

Let's sustain growth to serve more communities

2013-2014 Sustainability Report



LAGUNA WATER

A MANILA WATER
PHILIPPINE VENTURES COMPANY



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About this Report

Laguna Water, a strategic joint venture company between the Provincial Government of Laguna and Manila Water Philippine Ventures, is pleased to release its 2013-2014 Sustainability Report which is in accordance with the GRI G4 Sustainability Reporting Guidelines – core option. This report aims to give its readers a guide and more importantly, a better appreciation on Laguna Water’s current position, its plans, and outlook for further growth and development in the Province of Laguna.

First released in 2012, the Sustainability Report is aimed at introducing the different measures undertaken by Laguna Water to successfully implement the rehabilitation and upgrading of the water supply in its concession area in a manner that ensures resource sustainability and stakeholders’ participation. Unlike the first Sustainability Report in 2012 which adhered to the G3.1 level C model, this report was upgraded to conform to the latest international reporting guidelines. In terms of report regularity, the reporting cycle from hereon will be changed from biennial to annual.

Scope and boundaries

This report covers all the material disclosures related to social, economic and environmental impacts of Laguna Water’s operations in the concession area. A GRI G4 index is included in the report to serve as a guide regarding material disclosures and the corresponding pages where these may be found. We have likewise included testimonials from our stakeholders to back-up all our claims and assertions.

Unless otherwise stated, all the information found in this report are exclusively from Laguna Water and does not include data from its mother company, Manila Water Company, Inc. Unless specified, all data in this report covers the period from January 2013 to December 2014 and that all financial data have been verified by our auditors.

Feedback

This report is in accordance with the Global Reporting Initiative (GRI) G4 Sustainability Reporting guidelines core option.

For further information, please contact:

DWIGHT Y. MACABUHAY

Sustainability Manager

E-mail address: dwight.macabuhay@lagunawater.ph



JOINT MESSAGE FROM
THE PRESIDENT & THE
GENERAL MANAGER

On behalf of the Laguna Water family, we thank you for your interest in our Sustainability Report covering the years 2013 and 2014.

Our organization has witnessed an outstanding progress from the time we first released our Sustainability Report in 2012 up to this writing. This year's theme 'Let's sustain growth to serve more communities', is a summary of our journey from when we took over in 2009 with only 28% service coverage until today where 60% of our concession area of Sta. Rosa, Biñan and Cabuyao are provided access to our water supply system.

Laguna Water operates in a convergence framework of three capital interests – society, economy, and environment. Our vision is a shared commitment with the Provincial Government of Laguna in advancing the economic and social welfare of the communities we serve alongside protecting our environment. In conjunction with this, we believe that enhancing the technical capacity of our people is of paramount importance in assuring provision of excellent service.





Two hundred households from Barangay Soro-Soro in the City of Biñan who are the first recipients of Tubig Para Sa Barangay, hold their Certificate of Donation, during the Ceremonial Turnover of Certificates in 2013.



Residential households register for new connections during one of Laguna Water's community assembly.

“The continuing growth of Laguna Water is directly related to the development of the communities we serve.”



Inclusivity– offering our services to all sectors

The continuing growth of Laguna Water is directly related to the development of the communities we serve. Our shared vision of advancing social welfare, sustaining economic growth and assuring environmental well-being is the catalyst to the mutual progress we experience.

The *Tubig Para Sa Barangay* or TPSB (Water for the Community), a program that addresses the absence of clean water in communities, has continually come into the aid of residents in the marginalized households located along the stretch of Laguna de Bay's lakeshore. To this day, 200 family-beneficiaries enjoy having access to potable drinking water at the comfort of their own home. A favorable payment scheme was developed to enable beneficiaries of TPSB to settle their water connection fee.

Laguna Water has an all-encompassing approach to community development that sits at the core of our service. Through convergence with the Manila Water Foundation, a total of nine schools have been adopted under the *Lingap Eskwela* (Water for Schools), a program offering free water service connection to schools needing clean water. To ensure that the students and faculties benefit fully, the project

incorporates rehabilitation of toilets, installation of drinking fountains and handwash areas and regular monitoring of water quality. The number of beneficiaries—around 20,000 so far—is expected to increase in the coming years as private schools will eventually be covered.

Creating positive impact on the environment

Laguna Water has been consistent in being kind to Mother Nature as it is fully aware that a healthy and clean environment minimizes the tedious process of water filtration. Efforts related to environmental protection are thus dovetailed to Laguna Water’s operations to ensure water supply sustainability. The reduction of Non-Revenue Water from 49% in 2009 to a world class level of 12% at present is a clear indication that this business model is working. Aside from operational efficiency, this accomplishment has significantly reduced environmental stress related to ground water use as lesser volume of water is now needed to service more customers.

Carbon emissions on the other hand are minimized by employing technologies available in the market such as the use of Variable Frequency Drives which lessen the use of power without necessarily compromising the continued supply of water to customers. Laguna Water has likewise reduced the use of booster pumps in its facilities and relied on gravity flow instead in pumping water in order to save on electricity.

Sharpening skills, developing human capital

One of the building blocks of our continuous success is largely attributed to our service-oriented personnel. Our organization believes that investing in human capital is of paramount importance as it promotes a culture of skilled and success-driven employees. Enhancing employee competencies is mutually beneficial to the steady growth of Laguna Water as a sharpened professional skillset largely contributes to the goals set by our organization. It helps that local residents of the communities we serve are hired to assure natural connectedness with our stakeholders.

Expanding our reach to more communities

Our medium term plan includes expanding our concession area to the whole province of Laguna and connecting all unserved areas to our water network. The used water services presently available only at Laguna Technopark Inc. will, likewise, be expanded by way of septic tank desludging in the entire service area.

We would like to thank all of our stakeholders who share the same aspiration of providing access to basic services for the communities. We urge you to continue working with us and keep the same zest and dedication that you have demonstrated so far as we hurdle the remaining road blocks that lie ahead. For our part, we assure you that we shall remain true and faithful to our vision of providing the best water and environmental services in a manner that empowers people, protects the environment and enhances sustainable development.

Laguna Water regularly conducts Tree Planting activities in line with its mission of protecting natural resources.



VIRGILIO RIVERA JR.
President

MELVIN JOHN TAN
General Manager

The Laguna Water Story



How we started

Laguna Water, the biggest provider of water and used water services in the Province of Laguna, traces its history from the joint venture agreement between the Province of Laguna (PGL) and AAA Water Corporation (renamed Manila Water Philippine Ventures), a wholly-owned subsidiary of the Ayala-led Manila Water Company, Inc. in order to upgrade the provincial-run water network facilities and upgrade the quality of service delivery to its customers through private sector participation.

As stipulated in the Memorandum of Agreement between PGL and Laguna Water, the concession period has a duration of 25 years. During the operational period, Laguna Water shall take-over the operations in the franchise area using the existing network facilities. PGL shall oversee compliance with the service level agreement while Laguna Water is tasked to supervise day to day operations. All the assets, including the improvements made in the duration of the agreement, shall be returned to PGL after the expiration of the concession period.



What we do

Laguna Water's operations include water sourcing, treatment, and distribution of potable water. The concession area covers the cities of Biñan, Sta. Rosa and Cabuyao, with a total of 60 barangays and a population of about 900,000 as of end of 2014. Coverage in terms of population as of reporting date is at 60 percent. Laguna Water also provides used water services but are limited to the locators within the Laguna Technopark.

The joint venture company started its operations in 2004 with Manila Water taking over in September 2009 after it purchased all of AAA Water Corporation's shares of stocks. Manila Water Philippine Ventures owns 70% of Laguna Water's shares of stocks while the remaining 30% is owned by PGL.

