



DISRUPTION INNOVATION **STRATEGY**

“Create breakthroughs to close the growth gap and deliver new sources of value”

DR. HITENDRA PATEL

Ayala at 185 Years:
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Commitment | **PAGE 14**

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Blueprint: Bridging the
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DISRUPTION INNOVATION STRATEGY

DR. HITENDRA PATEL

Helping individuals and teams know when to follow the rules, when to break the rules and when to make the rules, to drive 10x growth.

THE BIG PICTURE

Disruption is inevitable, especially in our highly technological, rapidly changing customer and increasingly more competitive business environment. What is certain is that the future will continue to create shockwaves that will redefine if not reshape entire industries. Enterprises will have no choice but to adapt to the speed of change and relentlessly innovate to create value in new—and often unexpected—ways.

THE DETAILS

Today's global landscape is dotted with the success stories of entrepreneurs whose unconventional ideas are upending tried and tested business models, and whose companies have displaced market leaders in every market. Brands like Apple, Amazon, Alibaba, Facebook, Google, Netflix, Airbnb, and Uber are synonymous with breakthroughs that are transforming the way we live, work, socialize, shop, travel, and entertain ourselves. Of course, the magnitude of disruption has also led to the near extinction of former market leaders like BlackBerry, Motorola, Kodak, and Sears.

How should companies evolve to survive the future?

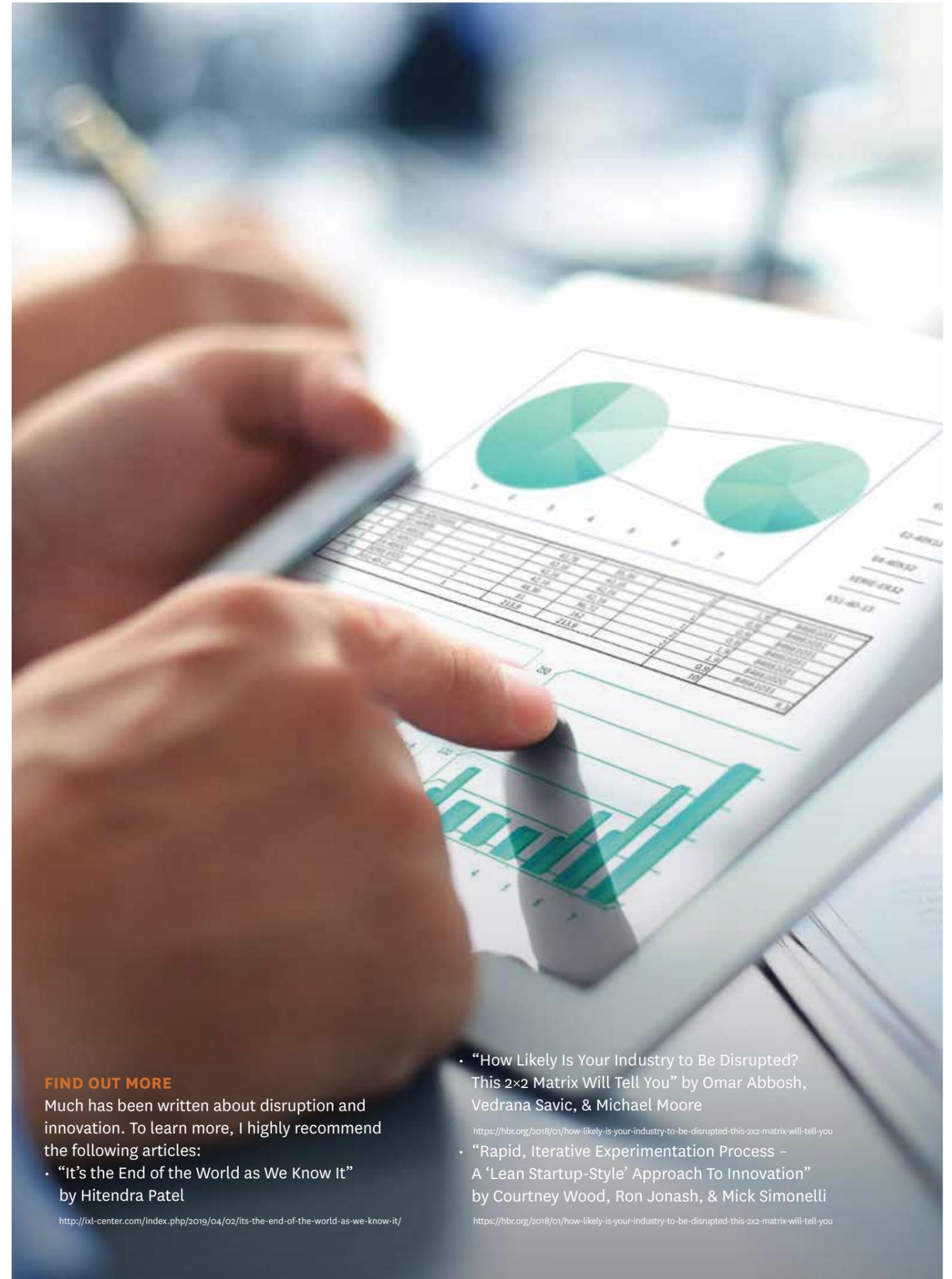
The quick answer is to anticipate it and take nothing for granted. Leaders will need to think differently and act differently. Leaders will need to look beyond their traditional models and plan for foreseeable growth gaps. Leaders will have to imagine future worlds with Millennials and Centennials interacting seamlessly with robotic, biotech, artificial intelligence, and green energy technologies. Leaders will have to go beyond optimizing products and services and create new offerings and experiences, new business models, new

partnerships, new markets, and new transformational decisions. Amazon's response is to treat every day as Day 1 to ensure that the company operates with a startup mindset: nimble, flexible, and constantly challenging the status quo.

THE BOTTOMLINE

The enemy of innovation is complacency, but the last five years has shown that Ayala is anything but complacent. Ayala has made innovation a strategic imperative and its leaders broadly and frequently communicate the importance of innovation. It has invested in building innovation management systems across the organization and trained hundreds of individuals and teams in innovation, to be “future-ready.” Ayala's efforts have been recognized by the Global Innovation Management Institute as the first company to be Level 2 Certified in Innovation Management in Southeast Asia. Composed of four levels, this certification recognizes Ayala's maturity in terms of innovation as a management discipline and corporate function. This is seen in Ayala's continuing strong innovation performance, robust pipeline of innovation projects, and broad mass of individuals trained in disruptive thinking and deployed to work on several innovation initiatives.

Ayala has aggressively pursued new opportunities in energy, industrial technologies, infrastructure, healthcare, and education, while embracing a solutions mindset that focuses on ethnology and technology to guide its entry, build-out, and expansion in these new industries. This approach has allowed Ayala to streamline and strengthen its core assets in real estate, financial services, and telecommunications as well, allowing these subsidiaries to be more competitive and resilient.



FIND OUT MORE

Much has been written about disruption and innovation. To learn more, I highly recommend the following articles:

- “It’s the End of the World as We Know It” by Hitendra Patel

<http://ixl-center.com/index.php/2019/04/02/its-the-end-of-the-world-as-we-know-it/>

- “How Likely Is Your Industry to Be Disrupted? This 2x2 Matrix Will Tell You” by Omar Abbosh, Vedrana Savic, & Michael Moore

<https://hbr.org/2018/01/how-likely-is-your-industry-to-be-disrupted-this-2x2-matrix-will-tell-you>

- “Rapid, Iterative Experimentation Process – A ‘Lean Startup-Style’ Approach To Innovation” by Courtney Wood, Ron Jonash, & Mick Simonelli

<https://hbr.org/2018/01/how-likely-is-your-industry-to-be-disrupted-this-2x2-matrix-will-tell-you>

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.

STATEMENT FROM THE BOARD

(GRI 102-32)

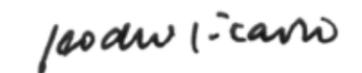
The Board ensures the integrity of this report and confirms that all disclosures on performance and impact on key material topics are fairly presented. The Board was supported by the Ayala management in providing high-level supervision to the internal teams who were convened to undertake the reporting process. Internal parties devoted significant efforts to ensure that the Ayala story is fairly presented in this report. Ayala also engaged external parties, SyCip Gorres Velayo & Co. and DNV GL, to validate and assure financial and non-financial disclosures to improve accuracy, objectivity, and overall report quality. The report was prepared under the supervision of the Chief Finance, Risk, and Sustainability Officer: Jose Teodoro K. Limcaoco.

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

The Board unanimously approved this report on 12 March 2019, and authorized its release on 26 April 2019.


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

ABOUT THIS INTEGRATED REPORT

Ayala is committed to integrated thinking and a strong focus on sustainability with the publication of this 2018 Integrated Report. We continue to improve our corporate reporting, giving emphasis on our value creation, strategy, and performance. This report gives a holistic view of our businesses and our impact to economy, society, and environment.

REPORTING SCOPE

(GRI 102-50, 102-51, 102-52)

This report states the results and value created by the conglomerate for our key stakeholders. It details our consolidated financial, economic, social, and environmental performance across our business units from January 1 to December 31, 2018. All necessary notes, explanations, and definitions are provided in the text or accompanying tables. Disclosures on business expansion are also included from unlisted subsidiaries and affiliates as they pursued growth. A summary of 2017 and 2016 data restatements is found on pages 194 to 195 and the table on pages 182 to 193 outlines the companies and the scope of data.

Our previous report published in 2017 and additional references for targeted stakeholders may be downloaded from www.ayala.com.ph.

REPORTING STANDARDS

We continue to adopt global best practices in reporting non-financial information. This report was prepared in line with the guiding principles and content elements of the Integrated Reporting <IR> Framework provided by the International Integrated Reporting Council (IIRC). We used the <IR> Framework to report our value creation. We also referred to the GRI standards to report our performance on various material topics and disclosures. By doing so, we are able to present our value creation, performance, and outlook in a more comprehensive, clear, cohesive, and transparent manner.

Learn more about the IIRC and integrated reporting at integratedreporting.org and GRI at globalreporting.org.

OUR APPROACH TO EXTERNAL ASSURANCE

(GRI 102-56)

Our Board's Audit Committee provides oversight on 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 auditors. Our senior management is involved in the decision and appointment of the independent third-party assurer.

In this report, we also introduce the Ayala Sustainability Blueprint: Bridging the Filipino to 2030, our master plan to purposefully contribute to the UN Sustainable Development Goals (SDGs). We had a rigorous process that involved senior management and executives across the group to determine and solidify our targets in contributing to the SDGs. We also improved our data collection process, following a more diligent approach to embed a culture of reporting.

We analyzed our financial and non-financial data to ascertain our accomplishments and determine the opportunities we can maximize to scale impact. All information were reviewed formally by the Investor Relations and Sustainability teams and approved by Ayala's Management and Board of Directors before publication.

ON OUR FINANCIAL STATEMENTS

SyCip Gorres Velayo & Co., a member firm of Ernst & Young International Ltd, is the external auditor of the company's financial statements, with Lucy L. Chan as the partner-in-charge. In accordance with regulations issued by the SEC, the audit partner principally handling the company's account is rotated every five years. More information about our audit process is found on pages 163 to 165, while our Management Discussion and Analysis of Financial Condition and Results of Operation can be found on pages 178 to 181 onwards.

