGNITIONS



Ayala ranked 2nd in FinanceAsia's Best Managed Companies, Most Committed to Corporate Governance, and Best at Corporate Social Responsibility polls; 5th for investor relations; and 3rd for Best CEO

Ayala ranked 18th in Forbes Magazine's Global 2000: World's Best Employers list, the only Philippine company in the Top 20

Chairman and CEO Jaime Augusto Zobel de Ayala named a UN SDG Pioneer for his leadership of Ayala's sustainable business strategy and operations

President and COO Fernando Zobel de Ayala awarded the Andrea Palladio International Prize at the 10th Dedalo Minosse, which recognizes the role of clients in architectural achievements

CFO Jose Teodoro K. Limcaoco awarded CFO of the Year by the Financial Executives Institute of the Philippines and ING Bank NV

Ayala's US\$400M fixed-for-life perpetual bond issuance named Philippine Capital Market Deal of the Year by Thomson Reuters' IFR Asia and Best Corporate Bond in the Philippines at The Asset's Triple A Country Awards

Ayala won Enterprise Risk Program of the Year at the StrategicRISK Awards

Generika won the inaugural ASEAN Inclusive Business Award at the ASEAN Business Awards

AC Energy named Fastest Growing Energy Platform by International Finance Magazine

Best Annual Report at IR Magazine's Awards (Southeast Asia), and placed second for Best in Sector-Financials

Shortlisted finalist for the Sustainability Team of the Year Award at the Ethical Corporation's 8th Annual Responsible Business Awards

Shortlisted finalist for Asia's Best Integrated Report and Best Reporting on the SDGs at CSRWorks' Asia Sustainability Reporting Awards

Shortlisted finalist for the Best Investor Relations, Best Sustainability Program, and Best in Governance at the Philippine Stock Exchange's Bell Awards for excellence in corporate governance



# AYALA SYNERGIES IN MOTION



1 The Ayala Innovation Excellence Awards recognize outstanding efforts from across the group.

2 ICT practitioners gather at the ICT Summit with Ayala's Chairman and CEO.

3 Team Ayala wins first place in the streetdance competition of the JZA Cup.

4 Ayala CEOs Bong Consing (BPI), Ernest Cu (Globe), and Ferdz de la Cruz (Manila Water) speak at a panel during the Ayala HR Summit.

5 Chief Human Resource Officer JP Orbeta, Chief Legal Officer Atty. Mon Hermosura, and Independent Director of Manila Water and Generika Sherisa Nuesa join the Ayala group internal auditors at the 2nd Chief Audit Executive Forum and 19th Annual AGIAN Conference.

6 The Corporate Support Services group organized the first Ayala Security Summit in November 2017.





# AYALA IN MOTION

Throughout its history, Ayala has been a prime mover in the Philippine business landscape: entering new industries, innovating its products and services to bring about positive disruption to society. As we work to achieve our 2020 goals, we strive to ensure the long-term sustainability of our businesses and create more value for all our stakeholders.

In the 2017 unified group annual and integrated reports, we present our continued evolution: an Ayala always in motion.



AYALA



AYALA LAND



BANK OF THE PHILIPPINE ISLANDS



GLOBE TELECOM



MANILA WATER



IMI



AYALA FOUNDATION

# 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](mailto:investorrelations@ayala.com.ph)  
Sustainability: [sustainability@ayala.com.ph](mailto:sustainability@ayala.com.ph)  
Governance: [corporatesecretary@ayala.com.ph](mailto:corporatesecretary@ayala.com.ph)  
Data Privacy: [acdataprivacy@ayala.com.ph](mailto:acdataprivacy@ayala.com.ph)  
Customers: [acquery@ayala.com.ph](mailto:acquery@ayala.com.ph)  
Media: [corpcomm@ayala.com.ph](mailto:corpcomm@ayala.com.ph)  
Careers: [careersatayala@ayala.com.ph](mailto:careersatayala@ayala.com.ph)

## About the Cover

Our cover photo was shot in the Makati Central Business District, and features a KTM Duke 390, which is locally assembled in IMI's Laguna facility.

## Financial Statements

Ayala's 2017 Financial Statements are available for download on its website: [www.ayala.com.ph](http://www.ayala.com.ph)

Developed and produced by Ayala Corporation Investor Relations and Sustainability units.

Concept and design by Medium3  
Layout by Publicis JimenezBasic

Portraits and cover photography by Cyrus Panganiban  
Operational photography by Rolly Barayang  
Other additional photographs from the Ayala group of companies

## Shareholder services and assistance

For inquiries regarding dividend payments, change of address and account status, and lost or damaged stock certificates, please write or call:

BPI Stock Transfer Office  
16F BPI Building  
6768 Ayala Avenue  
Makati City, 1226, Philippines

Tel +632 816 9067 and 68  
+632 816 9321  
+632 816 9898

Fax +632 845 5515  
[smpongol@bpi.com.ph](mailto:smpongol@bpi.com.ph)  
[mjmachado@bpi.com.ph](mailto:mjmachado@bpi.com.ph)  
[stocktransferoffice@bpi.com.ph](mailto:stocktransferoffice@bpi.com.ph)

## About our paper

The Ayala Corporation Integrated Report cover and main pages were printed on Toccata 270g and 100g White, both of which are FSC Certified papers. Primex Printers, Inc. utilized a carbon neutral XL 75 offset press in the production of this report.



A shared drive for excellence ensures that we build critical infrastructure to support our operations, innovate in various sectors, and do our part in building world-class industries for the Philippines.

Fernando Zobel de Ayala  
President and Chief Operating Officer

**AYALA CORPORATION**  
34F Tower One  
Ayala Triangle, Ayala Avenue  
Makati City 1226 Philippines  
Tel: +632 908 3000 Fax: +632 848 5846