Business Model

Laguna Water's corporate practices are aligned with the triple bottom line business principle which measures the company's commercial success, not only in terms of profit, but most importantly, on its positive impacts on people and the planet.

This sustainable business model is vividly stated and further elaborated in Laguna Water's vision: "to provide the Province of Laguna with water and used water services which will empower people, protect the environment, and enhance sustainable development."

The triple bottom-line approach allows the company to simultaneously advance its corporate interests along with the development of communities and the promotion of environmental protection within its territorial boundaries.

The stability and effectiveness of Laguna Water's business framework is being supported by five focus areas.

Each focus area represents a building block that when put together completes the holistic approach of the Company that is reflective of a perfect alignment



between its corporate, social and environmental objectives. Policies and processes of Laguna Water are thus crafted to incorporate interventions that ensure adherence to the triple bottom-line model. This way, Laguna Water's corporate and environmental initiatives are simultaneously accomplished as the Company implements its various projects.

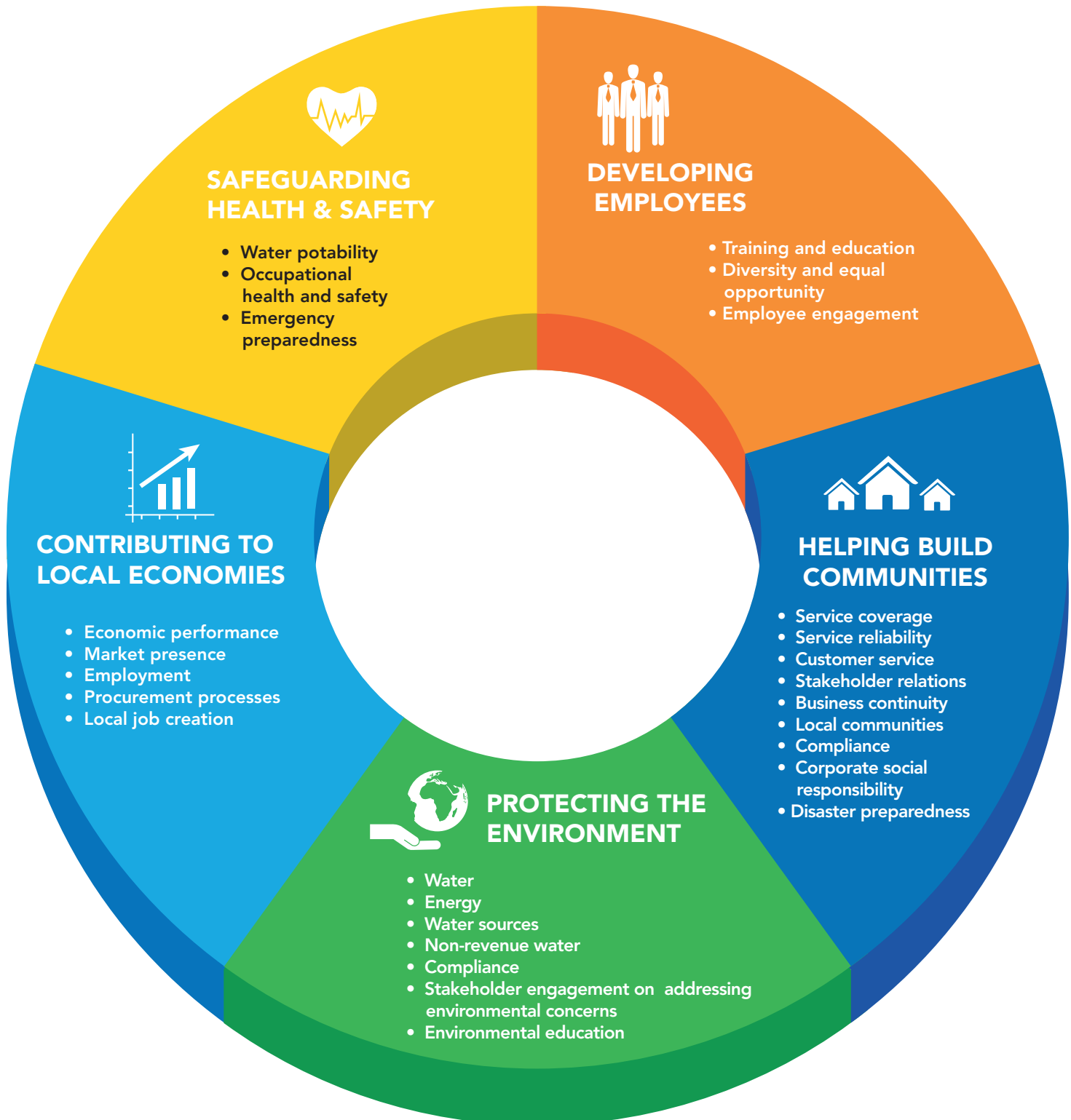


Helping Build Communities. Students of Caingin Elementary School in the City of Sta.Rosa demonstrate proper handwashing using the Lingap Eskwela donated handwash facility.

Materiality Wheel

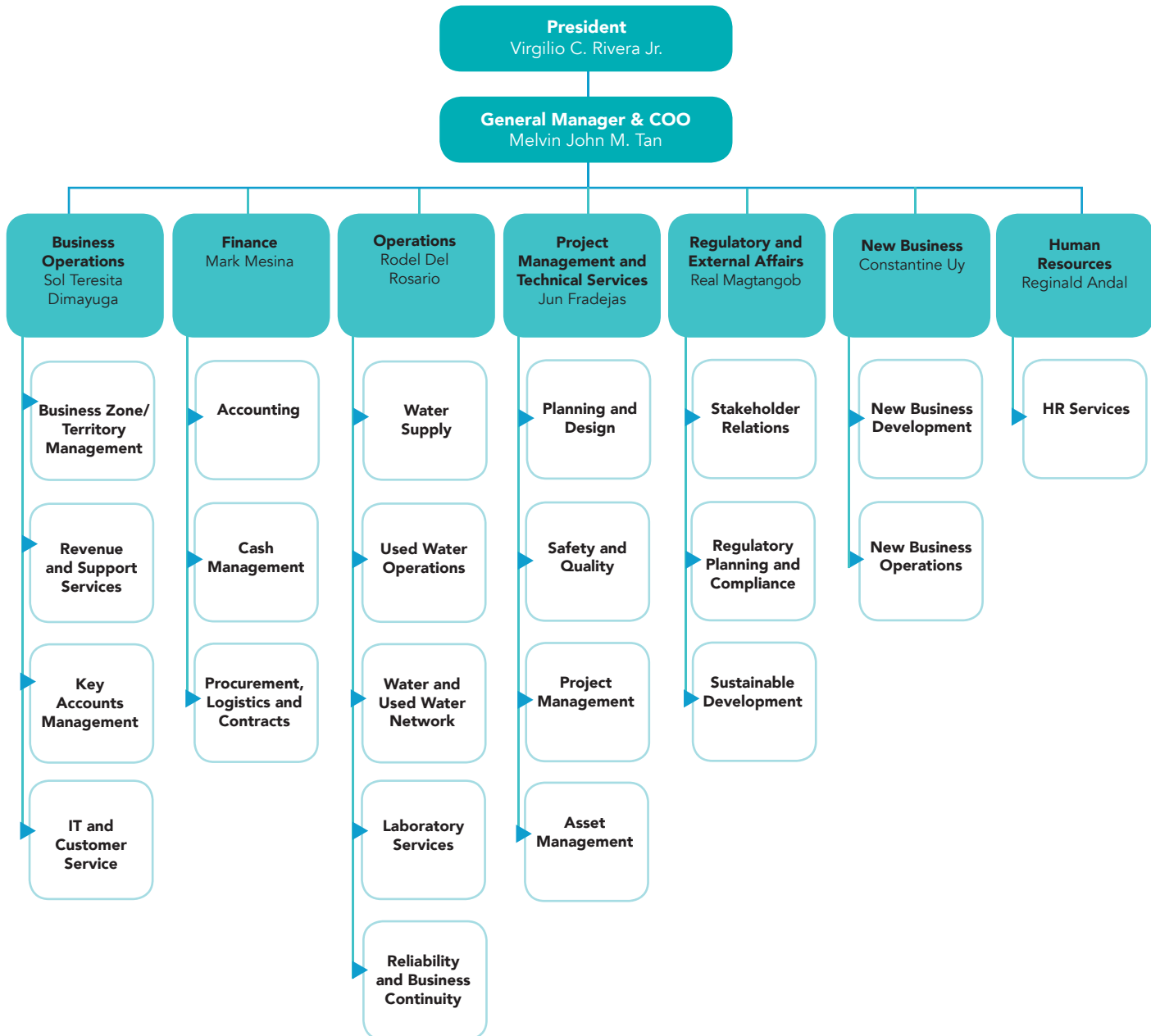
Laguna Water has material aspects that reflect the organization's impacts on economy, environment and the society. These material aspects are determined in terms of its influence in the decision-making process of Laguna Water's identified stakeholders. The organization's approach in determining the material aspects also take into consideration actions performed in achieving success that directly or indirectly impact the economy, environment and the society.