ON OUR SUSTAINABILITY PERFORMANCE

DNV GL is an independent organization and global provider of certification, assurance assessment, and training services that we engaged with to validate the figures and information we presented related to our sustainability performance and <IR> Frameworks. The group-wide external assurance process took two weeks to complete including interviews conducted by DNV GL assurers with our executives in the conglomerate.

The full Independent Assurance Statement can be found on pages 206 to 209 which outlines the assurer's findings and conclusions.

FEEDBACK

(GRI 102-53)

We aim to foster strong stakeholder relationships and we welcome feedback and inquiries to help us improve our future reporting.

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

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

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OUR 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.

OUR 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 philosophies and values.

OUR CORE VALUES

- Integrity
- Innovation and Strategy
- Empowering leadership
- Pride in Execution
- Commitment to National Development

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 a 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.

A view of Ayala's headquarters from the main thoroughfare.

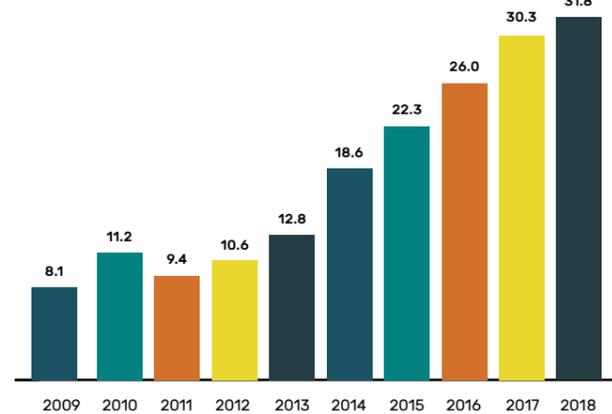
AYALA AT A GLANCE

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.

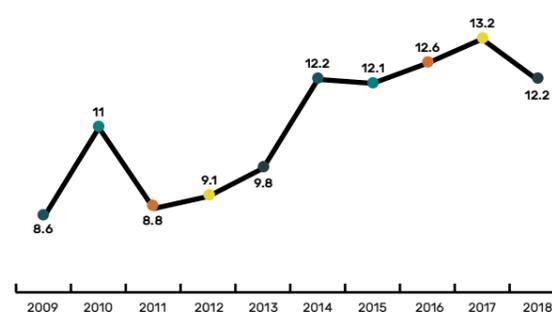


The Makati skyline at dusk.

NET INCOME (IN BILLION PESOS)



RETURN ON COMMON EQUITY (IN PERCENTAGES)



14.6%

10-YEAR
NET INCOME CAGR

11.0%

10-YEAR
RETURN ON COMMON EQUITY

15.6%

10-YEAR
TOTAL SHAREHOLDER RETURN CAGR

₱ 1.4

TRILLION IN 10-YEAR
GROUP-WIDE CAPEX

₱404

BILLION IN 2018 10-YEAR TAXES
PAID BY THE AYALA GROUP

₱200

BILLION 10-YEAR
PARENT CAPEX SPENT

₱1.2

TRILLION IN 2018 TOTAL ASSETS

₱60.6

BILLION IN 2018 CASH AND
CASH EQUIVALENTS

₱302.4

BILLION IN 2018 REVENUES

1.25

2018 CURRENT RATIO

11.8%

2018 LOAN TO VALUE RATIO

₱48.80

2018 EARNINGS PER SHARE

74.1

MILLION GLOBE CUSTOMERS IN 2018

601.3

GIGA WATT HOURS RENEWABLE
ENERGY GENERATED IN 2018

133,170

JOBS GENERATED
ACROSS THE AYALA GROUP IN 2018

OUR 2018 MILESTONES



JANUARY

- AC Energy partners with BIM Group of Vietnam to jointly develop over 300MW of solar power projects in Ninh Thuan province, Vietnam



FEBRUARY

- Ayala Land acquires an additional 17.2 percent stake in MCT, bringing its ownership to 66.25 percent
- AC Industrials enters the solar energy business through the acquisition of a controlling stake in Merlin Solar Technologies
- AC Education acquires a ~96 percent stake in National Teachers College



MARCH

- Manila Water acquires a 20 percent and 18 percent stake in PT. Sarana Tirta Ungaran of Indonesia and Eastern Water of Thailand, respectively
- Ayala Land increases direct ownership in Prime Orion Philippines to 67.2 percent from 63.1 percent



APRIL

- IMI ranks 18th among Manufacturing Market Insider's top 50 list EMS companies in the world based on revenues, moving up from 20th in the previous year



MAY

- AC Energy participates in the Australian renewables market through a joint venture with international renewable energy developer, UPC Renewables
- BPI completes its stock rights offering, raising ₱50 billion to fund its business operations and expansion



JUNE

- Manila Water receives the franchise to operate and maintain the water supply facilities and septage management in Sta. Barbara, Pangasinan



JULY

- Manila Water gets approval from Pagsanjan Water District to design, rehabilitate, and expand the water supply and sanitation facilities of its service area
- IMI ranks the 5th largest automotive EMS company worldwide by revenue size, according to New Venture Research
- Globe approves the establishment of a tower company that will help speed up the building and deployment of cellular towers in the country



AUGUST

- BPI raises US\$600 million in senior unsecured bonds
- Manila Water implements a joint venture project with Bulacan Water District to develop and operate the water supply system and sanitation facilities in Bulakan, Bulacan
- AC Infrastructure, Unisys Philippines, and Aboitiz InfraCapital submit an unsolicited proposal for the design and development of a national identity infrastructure solution



SEPTEMBER

- AC Infrastructure together with Aboitiz InfraCapital, Alliance Global Group, Asia's Emerging Dragon Corporation, Filinvest Development Corporation, JG Summit Holdings, and Metro Pacific Investments Corporation, known as NAIA Consortium, are granted Original Proponent Status by the Department of Transportation and the Manila International Airport Authority for its unsolicited proposal to rehabilitate, upgrade, expand, operate, and maintain the Ninoy Aquino International Airport for a period of 15 years



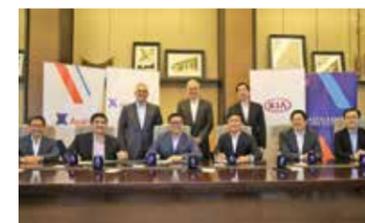
OCTOBER

- Ayala Land raises ₱8 billion from the issuance of five-year bonds, representing the sixth and final tranche of its ₱50 billion debt securities program
- Manila Water receives approval to develop, operate, and maintain the water supply systems of San Fabian, Pangasinan and Tanauan, Batangas
- IMI inaugurates its manufacturing facility in Serbia, which caters to the growing demand for automotive products in the European region
- AC Infrastructure and partner Zalora affiliate Brillant launch Entrego, a technology-driven end-to-end logistics and solutions provider
- AC Health invests in AIDE, a mobile home health app



NOVEMBER

- AC Energy acquires a ~25 percent ownership in The Blue Circle to jointly develop and operate a pipeline of ~1,500MW of wind projects across the Southeast Asian region
- Manila Water enters into two separate joint ventures with Tubig Pilipinas Group and City of Ilagan Water District for the development, operations, and maintenance of water supply facilities in Malasiqui, Pangasinan and Ilagan City, Isabela, respectively



DECEMBER

- BPI raises ₱25 billion in fixed rate bonds, the first tranche of its ₱50 billion peso bond and commercial paper program
- AC Health enters into an agreement with Jasminum Corporation for the acquisition of a 75 percent stake in Negros Grace, which operates over 70 drugstores in the Central and Western Visayas
- AC Industrials signs a distributorship agreement with Kia Motors Corporation to distribute the Kia brand in the Philippines

OUR GEOGRAPHIC PRESENCE

"We believe that this continued momentum in our performance validates our long-term strategy of building a more resilient portfolio by investing in a combination of new industries undergoing disruption and expanding on our strong franchises"

Jaime Augusto Zobel de Ayala

LEGEND

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

PHILIPPINES

National Capital Region (NCR)



REGION 1 - ILOCOS REGION



REGION 2 - CAGAYAN VALLEY



REGION 3 - CENTRAL LUZON



REGION 4A - CALABARZON



REGION 4B - MIMAROPA



REGION 5 - BICOL



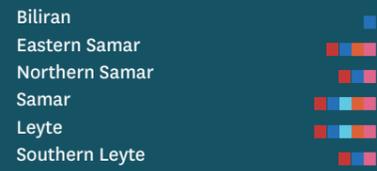
REGION 6 - WESTERN VISAYAS



REGION 7 - CENTRAL VISAYAS



REGION 8 - EASTERN VISAYAS



REGION 9 - ZAMBOANGA PENINSULA



REGION 10 - NORTHERN MINDANAO



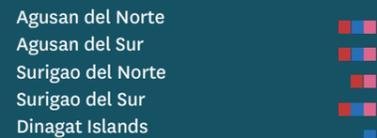
REGION 11 - DAVAO



REGION 12 - SOCCSKSARGEN



REGION 13 - CARAGA



REGION 14 - CORDILLERA ADMINISTRATIVE REGION (CAR)



REGION 15 - AUTONOMOUS REGION OF MUSLIM MINDANAO (ARMM)



WORLD MAP



185 YEARS

COMMITTED TO THE FILIPINO



Sam Abanto
Ayala Foundation



Ann Marie Cunanan
Ayala Young Leaders Congress



Staff Sergeant Jealvies Sarte
HERO Foundation



Bai Rohaniza Sumndad-Usman
Ayala Young Leaders Congress



John Macneil Mendoza
Center of Excellence
in Public Elementary Education

FACES OF AYALA'S SOCIAL COMMITMENT

Shared by seven generations and spanning almost two centuries, Ayala's commitment to the country continues to evolve as it responds to the changing needs of Filipinos. Deeply rooted in our heritage is the belief that good business must not only bring solid financial returns but must equally bring positive change in communities.

We consciously integrate sustainability and shared-value principles into our core businesses and scale them to enrich everyday life. We build sustainable estates and services, and open access to finance, education, healthcare, mass transport, and energy.

As our business grows, so does our responsibility for good citizenship. This we exercise through various social commitments, but close to our hearts are these programs:

- Ayala Foundation's Center of Excellence in Public Elementary Education (CENTEX) – helping bright children from economically disadvantaged families
- the Ayala Young Leaders Congress – building a community of like-minded youth leaders across the country to nurture nationalism and faithful stewardship; and
- the HERO Foundation – where we collaborate with other business leaders in helping ensure a better future for the children of our fallen soldiers through education.

Over the years, these collaborations have given rise to many of the country's inspiring servant leaders, five of whom we are grateful to have met.

Here are their stories.

STARTING OVER WITH A LITTLE HELP FROM YOUR FRIENDS

Sam Abanto, 48 years old, lost everything to Typhoon Ondoy but has rallied against all odds to eventually lead an organic farming cooperative in Calauan, Laguna. With the help of Ayala Foundation through the MDC Greens program, Sam's group found a way to better their lives through social entrepreneurship. Aside from growing ornamental plants for Ayala Land's developments, the group now grows organic produce for healthy grocers and restaurants. Sam's group has recently taken ownership of the program by establishing a cooperative called Inang Kalikasan. From a group of 10, the cooperative has grown to 30 people. Their ₱158,000 worth of plant orders in 2015 has grown to ₱4.7 million in 2018. Sam is now approaching more agencies and potential partners to further scale their operations.