Laguna Water's Leadership Team and other identified stakeholders were gathered for a group discussion to effectively identify all material aspects of the organization. The Materiality Wheel below recaps all identified material aspects of Laguna Water in accordance with the G4 guidelines.



Our Company Structure

LAGUNA WATER ORGANIZATIONAL STRUCTURE



Board of Directors

Laguna Water’s Board of Directors is composed of nine members—three from PGL, and six from Manila Water, the parent company of Manila Water Philippine Ventures. Each member of the board is nominated guided by the following conditions:

- The person to sit as Chairman of the Board should be from PGL
- The President should come from Manila Water
- Both the Treasurer and General Manager, though not part of the Board of Directors, should be nominated by the members of the PGL and Manila Water, respectively.

Board meetings are conducted every quarter or whenever urgent matters arise.

Executive Committee

Laguna Water has an Executive Committee with three members, all of whom are members of the Board. Similar to the process undertaken in the selection of the Board of Directors, the number of members of the Executive Committee complies with the 70/30 arrangement between PGL and Manila Water and thus, two are from Manila Water and one from PGL. The Committee acts on matters beyond the powers vested to the General Manager level even without the consent of the Board of Directors. The Committee hold meetings every quarter unless otherwise convened to tackle urgent issues.

Leadership Team



Real C. Magtangob
Regulatory and
External Affairs

Felipe A. Fradejas, Jr.
Project Management
and Technical Services

Rodel V. del Rosario
Operations

Melvin John M. Tan
General Manager



Mark F. Mesina
Finance

Sol Teresita N. Dimayuga
Business Operations

Constantine O. Uy
New Business

Reginald M. Andal
Human Resources



Laguna Water has participated to over six tree planting activities in partnership with various stakeholders in its concession area.

Stakeholder Engagement

Building relationships with various stakeholders is fundamental to the operational efficiency of Laguna Water. Numerous organizations and stakeholder bodies are instrumental in shaping a better perspective on how Laguna Water functions. Our environmental responsibility, commitments to community development and economic proficiency are affected by the kind of relationship we build with various stakeholders.

To assure that the goals of Laguna Water are met, various modes of stakeholder engagements are conducted throughout the year. These activities address concerns relevant to Laguna Water’s effect on its stakeholders.

The following are the activities conducted on a regular interval throughout the year:

Stakeholder Group	Modes of Engagement	Issues/Areas of Concern	Response
Employees			
	<ul style="list-style-type: none"> • Company quarterback meetings • General Assemblies • Department quarterback meetings • Email blasts • Performance reviews 	<ul style="list-style-type: none"> • Skills enhancement • Work-life balance, socialization • Availability of external training bodies 	<ul style="list-style-type: none"> • Trainings, seminars etc.
Community/ Customers			
	<ul style="list-style-type: none"> • Customer help desk • Community orientation • Flyers/bill inserts • Customer service hotline • Text blasts • House-to-house visit 	<ul style="list-style-type: none"> • Billing concerns • Service improvements • New application/reconnection • Roadblocks due to restoration or pipe laying • Service interruption 	<ul style="list-style-type: none"> • Resolving complaints through the customer help desk • Proactively sending text messages to warn customers of service interruption, billing changes, etc.
Regulatory Bodies			
<ul style="list-style-type: none"> • Department of Environment and Natural Resources • National Water Regulatory Board • Department of Energy • Philippine Economic Zone Authority • Laguna Lake Development Authority 	<ul style="list-style-type: none"> • Face-to-face visit • Courtesy calls • Meetings 	<ul style="list-style-type: none"> • Securing/renewal of permits 	<ul style="list-style-type: none"> • Compliance

Stakeholder Group	Modes of Engagement	Issues/Areas of Concern	Response
Government Agencies			
<ul style="list-style-type: none"> Provincial Government of Laguna Local Government Units Barangay Government Units Department of Education 	<ul style="list-style-type: none"> Town hall meetings Letter of invitations to various events Correspondence Regular visit to the Provincial Capitol Office/ Municipal Hall 	<ul style="list-style-type: none"> Policies Governance matters Building relationship Right of way, traffic. 	<ul style="list-style-type: none"> Compliance
Non-Government Organizations/Civil Society Organizations			
<ul style="list-style-type: none"> Various Associations 	<ul style="list-style-type: none"> Face-to-face meetings Correspondence Email blasts 	<ul style="list-style-type: none"> Conduct of environmental protection activities Community development 	<ul style="list-style-type: none"> Coastal cleanups, tree planting and other environmental protection activities. Monitoring and evaluation of projects
Supply Chain			
	<ul style="list-style-type: none"> Face-to-face meetings Accreditation 	<ul style="list-style-type: none"> Procurement policies Pipelining projects New water connection projects 	<ul style="list-style-type: none"> Bidding
Finance Community			
	<ul style="list-style-type: none"> One-on-one meetings Fora Stockholder's meeting Presentation 	<ul style="list-style-type: none"> Expansion initiatives Financial operating performance 	<ul style="list-style-type: none"> Timely disclosure to the investing community

Memberships and Associations

The growing population in the concession area translates to more waste, which impact negatively on the water quality of large bodies of water, particularly the Silang-Santa Rosa and the Cabuyao river systems.

With Laguna Lake Development Authority (LLDA), the government agency tasked to oversee the cleanliness of all tributaries leading to Laguna de Bay as lead, the Save Silang-Santa.Rosa River (S3R2) and Cabuyao River Protection Advocates (CaRPA) were formed to protect surface water sources. Together with the concerned LGU's and other key stakeholders in the area, Laguna Water actively participates in the affairs of these cause-oriented organizations.

In 2013 and 2014, Laguna Water has been an active participant of *Silakbo*, a regularly held marathon to raise awareness in the importance of reducing carbon footprint. Likewise, Laguna Water has been coming into aid of victims of disasters, especially during typhoon season. A dedicated team distributes clean drinking water as well as relief food packs to the victims.



01

ADVANCING SOCIAL WELFARE

To date, thousands of poor communities enjoy Laguna Water's excellent water quality and exemplary level of service as experienced by the residents who live both in open communities and villages. Previously, however, the sources of water particularly in impoverished communities were contaminated.





Compounding the need to provide solution to unsafe water supply is the influx of immigrants as over the years, the Province of Laguna has been generously hosting thousands of people to ease the congestion in Metro Manila. Among them are informal settlers who reside along riverbanks, railroad tracks, and other areas that needed clearing. Lack of clean water needed to be dealt with considering the rapidly growing population and incidences of water-borne diseases.

Given this, Laguna Water invested in water projects to provide access to clean and reliable piped water to these communities taking into consideration the physical environment and the financial capabilities of the residents through the TPSB program.

For the locals and immigrants who deserve comfort in their changing environment, the Province is already equipped to provide safe and sustainable water supply, through its partner, Laguna Water.

Clean drinking water for developing communities

The Laguna de Bay's shoreline which connects the cities of Biñan, Santa Rosa, and Cabuyao is home to thousands of informal settlers. The quality of life in this part of the Province is challenging considering the many ills that plagued the locals relative to substandard housing design. To make things worse, flooding of the heavily silted Laguna de Bay is a common occurrence during rainy months. It is during these times when shallow wells, which abound in the area, are submerged in water and become contaminated.

As a way to address the concerns of the local residents, Laguna Water introduced its TPSB Program which is anchored on the following objectives:

- To extend the provision of water service to every resident in the service area regardless of locality or social status.
- To introduce a safer alternative source of water to areas where shallow wells are still commonly used by the residents.
- To contribute to the over-all task of the Provincial Government of Laguna and the concerned LGUs in improving the quality of life of its constituents through better access to basic services.

For the target communities, Laguna Water consistently observes the processes involved in its network design, community relations, local advertisement, and support from Manila Water Foundation. From among the many intricacies involved in the implementation of TPSB Projects, special attention is given to the following:

- Location – some communities are situated at the periphery of the service area, beyond the reach of main water supply lines
- Challenging working space – communities have narrow streets or alleys necessitating the adoption of creative solutions for pipe laying activities.

Establishing a continuing relationship with the target beneficiaries as well as the communities' frontrunners is significantly important for Laguna Water as its personnel visits these areas for regular checking and monitoring of meters, delivery of water bills, repair of busted pipes, and verification of customers' appreciation of the project.

Laguna Water's representatives initiate town hall meetings to amplify the Company's intentions to provide better access to clean water. Likewise, billboards and announcements by concerned barangays and community leaders complement Laguna Water's communication efforts.

The change in the communities' water service marked a transition in the lives of the residents who currently enjoy its benefits. One of the most challenging experiences of the residents in the cities of Biñan, Santa Rosa and Cabuyao were caused by water-borne diseases. It was found that the wide spread of these diseases were caused by the residents' practice of using the water from shallow wells as their source of drinking water.





Lolita Jaspela
Resident, Barangay
Malaban, Biñan

Laguna Water has been instrumental in effecting change to the lives of residents who live in our flood-prone barangay. Three years ago, I remember having to row a boat on the severely flooded streets of Malaban to fetch clean water to drink. This scenario is very familiar to all the inhabitants of our barangay, and most of us did not think of seeing the day when we do not have to endure braving the storm to fetch for clean water.

In 2013, Bgy. Malaban was chosen to become a beneficiary of the Tubig Para Sa Barangay (TPSB), one of Laguna Water's initiative in helping marginalized households get access to clean water. Over 100 households were granted with free connection to the water system of Laguna Water which translates to a convenient source of potable drinking water at the comfort of our own home. In the impending threat of flood during rainy season, our worries of struggling to fetch for clean water is reduced and we can refocus our energies into acquiring other basic needs.

Now that the TPSB was implemented as an alternative water source, the local government saw significant reductions in the poor communities' dependence on these shallow wells.

Currently, 200 households connected through TPSB enjoy the convenience of high-quality service of Laguna Water. With 60 percent water service coverage at present, more poor communities are expected to benefit from the TPSB project as the company expands to areas that need this service.

Water for Relocatees

In coordination with the National Housing Authority (NHA), the Province of Laguna agreed to host the relocation sites for informal settlers from Metro Manila. This has been made possible with NHA's Southville Housing Projects which help not only in providing better homes but also in providing opportunities for the informal settlers.

Currently, Laguna Water took over the water systems of the following NHA relocation sites:

- Southville Caingin Housing Project (Brgy. Caingin, City of Santa Rosa)

- Southville Langkiwa Housing Project (Brgy. Langkiwa, City of Biñan)
- Southville Cabuyao (Brgys. Marinig and Niugan, City of Cabuyao)

Similar to its commitment to all its customers, Laguna Water has refurbished the water facilities that it took over to ensure round-the-clock water supply and full compliance of water quality with the Philippine National Standards for Drinking Water (PNSDW).

Improve access to clean water in schools

The *Lingap Eskwela* (Water for Schools) is among the many programs of Laguna Water which manifests its innate caring nature particularly for those in the sectors of society who are economically challenged. In a place where access to clean and affordable water supply is a rarity due to problems on water supply development, public institutions, among them public schools, appear to be taking the brunt of the water woes. Laguna Water came up with a strategy in coordination with concerned stakeholders to connect public schools to Laguna Water's pipe network.



Over 20,000 students from 9 different schools now enjoy clean water through Lingap Eskwela Program.



Florinda Getape
Principal, Dila
Elementary School

Having access to quality education is of parallel importance with having access to clean water. Educating our students on the value of having clean water to drink is an integral part of subject matters taught in our school. The Manila Water Foundation and Laguna Water is helpful in assuring that our students get access to clean water through the Lingap Eskwela Program.

The handwashing and drinking facilities donated to us guarantee to eliminate the incidence of water-borne diseases. We hope that Laguna Water and Manila Water Foundation continues the kind of convergence they have to extend the Lingap Eskwela Program to more schools in the province.

Similar to the situation in all public schools in the service area, maintenance of deep well facilities is entrusted to the underqualified staff to minimize operational costs. In the absence of a professional service provider, this kind of arrangement is not only wanting but likewise dangerous, as children may be exposed to water-borne diseases.

In partnership with Manila Water Foundation, the corporate social investment arm of Manila Water, Laguna Water shouldered the water connection fees for public schools. Aside from this, the support package includes rehabilitation of toilets, construction of drinking fountains and handwashing areas and regular monitoring of water quality.

So far, nine public schools or about 20,000 students and teachers have benefitted from this project. In the years ahead, Laguna Water foresees the continuing increase in the number of beneficiaries due to the inclusion of private schools in the program.

Sustainable Livelihood – The Kabuhayan Para sa Barangay Project

The *Kabuhayan Para Sa Barangay (KPSB)* or Livelihood for the Community program provides financial assistance or seed-capital, micro-enterprise trainings and development seminars to cooperatives that display the potential to grow their business but lack the financial capacity to do so. Whenever possible, the program integrates qualified cooperatives to Laguna Water's supply chain where they may offer their products and services at competitive prices.

In 2013, the SIKAP Builder Cooperative, the first beneficiary of the KPSB was tapped by Laguna Water to handle applications and operations for water service connections, disconnection, and reconnection jobs. Laguna Water sponsored a capacity building workshop

for the members of the Cooperative to develop the necessary skillsets needed and thereafter, was given a loan for its seed capital, courtesy of the Manila Water Foundation.

In coordination with the Provincial Government of Laguna, more cooperatives are expected to benefit due to the expected inclusion of cooperatives in areas outside of the concession area.

Interconnection of Commercial Accounts

Upon take-over by the new management team of Laguna Water in 2009, majority of the customers were residential and mid-sized commercial accounts, since water supply was still limited. With the ongoing investments in improving water sourcing, network efficiency and customer care, Laguna Water is now able to cater to the water demands of big businesses.