TAKING THE ROAD LESS TRAVELED

Ann Marie Cunanan, batch 2004 of AYLC, is a young leader who quit her high-paying job to create a social enterprise—one that merges philanthropy, community development, and tourism into an innovative business venture. Ann's company, Meaningful Travels PH, is a for-profit venture with a strong non-profit core. The group aims to turn people's wanderlust into actions that enrich remote and poor communities. The enterprise upholds a host of sustainability ideals, including cultural heritage preservation, environmental conservation, and the support of grassroots industries. For Ann, AYLC inspired her to pursue her advocacies with vigor: "AYLC really helped me in terms of my formation as a leader. It was life-changing to be part of the program. A lot of us, even after several years, are really doing something for the country." To date, Meaningful Travels has engaged over 600 travelers and volunteers and has distributed almost 7,000 school kits around the Philippines.

A FATHER'S LEGACY, A SON'S CALLING

Staff Sergeant Jealvies Sarte, an officer under the Civil Relations Service group of the Armed Forces of the Philippines, upholds the legacy of his father who died in the line of duty. He was a scholar of HERO Foundation from high school to college and has served two Philippine Presidents and high-ranking foreign delegates as close-in security. Today, Staff Sergeant Sarte and his team serve as a conduit between civilians and the military, making sure that civilians have access to disaster relief assistance and accurate information about military operations. To follow his passion and pay HERO's support forward, Staff Sergeant Sarte decided to also pursue a career in the military despite losing his father to the same vocation. "Serving the country gives us an immense source of pride. It is the ultimate form of service for all of our troops here at the AFP."

EVERY FILIPINO CHILD . . . A PEACE HERO

Bai Rohaniza Sumndad-Usman, AYLC batch 2003, is one of the youngest and staunchest peace advocates in the country today. She founded Teach Peace Build Peace Movement Inc., a non-partisan and non-profit organization that aims to make every Filipino child a peacebuilder. She regularly works onsite in Marawi and Maguindanao, where she brings various groups together to foster dialogue and understanding. AYLC has inspired her to dream bigger. "AYLC was a life-changer for me," she said. "Our batch theme then was 'Everyday Leadership'. This is directly connected to what I do now. AYLC taught me how I can make a difference." To date, Ms. Usman's movement for peace has reached over 65,000 children, youth leaders, teachers, and young professionals.

THE PRIVILEGE TO SERVE

John Macneil Mendoza of CENTEX exemplifies Ayala's commitment to service and volunteerism. After finishing class valedictorian at CENTEX, John went to De La Salle Lipa high school and Ateneo de Manila on full scholarships. Now pursuing a career in international relations, John still volunteers his time to various causes. "One of the core values I learned in CENTEX was servant leadership," he said. "While the school aimed to raise future leaders, it also taught us that leadership is not only about being at the forefront but is more about serving the community. It is easy to be blinded by prestige and achievements, but this will lead to a tiring life if they are one's only goals. With servant leadership, one will always be aware that true service is less about the self, but is more about the people who gave one the privilege to serve."

On our 185th year, we pay tribute to the thousands of beneficiaries who continue to share our business and social commitment to improving lives. Throughout 2019, Ayala citizens across the group will come together and scale key volunteer programs in each business unit to achieve 185,000 hours of volunteer work in communities where we live and work.

Together, we are Committed to the Filipino.

Follow Ayala Corporation on Facebook or visit our website at www.ayala.com.ph to view our videos.

OUR CONTRIBUTION TO THE UNITED NATIONS



Access and Inclusivity Journey

1 NO POVERTY
 Ayala Foundation provided **324 jobs** through sustainable livelihood programs for indigenous communities in Talipanan, Mindoro and El Nido, Palawan and for farmers in Calauan Laguna

Ayala companies distributed **₱792 million** to support poverty alleviation and livelihood projects in communities

3 GOOD HEALTH AND WELL-BEING
 Generika had **28.4 million** sales transactions of generic medicines through its **816 drugstores** nationwide

FamilyDOC provided affordable primary care to **240,000 unique patients** through its **54 community-based clinics** in Luzon

MedGrocer delivered medicines to **6,300 unique individual customers** and more than **460,000 employees** of its **450 corporate clients**

AIDE tapped **798 medical professionals** and provided on-demand healthcare services to over **250,000 subscribers** in **74 cities and municipalities** across the country

4 QUALITY EDUCATION
 APEC Schools provided affordable quality education to **18,120 students**, of which **57 percent** are from the D & E market

2,012 students finished as APEC Schools' first batch of senior high graduates

AC Education supports the education of a total of **10,892 students**, through government subsidies of about **₱187 million**

Ayala Foundation's CENTEX Training Institute trained **865 teachers** from **87 schools**, and reached **34,600 students** since the program started in 2011

In partnership with Profuturo, Ayala Foundation trained **195 teachers** on digital learning technologies from **124 schools**, benefiting **12,730 students**

6 CLEAN WATER AND SANITATION
 Manila Water delivered **1,160 million cubic meters of water** to more than **25 million customers** in the Philippines, Vietnam and Thailand

Manila Water treated **62.4 million cubic meters** of used water from more than **142,000 sewer connections**

Productivity and Competitiveness Journey

8 DECENT WORK AND ECONOMIC GROWTH
 The Ayala group generated a total of **133,170 jobs** across the group

Ayala provides its employees with remuneration within **10 to 20 percent** above industry average

BPI Direct Banko provided microloans amounting to **₱3.3 billion** from their 200 branches to more than **40,000 self-employed micro-entrepreneurs**

9 INDUSTRY INNOVATION AND INFRASTRUCTURE
 Globe served **74.1 million customers** through its robust network enabling **956 petabytes** of information exchange

GCash deployed Scan to Pay cashless payment systems to **45,000 retail establishments**

Fuse lending disbursed loans to **77,000 recipients** through its mobile financial technology

Muntinlupa-Cavite Expressway serves an average of **32,000 vehicles** per day, potentially saving more than **393 million liters of fuel** and **17.7 million manhours**

Light Rail Manila Corporation served **165 million passengers** through its LRT 1 with over **95 percent train punctuality**

11 SUSTAINABLE CITIES AND COMMUNITIES
 Ayala Land through BellaVita provided **17,890 units** of affordable and socialized housing in **10 provinces** across the country

Ayala Land developed **300 hectares** of green space in **13** of its estates for effective rainwater absorption and promotion of social interaction

Ayala Malls support **20 Point-to-Point (P2P) bus routes** to encourage commuters to use public transportation

Responsible Growth and Innovation Journey

7 AFFORDABLE AND CLEAN ENERGY
 AC Energy generated **601GWh of renewable energy** from its wind and solar power plants, avoiding **342,071 tonnes of carbon**

AC Energy generated a total of **6,841GWh of power** through its operating companies

9 INDUSTRY INNOVATION AND INFRASTRUCTURE
 IMI generated **US\$443 million** in value-add by manufacturing **832 million units** of products, supporting industries on automotive, connectivity, and emerging technology

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
 IMI and Globe diverted **98 percent** and **12 percent** of wastes from landfill, respectively

Globe through Project 1 Phone hauled **288,243 kg of e-waste**

Manila Water saved **3.9 million kWh of electricity** through its various energy efficiency initiatives in 2018

13 CLIMATE ACTION
 Ayala group companies planted **4,719 seedlings** through Project Kasibulan

Ayala Land maintained **560 hectares** of carbon forest

Ayala Land shifted 32 of its malls and offices to renewable energy and avoided **102,000 tonnes of carbon**

Manila Water mounted solar panels in three used water treatment facilities, generating **177,000 kWh** of electricity and avoiding **126 tonnes of carbon**

BPI disbursed **₱10.8 billion worth of loans** for sustainable energy projects of SMEs and mid-to-large size businesses, avoiding **9.6 million tonnes of carbon**

Completing the SDGs

2 ZERO HUNGER
 BPI distributed **₱170 billion** worth of agribusiness loans to support agriculture and food security

5 GENDER EQUALITY
1:1.3 in male:female employee ratio in the Ayala group

40 percent of managers ranked from senior to executive in the Ayala group are female

10 REDUCED INEQUALITIES
 Ayala group fosters equal opportunity and non-discrimination in the workplace

14 LIFE BELOW WATER
 Manila Water removed **9,102 tons of organic pollutants** from used water

Northwind's biodiversity study recorded **3 species of marine turtles** within the Bangui Bay

15 LIFE ON LAND
 North Luzon Renewables' biodiversity study yielded **69 bird species** wherein **33** are endemic, and **17 tree species**, **four** of which are IUCN threatened species

Ayala Land protects **52 IUCN** red-list species in El Nido Resorts and Lio Estate

Manila Water planted **40,000 seedlings** in **100 hectares of land** in La Mesa Watershed and **500 seedlings** in Nabaoy Watershed

16 PEACE, JUSTICE AND STRONG INSTITUTIONS
 Ayala continues to uphold good governance and respects human rights

Ayala fosters protecting the young and conducted a Children's Rights workshop for managers across the group

Ayala garnered a higher than average score in the Global Child Forum's Corporate Sector and Children's Rights Benchmark

17 PARTNERSHIPS FOR THE GOALS
 Ayala remains a member of the UN Global Compact Network Philippines

Sustainability Blueprint

Bridging the Filipino to 2030

AYALA'S SDG CHAMPIONS

Maximizing relevance and impact through focus



In Ayala, we keep a positive and proactive mindset and see that businesses must go beyond making profit. We ensure that our contributions are for the betterment of society and that we preserve the natural resources for future generations as we grow. This paradigm was reinforced with the launch of the UN SDGs which aligns well with our thinking.

Today, we acknowledge the three megatrends that pose large threats to Filipinos while having the most relevance in the industries we are in: marginalization, untapped potential and irresponsible growth. To combat these megatrends, the Ayala Sustainability Blueprint outlines the three journeys to which we commit to take Filipinos to how we envision them by 2030. Each journey includes relevant UN SDGs with the companies from the group who will champion them.

To solidify our commitment to these journeys, each champion has a core target set that is aligned with the language of the SDGs with the same deadline of 2030. These core targets will be further supported by stretch targets which may also contribute to goals that are beyond those championed by each business unit. The stretch targets of each business unit will also be released with their corresponding key performance objectives after a careful deliberation has been accomplished. With this Integrated Report, we strengthen our commitment. We proclaim our champions and their respective core targets as we continue to concretize their stretch targets and corresponding key performance objectives. All targets will be subjected to a review every two to three years to ensure relevance.

To learn more about the Ayala Sustainability Blueprint, please turn to page 78.

Champions and Core Targets on the ACCESS & INCLUSIVITY JOURNEY

SDG 1 No Poverty championed by Ayala Foundation
Ayala Foundation will support anti-poverty frameworks resulting in 50 percent reduction of extreme poverty in AFI project areas.

SDG 3 Good Health and Well-being championed by AC Health
AC Health will champion Universal Health Coverage in the country by providing the largest primary care network, expanding access to quality and affordable medicines, and improving essential hospital and specialty services, touching the lives of one in five Filipinos.

SDG 4 Quality Education championed by AC Education
AC Education will help ensure equal access for all women and men for 85 percent (1,258,095) of non-working population (aged 15 to 24) to affordable and quality secondary and tertiary education, including university, through our own schools and helping other institutions.

SDG 6 Clean Water and Sanitation championed by Manila Water
Manila Water will provide equitable, reliable and safe water access in all its concession, and continuously increase access to new markets.