From among the list of satisfied commercial accounts, Laguna Technopark Inc. tops the list in terms of usage. Other establishments include SM Sta. Rosa, Unilab Cabuyao, Robinsons Sta. Rosa, etc. The volume of water being delivered to commercial accounts thus significantly increased from 0.31 million liters per day (MLD) in 2009 to 38.74 MLD as of end of 2014. This did not only improve the revenue generation of Laguna Water but has likewise contributed immensely in attracting more entrepreneurs to invest in the Province.

More commercial accounts are lined up for interconnection which hopefully would further enhance trade and industry in the province.

Local Job Creation

The continuing growth of Laguna Water translates into increasing opportunities for the locals in terms of job creation. For core functions, Laguna Water has been encouraging the schools in the province to inspire



The SIKAP Builders Cooperative, the first beneficiaries of Kabuhayan Para sa Barangay Program, also handles applications and operations for water service connection.

their graduates to join the company particularly in its cadetship program. For non-core functions, the Company has been coordinating with its present pool of contractors and other service providers for job opportunities like bill distribution and pipe laying.

With the continuing projects being implemented by Laguna Water as it strives to cover the remaining unserved areas, the workforce needed to run the company continues to increase. In fact, the number of employees grew from 60 in 2009 to 82 as of end of 2014. While Laguna Water does not have a headcount on the number of employees hired by service providers, it is evident that this has likewise grown considering the added demand in the work load.



In a span of six years, the contractors have consistently delivered on the Company's expectations and have grown enough to handle bigger projects. As Laguna Water encourages the employment of local labor, surrounding communities also enjoy the benefits of job generation. Many of the current contractors have been with Laguna Water since day one and the company expects a lasting relationship in view of their unwavering support to the organization. As a way to ensure profitability of these contractors, Laguna Water ensures that project costs are adjusted to consider inflation and other market forces to enable sufficient returns for its partners. Also, contractors are allowed to undertake multiple jobs for as long as their manpower and financial capabilities enable them to finish the projects on time.

Contractor Management

Laguna Water recognizes the contribution of its water supply contractors as it continues to effectively address the provision of clean water in the province.

With many more areas to cover and given its stable financial condition, Laguna Water expects its contractors to remain as reliable allies not only in expanding the reach of the Company but also in providing employment to local folks.



Teresita A. Bolina
President, *Serbisyong May IntegridadKaagapaysaAbot KamaynaPag-unlad (SIKAP) Cooperative*

Starting a Cooperative without a strong financial backbone proved to be difficult. We did not have enough resources to sustain the need for materials for the production of lanterns and training fee for our massage therapists –two of our livelihoods. In 2013, Manila Water Foundation, with the assistance of Laguna Water, offered a capital seed fund to help us with our financial needs. A capacity training on handling a Cooperative was also conducted to help us gain focus on the kind of livelihood we should venture on.

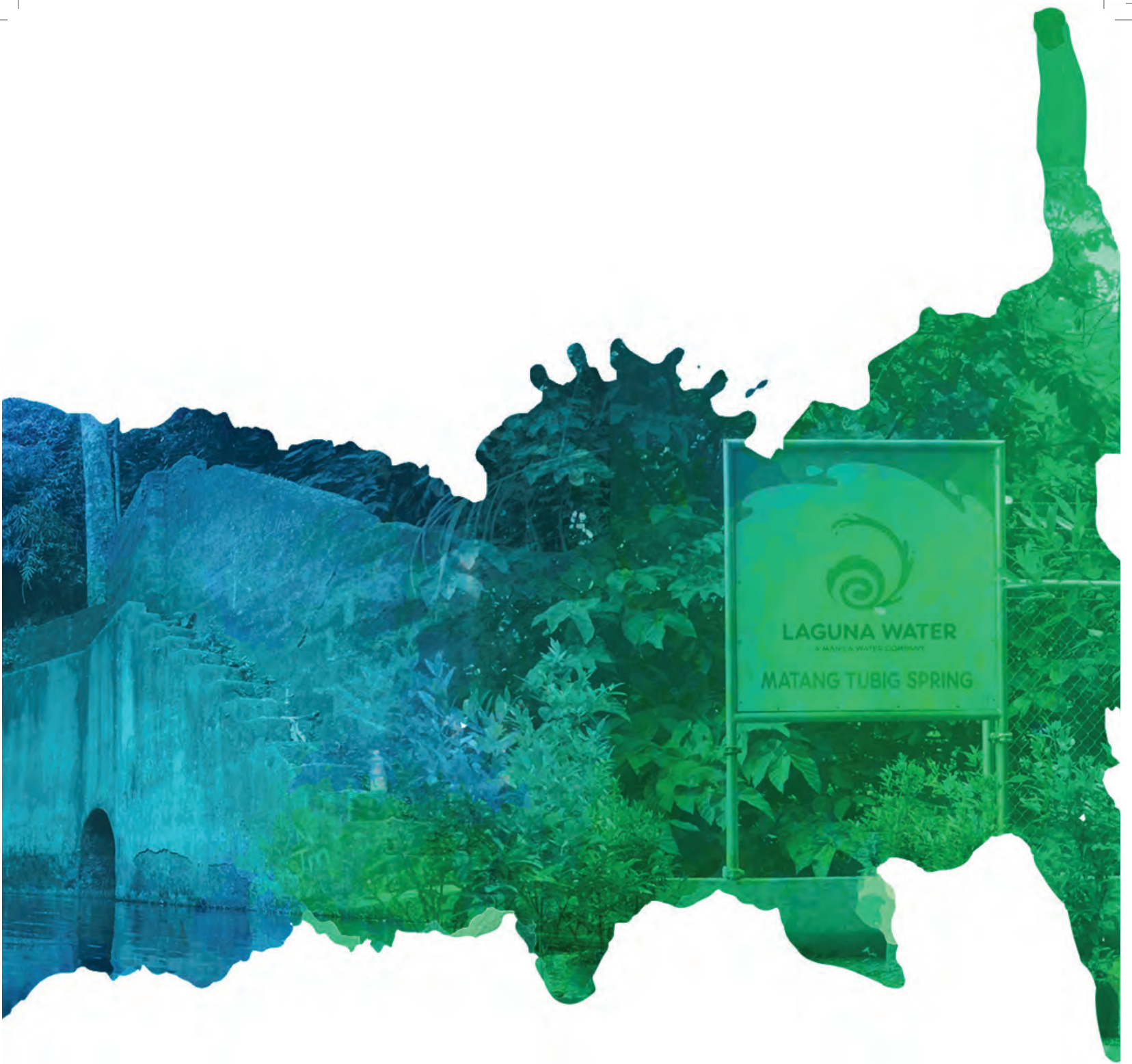
With the employment facilitation of Laguna Water, our Cooperative became one of their contractors –providing manpower to perform functions such as meter reading, installing new connections and monitoring of service quality. To date, 32 members of SIKAP, with assistance from Laguna Water and Manila Water Foundation, work together to progress into a stronger Cooperative with a more focused direction and goals