Champions and Core Targets on the PRODUCTIVITY & COMPETITIVENESS JOURNEY

SDG 8 Decent Work and Economic Growth championed by Ayala and BPI
Ayala will support full and productive employment and decent work for all and equal pay for work of equal value by ensuring employment remuneration is 10-20 percent above the industry average.

BPI will expand access to banking and financial services to 25 percent of the unbanked population of the Philippines (addressable C and D market).

SDG 9 Industry, Innovation, and Infrastructure championed by Globe and AC Infrastructure
Globe will lead the country's digital transformation by significantly increasing access to information and communications technology for consumers and businesses, providing universal and affordable internet access in the Philippines for 90 percent of the population.

AC Infrastructure will upgrade infrastructure to make them sustainable, with increased resource efficiency and greater adoption of clean and environmentally sound technologies and industrial processes with 36,135 tonnes CO2e equivalent avoided.

SDG 11 Sustainable Cities and Communities championed by Ayala Land
Ayala Land will enhance inclusive and sustainable urbanization by increasing sevenfold the number of launched affordable housing units.

Champions and Core Targets on the RESPONSIBLE GROWTH AND INNOVATION JOURNEY

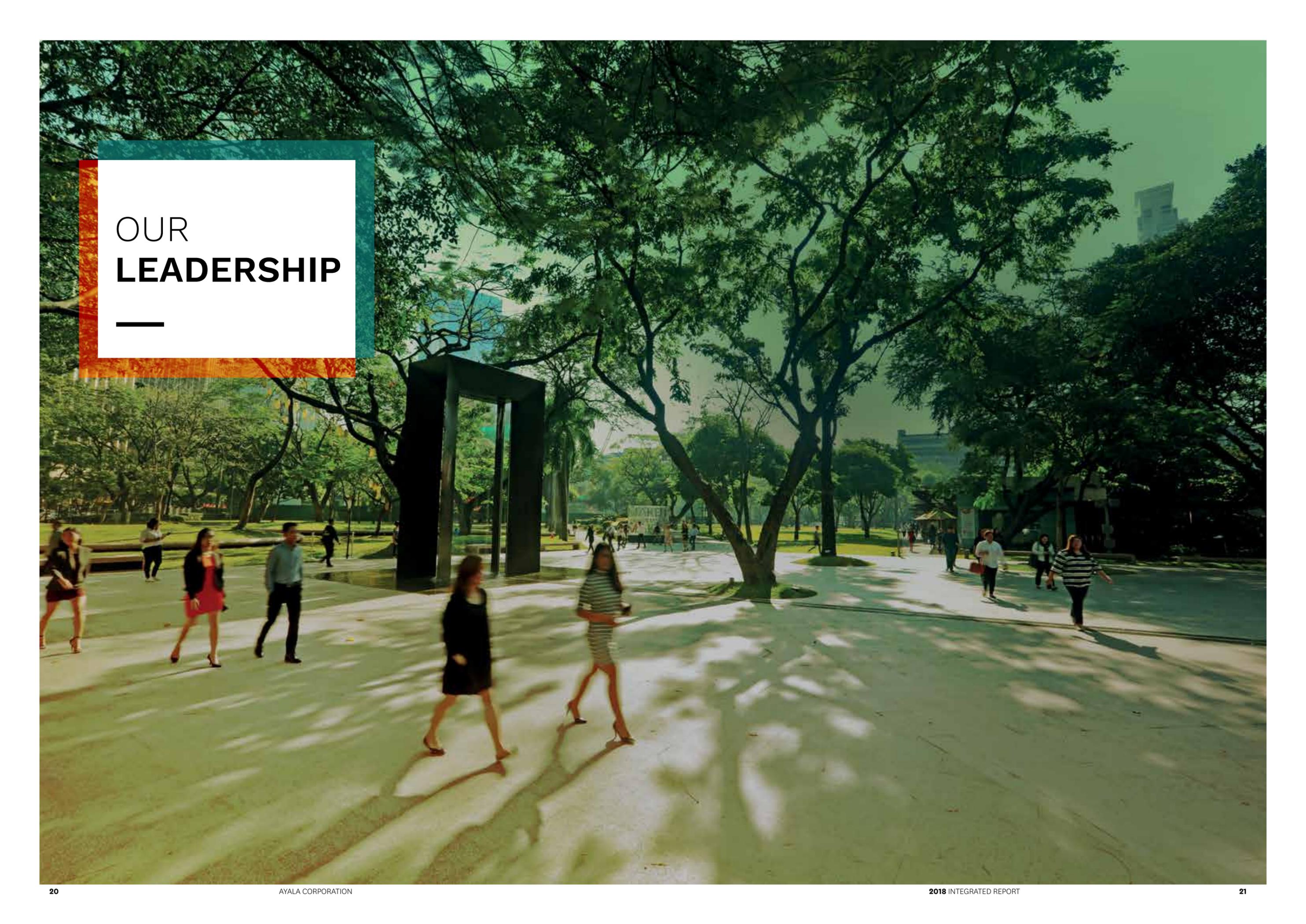
SDG 7 Affordable and Clean Energy championed by AC Energy
AC Energy will increase its renewable energy portfolio to 5 GW in the Philippines and in foreign markets.

SDG 9 Industry, Innovation, and Infrastructure championed by AC Industrials composed of two business units: AC Automotive and IMI

AC Industrials will enable the first Philippine-manufactured, commercially viable, and market-accepted electric vehicle, resulting in reduced emissions. On the demand side, its distribution and retail group, AC Automotive, will promote low emission vehicles to the market, ensuring that each brand offering has a minimum of one model not fully dependent on a combustion engine powertrain. Globally and on the manufacturing side, IMI will promote inclusive and sustainable industrialization by demonstrating manufacturing value add of US\$1 billion dollars across all developing countries where it has operations.

SDG 12 Responsible Consumption and Production championed by Ayala
Ayala will achieve an ambitious material footprint that demonstrates sustainable management and efficient use of natural resources.

SDG 13 Climate Change championed by Ayala
Ayala will strengthen resilience and adaptive capacity to climate related hazards to natural disasters across all its sites resulting in minimal casualties.



OUR
LEADERSHIP



MESSAGE FROM THE CHAIRMAN

FELLOW SHAREHOLDERS,

Let me begin with a review of the macroeconomic environment we faced in 2018 to provide some perspective on the economic forces that defined our business environment in the past year. The macroeconomic setting provides a crucial framework for the delivery of our business results, given our diversity as a multi-business investment house and the many touch points we have across our economy.

On the global front, the world economy was unable to sustain the positive momentum of the previous year, largely fueled by the Federal Reserve's aggressive interest rate hikes in reaction to an expanding US economy. In addition, the rising trade tension between the US and China, as well as political uncertainties in Europe, dampened global business and investor confidence during the year. These developments trickled down to the ASEAN

economies, with most economies in the region experiencing tempered growth as external risks weighed on local demand and exports.

Here at home, the economy expanded 6.2 percent in 2018, slower than the 6.7 percent growth recorded in the previous year, as inflation surged to a 10-year high but still with enough positive momentum to keep our growth initiatives in place. Higher global oil prices, food supply problems, the weaker peso, and the impact of the tax reform law put pressure on local prices at the end of 2018. However, many analysts believe that a recovery is forthcoming as inflation softened at the start of 2019, falling to a one-year low of 3.8 percent in February 2019.

It is also encouraging to see that, even amid slower growth, investment spending continues to climb as government ramped up its infrastructure agenda and businesses continued their capacity expansion initiatives. Investment spending as a percentage of GDP improved to 27 percent, the highest since 1996. This should be seen as a significant contributor to sustainable growth for the country. Similarly, household consumption growth only slightly decelerated to 5.6 percent, still one of the strongest in the region.

We are happy to report that Ayala has been able to sustain its growth trajectory within this economic environment. We believe that this continued momentum in our performance validates our long-term strategy of building a more resilient portfolio by investing in a combination of new industries undergoing disruption and expanding on our strong franchises.

As we took advantage of the favorable domestic environment, we invested an unprecedented level of capital across the Ayala group. Over the past 10 years, our group has spent ₱1.4 trillion in capital expenditure to lay the foundation for our ambitious growth aspirations in our core businesses and scale up our emerging businesses.

Throughout the years, we have always prided ourselves in our ability to incubate industry-leading businesses by allocating new capital, setting up the appropriate governance frameworks, using our group corporate infrastructure, and assigning

“

We are undergoing a transformation journey across the group to build a digital and future-ready Ayala. We recognize that to continue thriving under a rapidly changing environment, we must evolve from traditional analog thinking into incorporating a digital perspective into our strategy and operations.”

committed and effective talent. Our real estate, banking, telecommunications, and water units are distinct examples of our business-building ability - developing them from the ground up and nurturing them to become dominant industry players.

More recently, we have been directing more of our resources into our new business platforms in energy, industrial technologies, infrastructure, healthcare, and education. Over the past 10 years, we have invested nearly ₱200 billion at the parent level to help these businesses build scale while employing an active portfolio management approach to either realize value or drive the businesses, alone or with partners.

The bulk of our capital expenditure at the parent level was deployed to AC Energy, which has started to be a significant contributor to our portfolio. With its operations now beginning to show predictability and combining this with some opportunities for value creating divestments, we are pleased to see AC Energy starting to provide the necessary revenue and income balance to some of our more cyclical and longer gestation businesses.



AC Energy partners with the BIM group to build over 300MW of solar power projects in Ninh Thuan province, Vietnam.

₱200 BILLION

10-YEAR PARENT CAPEX SPENT

₱1.4 TRILLION

10-YEAR GROUP-WIDE CAPEX SPENT

AC Energy is now one of the fastest-growing power companies in the region having only started in 2011, with attributable generating capacity of over 1,600 megawatts across renewable and thermal platforms. It has recalibrated its strategy to focus on renewable energy, with a target to assemble five gigawatts in capacity across solar, wind, and geothermal technologies by 2025. AC Energy has a pipeline of renewable projects in the Philippines, Vietnam, Australia, and Indonesia, which it has identified as priority markets.

More importantly, AC Energy has developed financial self-sufficiency and no longer requires capital deployment from Ayala to fund its expansion strategy. A testament to its ability to raise capital independently is its successful issuance of US\$410 million in a Green Bond offering, the first publicly syndicated US dollar Green Bond in Southeast Asia to be certified by the Climate Bonds Initiative. Moreover, it will start upstreaming capital back to Ayala through regular dividend payments beginning in 2019.

Meanwhile, the rest of our emerging businesses are in varying stages of maturity. AC Industrials continues to build its portfolio and now houses platforms in global manufacturing, proprietary enabling technologies, and high value products for end markets. Its automotive retail and distribution segment, AC Motors, now counts Kia Motors in its portfolio of vehicle brands in addition to Honda, Isuzu, Volkswagen, and KTM. Kia is a solid global brand with a wide range of products that built a strong foothold in our local motoring culture over the past two decades.

AC Infrastructure has entered the logistics space, a fast-growing sector boosted by rising consumer demand and growing e-commerce adoption. In 2018, we spun off Zalora's last-mile delivery services into Entrego, a technology-driven, end-to-end, logistics and fulfillment solutions provider. After

its launch in March 2018, it now services the largest e-commerce players in the country as well as clients from various industries.

In education, we are awaiting regulatory approval for the merger of AC Education with iPeople, the Yuchengco group's education platform that houses the Mapua University portfolio. The merger brings together the seven educational institutions of the two groups, which together will offer quality education to students across all income segments and across their campuses in various parts of the country.

Meanwhile, AC Health continues to ramp up its retail healthcare footprint. We are proud to say that FamilyDoc, our community-based 3-in-1 clinic, laboratory, and diagnostics facility, is now the largest chain of primary care clinics in the country with 54 branches across Greater Metro Manila. AC Health has a target to open 100 clinics by 2020.

Alongside these developments, we are undergoing a transformation journey across the group to build a digital and future-ready Ayala. We recognize that to continue thriving under a rapidly changing environment, we must evolve from traditional analog thinking to incorporating a digital perspective into our strategy and operations.

As you know, we have started to participate in businesses that are part of the current digital wave, particularly in e-commerce, fintech, and healthtech. These investments are designed to complement our group's traditional brick-and-mortar operations, future-proof our existing portfolio, and broaden the digital experience of Filipinos.



Entrego has nationwide presence with 54 hubs.



VIA optronics provide best-in-class interactive display solutions.

Our group spent significant time studying other markets last year that are in the advance stages of digital maturity and we have allocated resources to platforms that provide some visibility into emerging trends and technologies. Absorbing and learning from these experiences, we have become more deliberate and unified in mapping out our own digital transformation journey and have elevated it into a group-wide strategic agenda. Underpinning our transformation framework are five critical components:

- We will continuously look for ways to disrupt and digitally transform our core businesses to ensure that our companies remain relevant to our partners and stakeholders in this environment that is quickly being redefined by technology.
- We will look to learn from and invest in emerging technologies and trends at an early stage. More importantly, we are aiming to build new business models to take advantage of these developments.
- We will be bolder and more deliberate in our venture capital strategy, seeding new ideas and disruptive businesses, and supporting forward-thinking entrepreneurs with scalable, innovative models.
- We recognize that data and analytics will be a key strategic discipline and skill set in the future and are thus establishing a center of excellence to participate in and build competence in this space.

- We are committed to upskilling and empowering our talent base to help them adjust quickly to these changes and to institutionalizing a culture of curiosity, courage, and collaboration, so that we remain ready for the challenges of a digital world.

We are aware of the long and challenging road ahead in this digital transformation journey. However, with the engagement of our people across all levels, we are confident that the digital and future-ready Ayala that we are aspiring for can be built within the foreseeable future.

As a final word, I want to thank you all for your consistent support to Ayala and our institutional evolution throughout the years. As we celebrate our 185th anniversary this year, it gives us a great sense of pride to see how we have been able to contribute to the country's economic and social landscape through our businesses. These have had a significant multiplier effect on our communities: from the capital we deploy, from the taxes we pay, to the jobs we provide to thousands of individuals as well as to the reinvention we galvanize across multiple products, services, and entire industries.

Our contribution to the country's economic, social, and environmental agenda has become part and parcel of the way we do things, and I have always believed that this value proposition will remain to be an important cornerstone of our long-term success as an institution.

Jaime Augusto Zobel de Ayala
CHAIRMAN AND CEO



REPORT OF THE PRESIDENT

FELLOW SHAREHOLDERS,

As we review the past year, we feel fortunate to have built a well-diversified portfolio that continued to thrive despite some setbacks in the domestic environment.

We are pleased to report that Ayala ended the year with a net profit of ₱31.8 billion, five percent higher from a year ago, boosted by our real estate, telecommunications, and power businesses. It is encouraging to see that our investments in AC Energy have come to fruition as the company starts to provide a significant contribution to our earnings and value creation.

These results bring us on track to our five-year target of doubling our net income to ₱50 billion by 2020. Included in our 2020 aspirations is a

strategic imperative to diversify our earnings stream outside our four established businesses, Ayala Land, BPI, Globe, and Manila Water, by ramping up the contribution of our new growth platforms. At the end of 2018, our emerging businesses accounted for 15 percent of our equity earnings, largely driven by AC Energy.

Let me highlight some of the key developments in the performance of our business units during the year.

Ayala Land continued to benefit from a robust real estate market as it continued to pursue a better balance between its development and recurring income businesses. Its net income expanded 16 percent to ₱29.2 billion, primarily driven by the strong performance of its property development and commercial leasing businesses.

The strong results of its leasing business, which includes office, malls, and hotels and resorts, supported the strong buildup of Ayala Land's recurring income portfolio during the year. This segment has grown faster since 2013, at a compounded annual rate of 26 percent. Meanwhile, its development income, which comprises residential, office and lot sales, grew at a compounded annual rate of 18 percent in the same period.

Bank of the Philippine Islands enjoyed strong growth in its core banking business during the year. However, this was tempered by higher provisions and operational spending, bringing its net income to ₱23.1 billion, up 3 percent from the previous year.

BPI continues to execute on its digitalization strategy aimed at strengthening its franchise under a rapidly changing environment. In the last three years, BPI spent ₱11.6 billion to build its digital infrastructure, with over a third of the amount allocated to building capability in new, cutting-edge ways. This initiative resulted in an average annual increase of 14 percent in transaction volumes during the period.

More importantly, the bank's digital transformation is addressing financial inclusion as it facilitates higher engagement with the unserved and underserved segments of the demographic, particularly the micro, small, and medium enterprises and the lower-income consumer segments. With increased efficiencies and lower cost, digitalization will make financial inclusion truly sustainable.

In addition, BPI continues to ramp up its microfinance arm, BPI Direct BanKo. Since its creation three years ago, BanKo has disbursed loans amounting to over ₱4 billion to nearly 56,000 entrepreneurs. Its number of branches has grown to 200 at the end of 2018.

Globe Telecom continues to benefit from its investments in building its network capability and offering differentiated content to meet the rapidly growing demand for data consumption.

In 2018, Globe's profits reached ₱18.6 billion, bolstered by data-related services across mobile, broadband, and corporate segments. These segments were the top contributors to Globe's topline growth, which already accounted for 61 percent of total service revenues. Driving this growth is the continuing shift of consumers from traditional voice and SMS services to data. Mobile data traffic significantly rose from 600 petabytes last year to 956 petabytes, owing to greater consumer spending on these services, particularly through higher prepaid top-ups.

It is interesting to note that as early as 2010, Globe had already seen the market shift towards smartphones and data. It rolled out an ambitious growth strategy that enabled a digital revolution in the Philippines. It invested in a new network and ramped up its content offerings to cater to the Filipinos' strong appetite for digital content.

Globe continues to deploy capital to improve its network infrastructure to address data traffic growth and customer base as it ramped up its LTE



Manila Water's facility in Cardona, Rizal will provide additional service facilities in the east zone once operational.

rollout. It spent ₱43.3 billion in capital expenditure in 2018, equivalent to 32 percent of its service revenues during the year.

Manila Water continues to expand its footprint across the Philippines and in the Southeast Asian region. It won 13 new projects in 2018, including the two platforms in Thailand and Indonesia.

Its two new overseas platforms, East Water of Thailand and PT Sarana Tirta Ungaran of Indonesia coupled with the steady growth of its core Manila Concession lifted Manila Water's net income in 2018, growing six percent to ₱6.5 billion. This was supported by the 28 percent positive tariff adjustment to be implemented on a staggered basis over a five-year period from 2018 to 2022.

Manila Water continues to look for more ways to improve its efficiencies, in the way it serves its customers and in developing new products and solutions to serve as new growth platforms. In particular, we are excited about its new initiatives on solid waste management and its potential to solve our country's huge waste disposal problem. Waste management is a sector that is ripe for disruption and presents opportunities which Manila Water can capture in a responsible and sustainable manner.

With over 1,600 megawatts of attributable generating capacity, AC Energy has become a substantial pillar of our portfolio. Since 2015, it has contributed positively to our earnings stream with a combination of steady state operation of its assets and consistent value realization initiatives.

In 2018, its net earnings expanded 16 percent to ₱4.1 billion, largely driven by its domestic thermal and renewable assets as well as a higher contribution from its Indonesia investments.

AC Energy is now focusing on renewable energy. In 2018, it generated 2,800 gigawatt hours of attributable energy, of which 48 percent was from renewable sources.

To scale up, AC Energy is diversifying internationally in markets that are supportive of renewable energy development. Through strategic partnerships, AC Energy is assembling a pipeline of renewable projects of over 4,000 megawatts across Vietnam, Australia, and Indonesia in addition to the Philippines.



The Solenad Activity Center provides a cover to visitors crisscrossing the mall in Nuvali.

Furthermore, AC Energy has grown to become a self-sustaining business, with a balance sheet that has gained sufficient capacity to fund its own strategic initiatives without capital deployment from the parent. In January 2019, it successfully raised US\$410 million in a Green Bond, which included two of the world's largest development institutions, the Asian Development Bank and the International Finance Corporation as investors.

AC Industrials continues to assemble a portfolio of businesses in disruptive technologies in rapidly-transforming industries such as manufacturing and automotive.

In 2018, it acquired US-based solar technology firm Merlin Solar, which owns a portfolio of proprietary technology that complements AC Industrials' core strength of providing manufacturing scale through IMI's global platform. Moreover, it is broadening its display technology capabilities through a joint venture with Toppan Printing VTS. Headquartered in Japan, Toppan allows AC Industrials to offer new solutions for customers in consumer electronics, automotive, and industrial markets, complementing VIA Optronics.

In addition, AC Industrials is widening its automotive distribution and retail group. It now counts Kia as its newest brand under the AC Motors portfolio.

The past year, however, was challenging for AC Industrials as the weaker performance of its automotive segment and startup losses from newly acquired businesses weighed on its results. Its net income dropped 53 percent year-on-year to ₱578 million. This decline was partially offset by a one-time gain in IMI.

AC Infrastructure continues to strengthen the operations of its existing public-private partnership projects: the operations and maintenance of LRT1, the Muntinlupa-Cavite Expressway, and the beep™ payment system.

It continues to explore new opportunities for growth. In 2018, it set up Entrego, a logistics and fulfillment solutions platform, to capture the strong growth of e-commerce in the Philippines. Entrego is expanding its presence nationwide with its 54 hubs covering 95 percent of the country, serving clients in various industries such as e-commerce, fintech, telco, and financial services. It has begun plans to build a multi-use fulfillment facility south of Metro Manila, which is expected to be operational by 2020. AC Infra has committed up to ₱580 million in capital over the next few years to support Entrego's planned growth and expansion.

AC Health continued to pursue its vision of building an integrated ecosystem that provides patients with a seamless healthcare experience.

Its retail health network continues to expand. Generika Drugstore added 66 new stores, bringing its total network to 816 stores nationwide. Meanwhile, FamilyDOC is now the largest chain of primary care clinics in the country, with a total of 54 clinics at the end of 2018. Since its establishment in December 2015, FamilyDOC has served over 240,000 unique patients. It now employs over a hundred doctors, who are undergoing an accredited in-house Family Medicine Residency Program, which is the largest in the country.

AC Health continues to explore partnerships in hospitals and specialty centers, particularly in the oncology space.

Through AC Education, we aim to reinvigorate our country's education system and make it relevant to future employment requirements in an increasingly digital world. Its chain of high schools, APEC Schools, was borne out of the vision to enhance the employability of students through an innovative learning curriculum that includes English immersion and IT literacy.

In tertiary education, National Teachers College became part of AC Education in 2018, joining University of Nueva Caceres as part of our group. Once we complete the merger between

AC Education and the Mapua University portfolio under the Yuchengco group, we can create a more significant impact on the education system of the country.