02

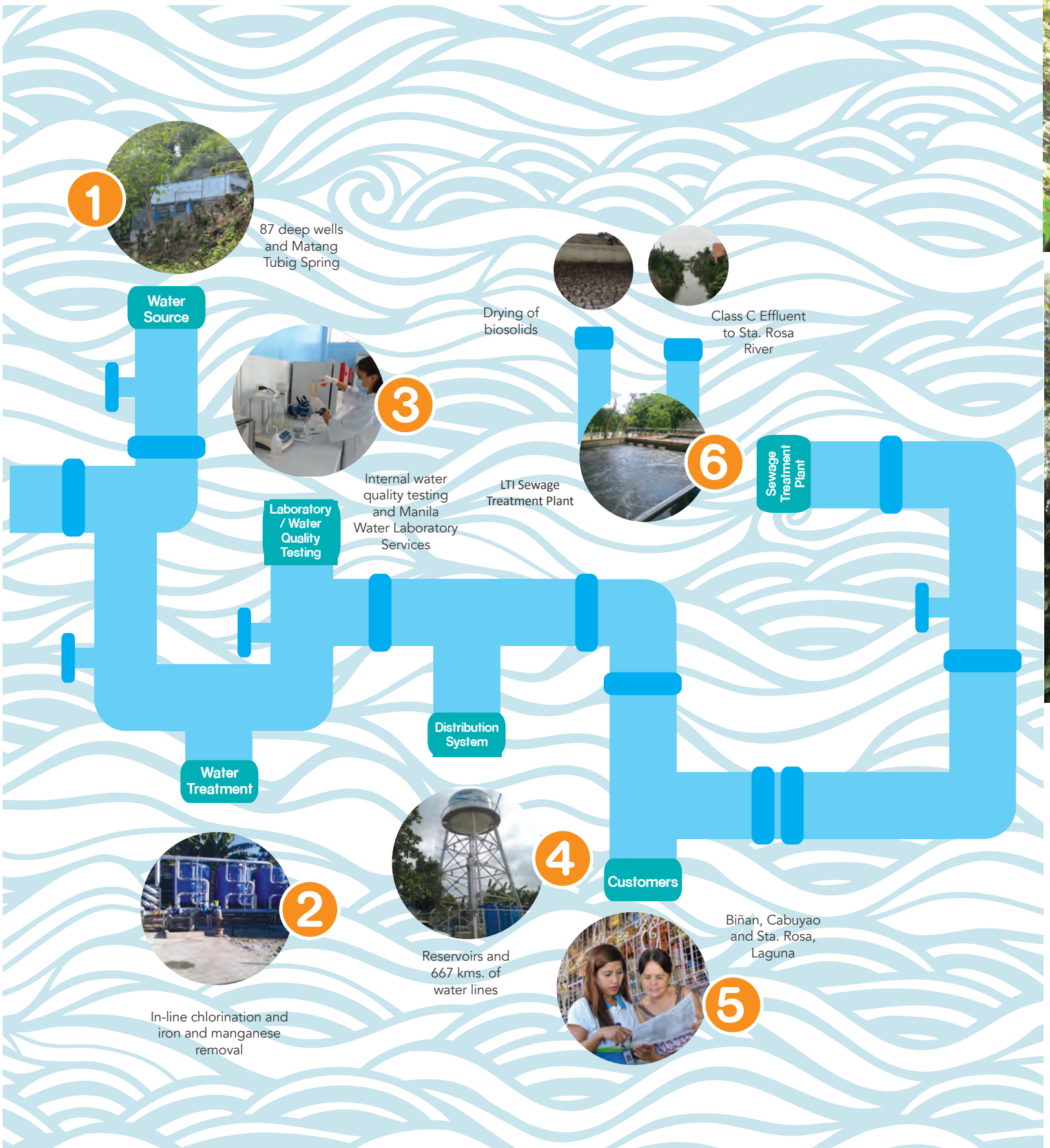
PROTECTING THE NATURAL RESOURCES

Laguna Water's advocacy on environmental protection and its adherence to sustainable development emanates from its vision statement. Likewise, the Corporate Governance principles of Laguna Water is very clear in acknowledging the need to protect the well-being of the natural environment that supports the Company. Water efficiency, operational excellence and wise use of energy are thus made integral in the Company's processes as these are essential in shaping the business model.





LAGUNA WATER TRAIL





The Matang Tubig Spring is one of Laguna Water's protected sites which contributes to at least 4% of Laguna Water's water supply.

Matang Tubig Spring Improvement

Located in the uplands of Bgy. Casile, City of Cabuyao, the pristine waters of Matang Tubig which has been tapped as a source of drinking water since the 1940's has remained reliable both in volume and quality up to this day. The Matang Tubig Spring (MTS) contributes to about 4% of Laguna Water's supply.

Putting value in history, Laguna Water has thus continued to upgrade this facility operationally and aesthetically. From a seemingly bare spring water source exposed to the elements, MTS has been transformed into a fortified and scenic multi-purpose water source for drinking, bathing and camping.

Over the years, the MTS has undergone the following improvements:

- Construction of a rock shed to protect the area from recurring landslides during storms and tremors
- Construction of open and cascading canals in order to manage the run-off water particularly during rainy months
- Construction of a concrete stairway to provide ease and comfort while going around the area
- Encasement of all previously exposed pipes as protection from falling rocks and flooding

Although not declared as a watershed area, Laguna Water has been continuously planting trees in the area to thicken the forest cover.



Non-Revenue Water Reduction

High level of Non-Revenue Water (NRW), or water lost due to pipe leaks and water pilferages, was one of the challenges that impeded the growth of the company when it took over the operations from Laguna AAA Water Corporation. As this directly impacts the bottom line and the quality of service to customers, priority was given to address this.

The Company thus embarked on a network rehabilitation program, the first phase of which involved the replacement of antiquated cast iron pipes with recyclable and corrosion-resistant High Density Polyethylene (HDPE) pipes. The NRW level significantly dropped from 49% in 2009 to 18% in 2013 but it was determined that the level can still be reduced further through a more detailed planning and the use of sophisticated equipment. A dedicated NRW Team, equipped with the necessary gadgets such as Ground Microphone and Leak Correlators, was organized. The Company likewise divided the service area into smaller territories and invested in Line Meters to be able to measure the water coming in and out of each monitoring area. By end of 2014, the NRW dropped to an all-time low of 12%, within international standards. Efforts are now focused on pockets of each monitoring

zones where the NRW may still be reduced to maintain the NRW at its present level or even lower this further.

With the elimination of leaks and intrusion of dirty water in the water network, water supply and water quality have become at par with the set standards, and more importantly, the environmental stress related to ground water extraction has been reduced.

Operational Efficiency

Laguna Water's network design operates in a manner that uniquely harmonizes efficiency and environmental protection to attain its objective of providing good customer service with minimal carbon emission. As the processes involved in delivering water to the service area require energy consumption, care is taken to ensure that power use is kept to a level that is just enough to meet the customers' requirements.

Laguna Water thus adheres to proper sizing of pumps and motors as this is one way of ensuring operational efficiency. The pumping capacity of all pumps are

Fuel Consumption

IN LITERS



DIESEL

GASOLINE

2013

2014

1,356.7

38,070.1

18,362.9

25,699.1



Electricity Consumption

IN KWH

2013 **2014**

3,210,900 14,260,679

designed to fit the water demand requirement of a particular facility since oversized pumps are not only more expensive, but also consume more power. As wear and tear results to more power consumption, old pumps and motors are replaced because in the long run, it is more economical to purchase new pumps and motors than to maintain the old ones.

Whenever possible, Laguna Water avoids the use of pumps if the network can be designed to convey water through gravity. Starting with LTI, which used to be fully pump operated, the Company re-designed the network system to partly distribute water to its customers via gravity. Laguna Water is currently developing a centralized water system which will be operational in the medium term and this early, it is envisioned that the new facilities will be conveying water generally via gravity.