As the world demands a more holistic engagement from businesses, with accountability to the broader environment and not just their shareholder group, we constantly strive to deliver a meaningful, lasting impact on society in conjunction with our economic aspirations. We remain committed to the UN Global Compact and its 10 principles, which are very much aligned with our own sustainability philosophy in the Ayala group.

Across the Ayala group, this philosophy has formed part of our strategy and decision-making process in recent years. To institutionalize this perspective, we have designed a long-term sustainability blueprint that lays out specific targets and accountabilities across the Ayala group in support of the achievement of the UN Sustainable Development Goals by 2030. Having a formal framework will enable us to be more deliberate in monitoring and evaluating our sustainability targets and will help us allocate resources to these initiatives more appropriately. Moreover, this level of transparency effectively imposes greater accountability to execute on these aspirations.

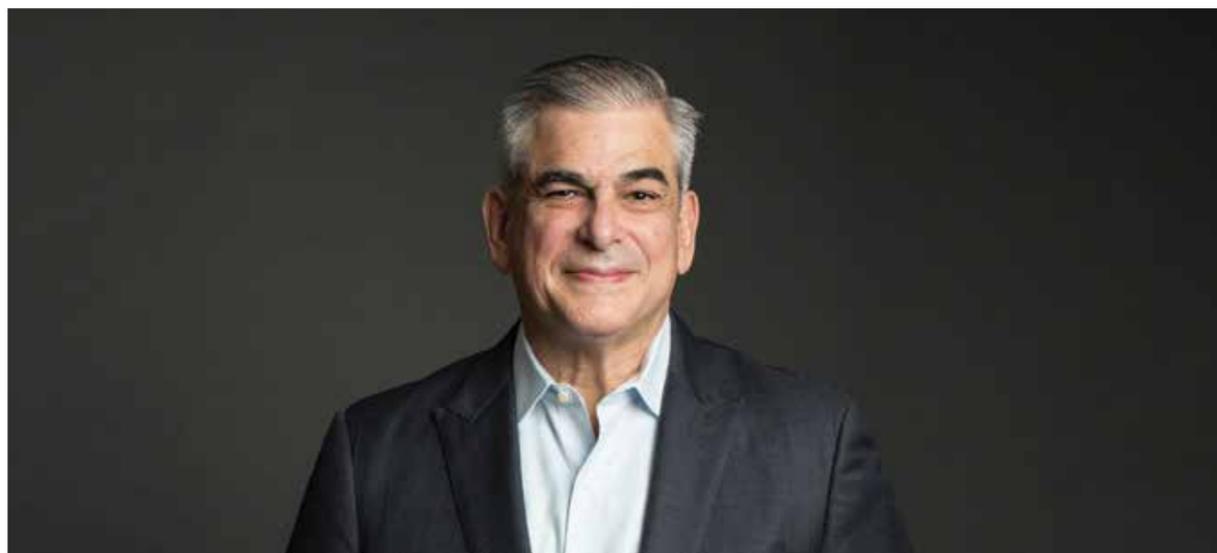
This desire to help bridge societal gaps has been embedded in our corporate culture and will continue to define our direction in the coming years. We are fortunate to have individuals in our institution who share this thinking and enable its execution across our many companies in the Ayala group.

It is in this light that I thank our Board of Directors for their guidance and foresight, our management and staff for their strong engagement across our many initiatives, and finally, our business partners and our shareholders for their continued trust and support to Ayala.

A handwritten signature in black ink, reading "Fernando Zobel de Ayala".

Fernando Zobel de Ayala
PRESIDENT AND COO

BOARD OF DIRECTORS



JAIME AUGUSTO ZOBEL DE AYALA

EXECUTIVE DIRECTOR, CHAIRMAN, AND CHIEF EXECUTIVE OFFICER

Filipino / 59

DATE OF APPOINTMENT

Director of Ayala Corporation since May 1987

LENGTH OF SERVICE (as of 31 December 2018)

31 years

ACADEMIC / PROFESSIONAL QUALIFICATIONS

- B.A. in Economics (Cum Laude) from Harvard College in 1981
- MBA at Harvard Graduate School of Business Administration in 1987

- Chairman and CEO of Ayala Corporation since April 2006

PRESENT DIRECTORSHIP(S)/ POSITION(S)

Publicly Listed Company(s) – within Ayala Group:

- Chairman of Globe Telecom, Inc., Integrated Micro-Electronics, Inc. and Bank of the Philippine Islands
- Vice Chairman of Ayala Land, Inc. and Manila Water Company, Inc.

Other Non-Listed Company(s) – within Ayala Group:

- 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 Ltd.

Other Non-Listed Company(s) – outside Ayala Group:

- Member of various business and socio-civic organizations in the Philippines and abroad, including the JP Morgan International Council, JP Morgan Asia Pacific Council, Mitsubishi Corporation International Advisory Council, and Council on Foreign Relations
- Member of the Board of the Singapore Management University, the global advisory board of University of Tokyo, and Eisenhower Fellowships
- Chairman of various advisory boards of Harvard University such as Global Advisory Council, HBS Board of Dean's Advisors, HBS Asia-Pacific Advisory Board, and of Endeavor Philippines
- Chairman Emeritus of the Asia Business Council
- Co-Vice Chairman of the Makati Business Club



FERNANDO ZOBEL DE AYALA

EXECUTIVE DIRECTOR, VICE CHAIRMAN, PRESIDENT, AND CHIEF OPERATING OFFICER

Filipino / 58

DATE OF APPOINTMENT

Director of Ayala Corporation since May 1994

LENGTH OF SERVICE (as of 31 December 2018)

24 years

ACADEMIC / PROFESSIONAL QUALIFICATIONS

- B.A. Liberal Arts from Harvard College in 1982
- CIM from INSEAD, France in 1993

- President and Chief Operating Officer of Ayala Corporation since April 2006

PRESENT DIRECTORSHIP(S)/ POSITION(S)

Publicly Listed Company(s) – within Ayala Group:

- Chairman of Ayala Land, Inc. and Manila Water Company, Inc.
- Director of Bank of the Philippine Islands, Globe Telecom, Inc., and Integrated Micro-Electronics, Inc.

Publicly Listed Company(s) – outside Ayala Group:

- Independent Director of Pilipinas Shell Petroleum Corporation

Other Non-Listed Company(s) – within Ayala Group:

- Chairman of AC International Finance Ltd., ALI Eton Property Development Corporation, 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 AC Industrial Technology Holdings, Inc., 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., AKL Properties, Inc., AC Ventures Holdings Corp., and Bonifacio Art Foundation, Inc.
- Director of LiveIt Investments, Ltd., AG Holdings Ltd., AC Infrastructure Holdings Corporation, Asiacom Philippines, Inc., Ayala Retirement Fund Holdings, Inc., and AC Education, Inc.

Other Non-Listed Company(s) – outside Ayala Group:

- Director of Honda Cars Philippines, Inc., Isuzu Philippines Corporation, and Manila Peninsula
- Member of the Board of INSEAD and Georgetown University
- Member of the International Advisory Board of Tikehau Capital
- 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
- Trustee of Caritas Manila, Pilipinas Shell Foundation, and the National Museum



XAVIER P. LOINAZ

LEAD INDEPENDENT DIRECTOR

Filipino / 75

DATE OF APPOINTMENT

- Director of Ayala Corporation since April 2009
- Lead Independent Director of Ayala Corporation since April 2017

LENGTH OF SERVICE (as of 31 December 2018)

- 9 years as Director
- 6 years as Independent Director (reckoning from 2012, in compliance with SEC Memorandum Circular No. 9, series of 2011)
- 2 years as Lead Independent Director

ACADEMIC / PROFESSIONAL QUALIFICATIONS

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

PRESENT DIRECTORSHIP(S)/ POSITION(S)

- Publicly Listed Company(s) – within Ayala Group:**
- Independent Director of Bank of the Philippine Islands

Other Non-Listed Company(s) – within Ayala Group:

- Independent Director of BPI Family Savings Bank, and BPI/MS Insurance Corporation

Other Non-Listed Company(s) – outside Ayala Group:

- Trustee of E. Zobel Foundation
- Chairman of Alay Kapwa Kilusan Pangkalusugan and XPL Manitou Properties, Inc.



RAMON R. DEL ROSARIO, JR.

INDEPENDENT DIRECTOR

Filipino / 74

DATE OF APPOINTMENT

- Director of Ayala Corporation since April 2010

LENGTH OF SERVICE (as of 31 December 2018)

- 8 years as Director
- 6 years as Independent Director (reckoning from 2012, in compliance with SEC Memorandum Circular No. 9, series of 2011)

ACADEMIC / PROFESSIONAL QUALIFICATIONS

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

PRESENT DIRECTORSHIP(S)/ POSITION(S)

Publicly Listed Company(s) – outside Ayala Group:

- President and Chief Executive Officer of Phinma Corporation
- Chairman of PHINMA Energy Corp. and PHINMA Petroleum and Geothermal, Inc.

Other Non-Listed Company(s) – outside Ayala Group:

- 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, St. Jude College, United Pulp and Paper Co., Inc., PHINMA Power Generation Corporation, PHINMA Renewable Energy Corp., One Subic Power Generation Corp., PHINMA Microtel Hotels, Inc., PHINMA Hospitality, Inc., and Philippine Business for Education
- Vice Chairman of Phinma Foundation, Inc., Phinma Property Holdings Corp., Caritas Manila, and Philippine Business for Social Progress
- Director of Union Galvasteel Corp. and other PHINMA managed companies
- Trustee of National Museum, Ramon Magsaysay Award Foundation, and Makati Business Club



DELFIN L. LAZARO

NON-EXECUTIVE DIRECTOR

Filipino / 72

DATE OF APPOINTMENT

- Director of Ayala Corporation since January 2007

LENGTH OF SERVICE (as of 31 December 2018)

- 12 years

ACADEMIC / PROFESSIONAL QUALIFICATIONS

- BS Metallurgical Engineering from University of the Philippines in 1967
- MBA (with Distinction) at Harvard Graduate School of Business in 1971

PRESENT DIRECTORSHIP(S)/ POSITION(S)

Publicly Listed Company(s) – within Ayala Group:

- Director of Ayala Land, Inc., Integrated Micro-Electronics, Inc., Manila Water Company, Inc., and Globe Telecom, Inc.

Other Non-Listed Company(s) – within Ayala Group:

- 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., AC International Finance, Ltd., and Purefoods International Limited

Other Non-Listed Company(s) – outside Ayala Group:

- Chairman of Atlas Fertilizer & Chemicals, Inc.
- Director of Probe Productions, Inc.



ANTONIO JOSE U. PERIQUET

INDEPENDENT DIRECTOR

Filipino / 57

DATE OF APPOINTMENT

- Director of Ayala Corporation since September 2010

LENGTH OF SERVICE (as of 31 December 2018)

- 8 years as Director
- 6 years as Independent Director (reckoning from 2012, in compliance with SEC Memorandum Circular No. 9, series of 2011)

ACADEMIC / PROFESSIONAL QUALIFICATIONS

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

PRESENT DIRECTORSHIP(S)/ POSITION(S)

Publicly Listed Company(s) – within Ayala Group:

- Independent director of Bank of the Philippine Islands

Publicly Listed Company(s) – outside Ayala Group:

- Independent director of ABS-CBN Corporation, DMCI Holdings, The Max's Group of Companies, and The Philippine Seven Corporation

Other Non-Listed Company(s) – within Ayala Group:

- Chairman of BPI Asset Management and Trust Corporation

Other Non-Listed Company(s) – outside Ayala Group:

- Chairman of Campden Hill Group, Inc.
- Independent director of Albizia ASEAN Tenggara Fund
- Trustee of Lyceum of the Philippines University
- Member of the Dean's Global Advisory Council at the University of Virginia's Darden School of Business



KEIICHI MATSUNAGA

NON-EXECUTIVE DIRECTOR Japanese / 54

DATE OF APPOINTMENT

- Director of Ayala Corporation since April 2017

LENGTH OF SERVICE (as of 31 December 2018)

- 2 years

ACADEMIC / PROFESSIONAL QUALIFICATIONS

- Graduate from the Faculty of Law at Waseda University in 1988
- Connected with Mitsubishi Corporation for 30 years in various leadership positions

PRESENT DIRECTORSHIP(S)/ POSITION(S)

Publicly Listed Company(s)

- Nil

Other Non-Listed Company(s) – within Ayala Group:

- Director of Portico Land Corp.

Other Non-Listed Company(s) – outside Ayala Group:

- General Manager of Mitsubishi Corporation Manila Branch
- Chairman of International Elevator & Equipment, Inc.
- President of MC Diamond Realty Investment Phils., MC Oranbo Investment, MC Cavite Holdings, Inc., and FMT Kalayaan, Inc.
- Director of Century City Development II Corporation (CCDC II), Isuzu Philippines Corporation, Kepco Ilijan Corporation, Trans World Agro-Products Corp., Japanese Chamber of Commerce & Industry of the Philippines (JCCIP), and The Japanese Association Manila, Inc. (JAMI)



The Makati Central Business District is a major economic hub in the country.

MANAGEMENT COMMITTEE

TOP L-R*

PAOLO MAXIMO F. BORROMEEO

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

FERNANDO ZOBEL DE AYALA

President and
Chief Operating Officer

JOSE TEODORO K. LIMCAOCO

Chief Finance Officer, Chief Risk
Officer, Chief Sustainability Officer,
and Group Head, Finance (GRI 102-20)

ARTHUR R. TAN

President and CEO,
AC Industrials and CEO,
Integrated Micro-Electronics, Inc.

JOSE RENE GREGORY D. ALMENDRAS

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

JOHN ERIC T. FRANCIA

President and CEO,
AC Energy

ALFREDO I. AYALA

President and CEO, AC Education

SOLOMON M. HERMOSURA

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

BOTTOM L-R*

JOHN PHILIP S. ORBETA

Chief Human Resource Officer
and Group Head, Corporate
Resources

FERDINAND M. DELA CRUZ

President and CEO, Manila Water

BERNARD VINCENT O. DY

President and CEO, Ayala Land

RUEL T. MARANAN

President, Ayala Foundation

ERNEST LAWRENCE L. CU

President and CEO, Globe Telecom

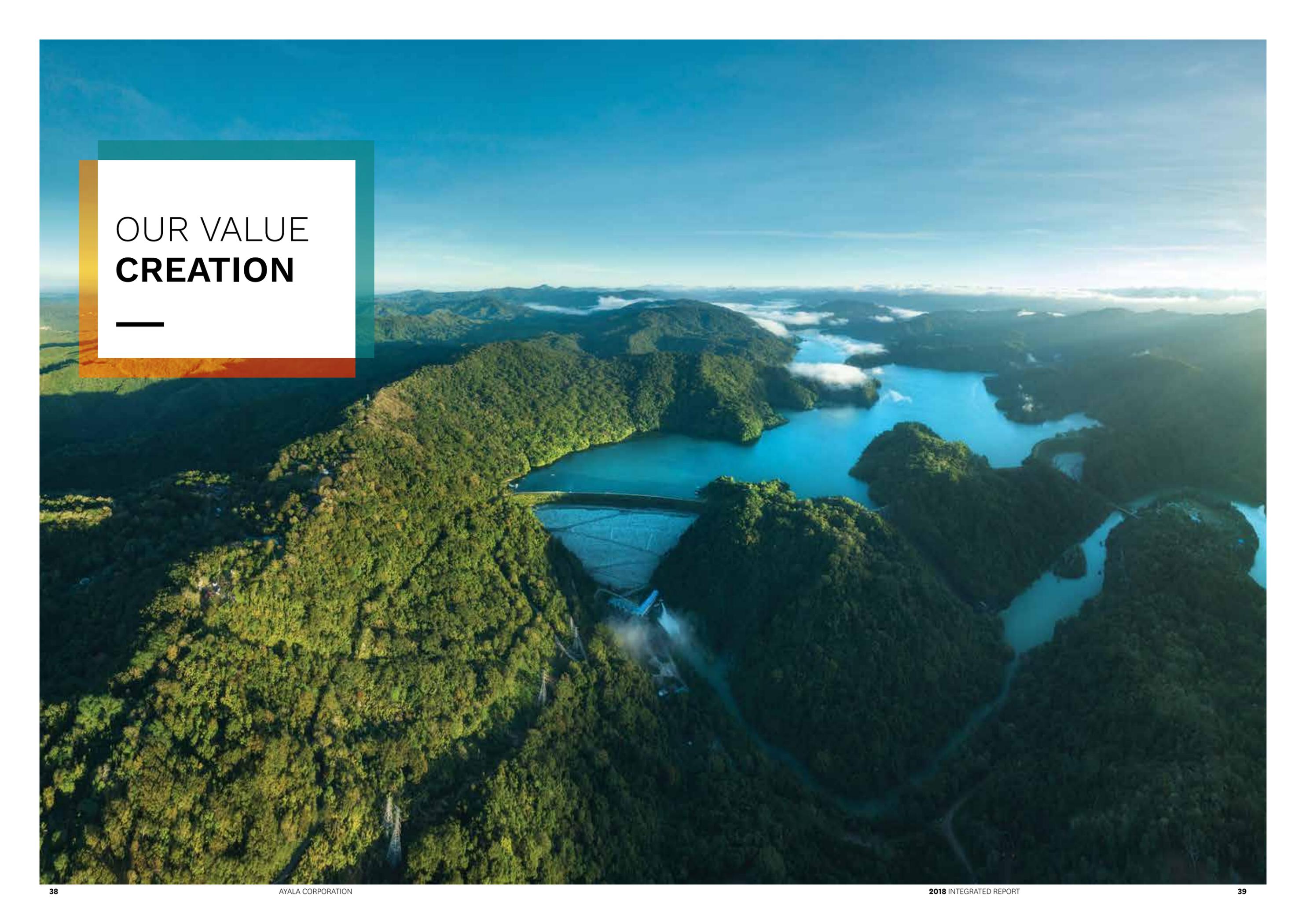
JAIME AUGUSTO ZOBEL DE AYALA

Chairman and
Chief Executive Officer

CEZAR P. CONSING

President and CEO,
Bank of the Philippine Islands





OUR VALUE **CREATION**

OUR PORTFOLIO



30.9%*
Purveyor of the Filipino digital lifestyle, supported by a robust telecom infrastructure

(approximately US\$5B market cap)



100%*
Industrial technologies investments focused on electronics manufacturing, vehicle retail, and enabling technologies



100%*
Investing in educational institutions to deliver affordable high quality education that improves employability of students



47.0%*
Leading and most diversified property developer in the country with the largest landbank

(approximately US\$11B market cap)



51.4%*
Regional player in water infrastructure services and development

(approximately US\$1.1B market cap)



100%*
Growing portfolio of key infrastructure projects and businesses to support the growing needs of the Philippines



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



48.6%*
Pioneering financial institution and one of the most profitable banks in the country

(approximately US\$8B market cap)



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



100%*
Developing an integrated ecosystem focused on affordable medicine and access to healthcare services



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

*Effective economic ownership and market capitalization as of December 31, 2018

*Effective economic ownership as of December 31, 2018

OUR FINANCIAL MANAGEMENT STRATEGY



Ayala's key executives in a huddle to exchange thoughts on relevant issues.

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 and 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 obligations and dividend expectations, and enable us to raise capital to fund our new enterprises.

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; a management-led Investment Committee; the Board's Finance Committee and the Board of Directors.

EVALUATING OPPORTUNITIES

As a company we are always open to new areas of investment. We identify opportunities and assess emerging markets and economic trends. 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 advantage 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 2018, we decided to support BPI's ₱50 billion stock rights offer and thus subscribed to our proportionate share of the offer, or close to ₱25 billion. We believe that BPI's business plan of sustained profitable loan growth, focusing on the SME and consumer markets and in investing in technology as it continues on its digitalization journey will lead to value creation. Continued strong GDP growth, moderately rising interest rates (leading to margin expansion) and a growing young technology-aware middle class support our investment thesis.

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; 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 effect the business may have 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 the strategy for execution. A thorough discussion

on risks is carried out and responsible persons are identified to execute the business plan. If the Investment Committee approves the proposed investment, it is then endorsed to the Finance Committee of the Board.

CAPITAL ALLOCATION

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 three to five 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 these reviews is to refine capital allocation depending on performance, and if needed, suggest changes to the business plans or strategies.

FUNDING STRATEGY

Ayala believes in maintaining a strong balance sheet and a conservative stance towards our capital and debt levels. We believe that recycling capital is part of our business model. We want to ensure that when attractive opportunities arise, we have the ability to fund these investments.

Just as the Finance Committee is responsible for recommending investments to the Board, it is also responsible for recommending changes to

Ayala's capital structure, including new issuances of debt, equity or hybrid structures, declarations of dividends, and share buy backs.

Since 2011, Ayala has invested over ₱160 billion in our different business units. In 2018, we invested over ₱26 billion in BPI's stock rights offer, ₱3 billion in IMI's stock rights offer, and ₱6.8 billion in AC Energy, among others.

While we have relied on debt to fund most of these investments, we raised equity capital to maintain our strong balance sheet. In 2018, we raised ₱8.07 billion by selling 8.81 million common shares to a single long-term strategic investor at a price that was a 1.08 percent discount to the 30-day volume average weighted price. We raised ₱12.4 billion of equity capital in November 2014 through the sale of 18.78 million common shares and a total of ₱23.5 billion in preferred shares in 2013 and 2014.

CAPITAL RAISING

Our strategy as regards to debt is to raise debt opportunistically in the public markets and rely on strong and transparent banking relationships in the loan markets. In 2016 and 2017, we raised ₱20 billion through two-peso bond issues: a seven-year bond with a coupon of 3.92 percent and an eight-year bond with a coupon of 4.82 percent. Both bonds set record lows for coupons for those tenors. In September 2017, we raised US\$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.

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

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. The 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 is 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. Maintaining a minimum ratio of fixed rate loans to floating rate loans to ensure 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 cashflow adequacy ratio.

Ayala's loan to value ratio, which compares our net debt to the market value of our investments, is a good measure of our relative indebtedness and our capacity to take on or service these obligations. At the end of 2018, our loan to value ratio increased to 11 percent from the 6.4 percent in 2017. The increase is a result of the debt we took on to fund our investments in 2018 (BPI, IMI, AC Energy) and the fall in 2018 of the market prices of our listed shares (ALI -9.0 percent,

BPI -10.6 percent). Our current loan to value ratio remains low and indicates that for every ₱11.80 of debt we carry, we have ₱100 of assets behind it.