The Company is likewise transitioning in its use of chlorine from liquid to gaseous form as the latter is cheaper, more potent and has a longer shelf life. Currently, the LTI and Matang Tubig facilities, which account for a significant use of chlorine has already shifted to chlorine gas. At the moment, the Company is forced to use liquid chlorine in most of its facilities as many of its deep wells are located in populous places where chlorine spills, if they should happen, may endanger the health of nearby communities. It is estimated that in the medium term, Laguna Water will eventually shift to full gaseous chlorine after the water supply network has become centralized.







03

SUSTAINING ECONOMIC PROGRESS

The phenomenal growth of Laguna Water brought the Company ahead of other competitors to become the biggest water service provider in the Province at present.

Financial Highlights

IN MILLION PESOS

	2013	2014
REVENUES	332,305,935	676,883,101
CAPITAL EXPENDITURES/ASSET INVESTMENT	438,484,172	326,813,516
NET INCOME	107,602,791	165,159,865
TOTAL SHAREHOLDER RETURN	13%	22%

For the period from 2012 to 2014, the volume of water delivered to customers grew more than threefold, from 31 million liters per day (MLD) to 108 MLD. In terms of water service connections, this translated to an increase from 42,000 to 90,000, mostly due to the interconnection of residential customers in the cities of Santa Rosa and Biñan. The service coverage, in terms of population is now 60%, or 30% more than the agreed target with the Provincial Government of Laguna as of end of 2014.

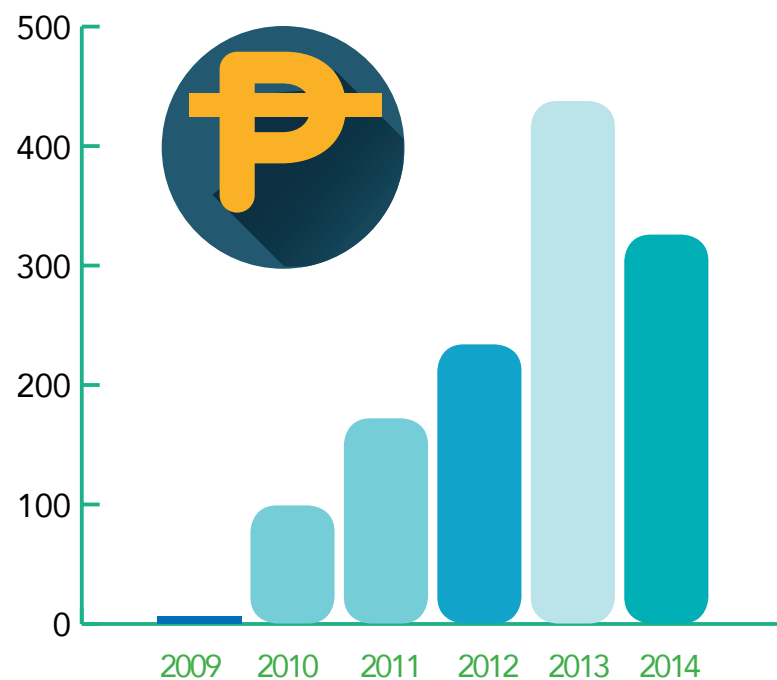
Financial Performance

The improved performance of Laguna Water in terms of expanding its customer base was fueled largely by massive capital expenditures considering that the Company spent over Php700 million for its water service expansion program in 2013 and 2014. While this positively resulted to increase in revenues of Php332 million in 2013 and Php677 million in 2014, these amounts dwarfed in comparison with the Company's total investments so far.



Capital Expenditures

IN MILLION PESOS



“The growing number of residential and commercial accounts contributed to the increase in billed volume of Laguna Water.”

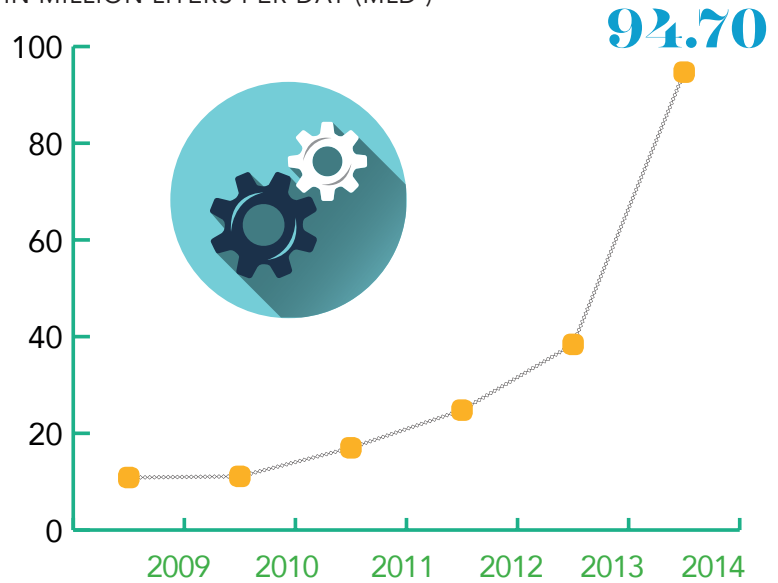


Billed Volume

The growing number of residential and commercial accounts contributed to the increase in billed volume of Laguna Water. The significant rise in billed volume is a direct reflection of the progressive pace of the organization— from 0.31 MLD in 2009, to 38.74 MLD by the end of 2014. As the company aims to expand its service to the whole province, Laguna Water expects to have a major increase in its billed volume in the coming years.

Billed Volume

IN MILLION LITERS PER DAY (MLD)



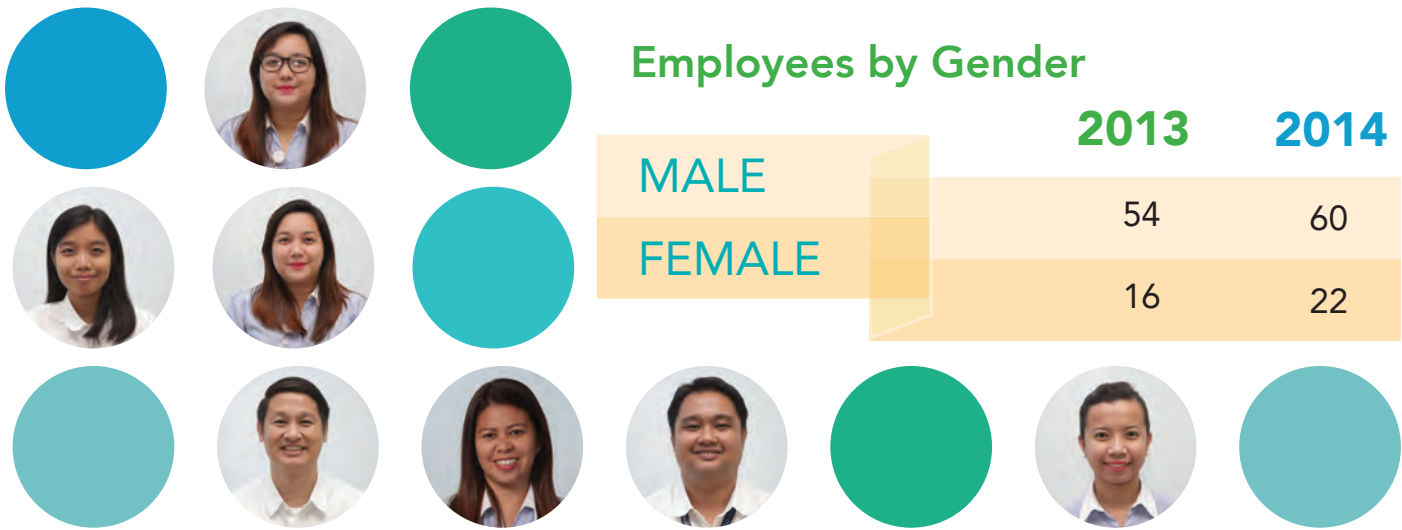
04

DEVELOPING HUMAN CAPITAL

The continuing successes of Laguna Water in many fronts are undoubtedly due to the combined efforts put in by its inspired workforce. The blistering pace of the Company in terms of service coverage expansion and operational efficiency in just five years in operations is reflective of how the people in the organization move as one.







While Laguna Water’s talents may be innately hardworking, their skill sets were reinforced with trainings particularly on people empowerment and integrity. The Company also provided an environment conducive to healthy competition; thus, bringing out the best in them. In appreciation of good performance, the Company sees to it that everyone from all levels are recognized and adequately rewarded. Finally, the Company complies with all labor laws aimed at protecting not only its employees but also other service providers whose work outputs affect the operations of Laguna Water.

Sharpening professional skills

Using the Territory Management concept as its vehicle, Laguna Water devised a business model that aligns empowerment with operational efficiency. The time tested strategy was actually adopted from the mother company where the entire service area was divided into small territories or District Metering Areas (DMAs) - with minimum of 500 accounts, each one placed under the management of an empowered Territory Manager. Rather than entrusting the entire field operations to a General Manager, it was determined that many ‘bite-sized’ territories may be effectively managed by field

managers. With a free hand to run each territory, red tape is done away with and reaction time in responding to customers’ concerns is achieved faster.

Cadetship Training Program

The Cadetship training program, a training ground for management trainees ensures that the Territory Management Concept- particularly field operations and integrity, are explained and understood fully by incoming talents. This program is further complemented by Business Zone Leadership School for senior cadets who are already managing territories with more than 20,000 accounts. Since its inception from day one of operations, the Company has so far produced 18 cadets – some of them are currently occupying managerial positions already.

Recognizing Employee Contribution

Laguna Water puts serious efforts in acknowledging good performance through its recognition programs that covers all levels in the corporate hierarchy. The focus has continued to be adherent to corporate values including work ethics worth-emulating, and people management skills which are all vital to the company’s growth and development.



Joana Marie N. Yuson
Batch 3 Cadet,
Collections Manager

The Cadetship Training Program of Laguna Water has been influential to the development of my professional capacity. I am proud to be part of an organization that collectively looks into the growth of all of its employees and not just of selected few.

Working with a predominantly young and energetic group of Laguna Water employees is invaluable.

What I learned from Cadetship is sharpened by my actual work experience. In six years, Laguna Water has grown rapidly and that is attributed to the concerted efforts of its capacitated employees. The kind of training experience and technical know-how taught during Cadetship is contributory to the individual success of its graduates and collective success of our organization.

For the rank and file employees, the yearly *Huwarang Manggagawa* Program confers awards to exemplary performances. For those in the supervisory positions on the other hand, the search for the President's Pride due to Performance (P3) is also held annually. As a practice, the number of awardees for all categories is not limited in order to spread both recognition and the attached monetary rewards.

In order to encourage its talents to achieve their full potential, Laguna Water grants merit increases to employees who meet or exceed targets. Salary adjustments are based on individual accomplishments to be able to fairly reward those who have delivered on their commitments. Through the Corporate Incentive Program, target setting is done during the start of the year to determine individual commitments with the end in view of hitting the over-all corporate target. At the end of each year, accomplishments are assessed to determine the corresponding performance-based merit adjustments.



Olga C. Madlangbayan
HR Specialist, 2014 Presidential Award due to Performance recipient

As a Human Resource Specialist, I can attest to the fact that employee retention is highly related to the kind of professional environment and colleagues they are surrounded with. I am fortunate to be part of an organization whose members treat one another with familial respect and a management that assures the importance of the role that each employee play. I am indebted to Laguna Water for trusting my capabilities and helping me grow as an employee and an individual. The dedication of my colleagues to their work is a testament to the kind of management and working environment Laguna Water provides.



Huwarang Manggagawa

<p>2013</p> <p>Roberto A. Gutierrez Arline L. Goyala Bengeber M. Sison Jose Rino V. De Matta Alex P. Abucayon Efren S. Lira Robert A. Arellano Liway L. Gonzales Bruno I. De la Rosa, Jr.</p>	<p>2014</p> <p>Alex P. Abucayon Efren S. Lira Tarciso L. Cocanas Frankie C. Pacheco Diosdado A. Perez Bengeber M. Sison</p>
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Presidential Pride Due To Performance (P3)

<p>2013</p> <p>Lorna C. Belludo Angelie C. Miranda Benedict Jason V. Versoza Christiane Henritz R. Batallones Teodorico L. Mayuga Bernard L. Driza Jeany L. Barcelá</p>	<p>2014</p> <p>Janet G. Clemente Edward R. Limosnero Danilo G. Barundia Andres C. Vierneza Angelie C. Miranda Christiane Henritz R. Batallones Bernard L. Driza Jeany L. Barcelá Olga C. Madlangbayan</p>
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Willy M. Macasaet
Water Supply Operations Manager, First Huwarang Manggagawa Awardee and recipient of The Outstanding Workers of the Republic (TOWER) award

It is very heartwarming when a company recognizes the effort you put into your work. Laguna Water is one of those organizations who give high regard to the contributions of its employees. I am honored by the recognitions that were awarded to me. It fuels my motivation to work harder and become an example for the rest of my colleagues. I am looking forward to sharing my efforts and technical skills for years to come. I know that a lot more employees will join the roster of Huwarang Manggagawa and TOWER awardee, in the future.

05

THE WAY FORWARD

Within a few years, Laguna Water should be able to transform itself into a full service concession capable of providing both water and used water services not only within its original concession area but even in other cities and municipalities in the Province. As the current concession area is nearly saturated and the efficient delivery of service is proven, it is very likely that Laguna Water will be encouraged to provide services in the entire Province as this is the original intention in the Joint Venture agreement between AAA Water Corporation and PGL.







Considering that the major water infrastructures are nearing completion, Laguna Water is expected to operationalize the first of the planned three-phase water supply sufficiency plan by 2016. The total water demand in the concession area once fully covered is actually estimated at 200 MLD.

Consistent with the water supply road map being followed however, four reservoirs, capable of holding and delivering 100 MLD of water shall be made operational initially and shall cover mostly the cities of Biñan and Santa Rosa. The remaining 2 phases shall cover predominantly the city of Cabuyao and the other areas in Biñan and Santa Rosa which were not fully covered by the first phase.

Upon completion of the centralized water system, the deep wells scattered all over the service area will be decommissioned or used only as secondary water sources. This also means that water filtration will soon emanate from a single point as differentiated from the current set-up where each deep well facility has its own filtration system.

Used Water services which is currently limited to the LTI facilities only will also become available in the entire concession area in the medium term. With the finalization of the feasibility study, the existing

used water treatment plant in LTI will be expanded to be able to accommodate desludging services to be offered from households.

Depending on the appropriate modality that may fit the landscape, Laguna Water may partner with willing Local Government Units (LGUs) and Water Districts anywhere in the Province where provision of water and wastewater services need to be improved. For LGU-run water systems or where water systems are non-existent, the consent of the local officials will have to be secured. For Water Districts on the other hand, the members of the Board of Directors should give their consent to allow the entry of Laguna Water.

From project inception until its completion, Laguna Water continued to engage its stakeholders to ensure transparency and acceptance. It is for this reason that as the company conceptualizes its wastewater master plan and as it applies the finishing touches for a centralized water network, stakeholder participation has not ceased. As the Company gains traction on its ambitious plan to expand its services outside of its existing service area, the Company remains as a tenacious advocate of sustainable development and thus, shall continue to imbed interventions that will protect the environment and enable host communities to grow alongside the company.

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