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 ₱104.4 billion, offset by an end-2018 cash balance, which brought net debt to ₱95.9 billion. At the parent level, net debt to equity ratio rose to 0.81 to 1.

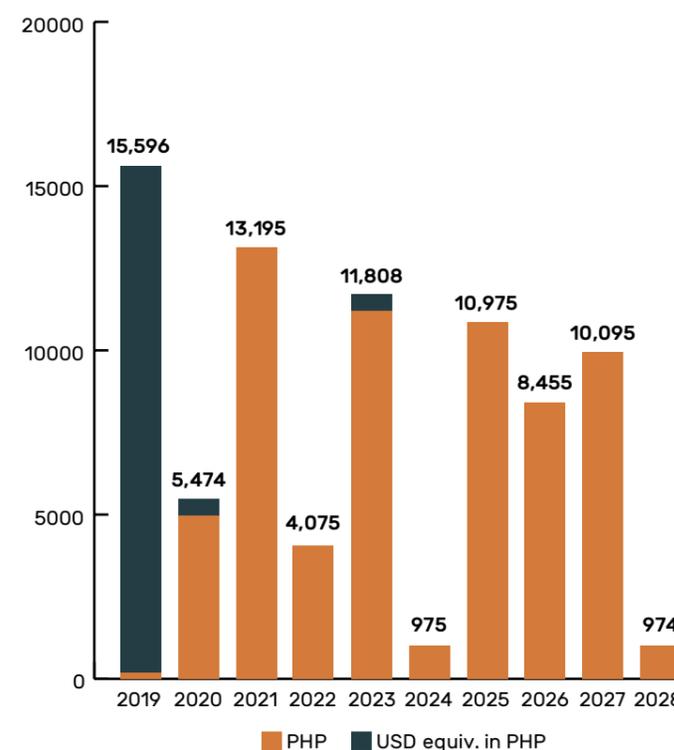
| FINANCIAL METRICS (in millions pesos) | 2016 | 2017 | 2018 |
|--|-------------|-------------|-------------|
| Parent Debt* | 76,002 | 83,313 | 104,419 |
| Parent Cash | 16,422 | 18,644 | 8,512 |
| Net Debt | 59,580 | 64,699 | 95,907 |
| Gross Asset Value | 538,288 | 702,480 | 685,904 |
| Parent Net Debt to Equity Ratio | 0.56 | 0.59 | 0.81 |
| Loan to Value | 11.1% | 6.4% | 11.8% |
| Cost of Debt | 4.3% | 4.2% | 4.6% |

We continue to manage our obligations to ensure that we are not overly exposed to market liquidity, foreign exchange, and interest rate risks. Our average cost of debt rose slightly to 4.6 percent per annum during 2018 as a consequence of higher floating rate loans as interest rates rose in the second half of 2018.

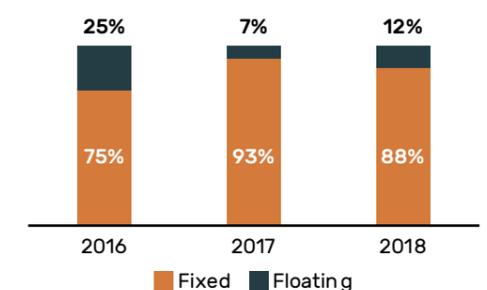
At the end of 2018, our debt maturities are well-spread out and in compliance with our internal policy of not having maturities exceeding 20 percent of total debt on a yearly basis. The 2019 maturity tower is accounted for by our \$300 million exchangeable bond, which is currently in the money. At the end of 2018, US\$7.2 million of this bond had already converted into shares of Ayala Land.

Our fixed to floating rate mix of 88/12 in 2018 puts Ayala in a favorable position in a rising rate environment. Peso obligations are 64 percent of our total obligations and our US dollar denominated obligations are more than offset by US dollar cash and long-term foreign currency investments.

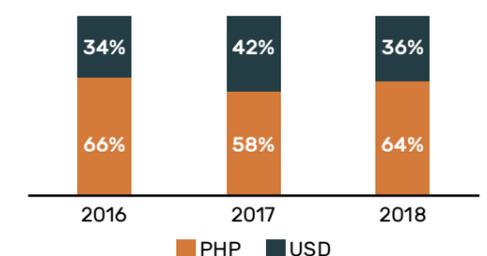
DEBT MATURITY PROFILE (IN MILLIONS OF PESOS)



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)



*Parent debt includes debt that is guaranteed by the parent

| LIST OF PREFERRED SHARES AND BONDS | | | | | | |
|------------------------------------|---|-------------|--------|--------------------|-------------------|--|
| ISSUER | TYPE | AMOUNT | COUPON | ISSUANCE | MATURITY | DETAILS |
| Ayala | Preferred shares Pref B Series 1 (ACPB 1) | ₱10.0Bn | 5.250% | November 15, 2013 | Perpetual | 10th year repricing: 5-year BVAL + 150bps 15th year repricing: 10-year BVAL + 300bps |
| | Preferred shares Pref B Series 2 (ACPB 2) | ₱13.5Bn | 5.575% | November 5, 2014 | Perpetual | 5th year repricing: 5-year BVAL + 175bps 10th year repricing: 10-year BVAL + 300bps |
| | Voting Preferred Shares (non-listed) | ₱200.0Mn | 3.695% | May 20, 2010 | Perpetual | Every 3rd year repricing: 3-year BVAL |
| | 10-year Puttable Bond, Fixed Coupon | ₱10.0Bn | 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 | ₱10.0Bn | 6.875% | May 11, 2012 | May 11, 2027 | Callable on: 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%) |
| | 7-year Callable Bond, Fixed Coupon | ₱10.0Bn | 3.920% | July 7, 2016 | July 7, 2023 | Callable on January 7, 2022 (at 100.250%) |
| | 8-year Callable Bond, Fixed Coupon | ₱10.0Bn | 4.820% | February 10, 2017 | February 10, 2025 | Callable on August 10, 2023 (at 100.250%) |
| AYCFL (Guaranteed by Ayala) | Exchangeable Bond to ALI Shares | US\$300.0Mn | 0.500% | May 2, 2014 | May 2, 2019 | Put option on May 2, 2017 Call option by issuer anytime after May 2, 2017 if ALI price exceeds 130% of prevailing exchange price |
| | Perpetual Bond, Fixed Coupon | US\$400.0Mn | 5.125% | September 13, 2017 | Perpetual | Callable on September 13, 2022 (at 100.000%) |

SHARE PRICE PERFORMANCE

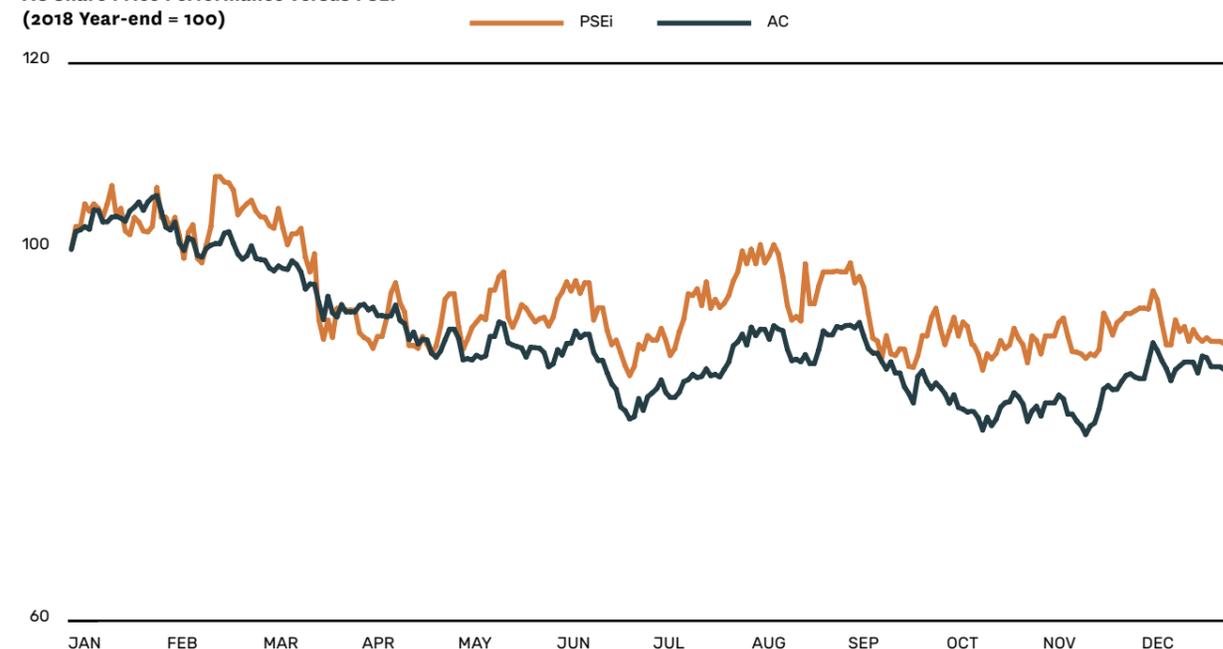
The local index started 2018 strong, reaching an all-time high of 9,078.37 in January. However, towards the end of the first quarter, global markets were spooked by trade provocations of US President Donald Trump, who imposed a series of tariffs on Chinese imports. At the same time, the Philippine inflation rate rose to the upper limit of the Bangko Sentral's two to four percent target range. The new tax reform law passed at the end of 2017, TRAIN Package 1, which raised excise taxes for fuel, has been partly blamed for this.

Ayala's shares were affected when Mitsubishi Corporation trimmed its stake in the company in March, selling 8.5 million shares in an overnight placement, causing the share price to fall 7.2 percent overnight and 9.4 percent in the next six months as investors took this as a signal to take profits.

The BSP raised rates 25 basis points in May, followed by a similar hike in June. While welcomed by economists and market followers, many felt that the BSP acted belatedly. The peso depreciated to a low of ₱54.41 to the dollar in October and inflation continued to rise.

Inflation woes became more pronounced in the second half as global oil prices surged to a year-high of US\$75 per barrel and strong typhoons struck the agricultural areas in Luzon, causing further spike in food prices. The BSP continued to hike rates, raising its policy rate by 25 basis points in each of its Monetary Board meetings in August, September and November. Despite the subsequent rate hikes, foreign investors continued to sell local stocks. The local index recorded ₱57 billion of foreign outflows with Ayala accounting for

SHARE PRICE PERFORMANCE AC Share Price Performance versus PSEi (2018 Year-end = 100)



₱10 billion of this amount. The PSEi and Ayala ended the year at 7,466.02 and ₱900.00, 13 percent and 11 percent lower from the previous year, respectively.

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 2018, 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.

| Dividends from Subsidiaries/Associates (in millions pesos) | 2016 | 2017 | 2018 |
|--|---------------|---------------|---------------|
| Ayala Land | 3,358 | 3,385 | 3,547 |
| BPI | 3,418 | 3,419 | 2,896* |
| Globe | 3,575 | 3,745 | 3,745 |
| Manila Water | 1,096 | 1,113 | 1,086 |
| AC Industrials | 209 | 215 | 271 |
| Others | 241 | 201 | 76 |
| TOTAL | 11,897 | 12,078 | 11,622 |

| Dividend Yield-Common | 0.80% | 1.00% | 0.70% |
|---------------------------------------|---------|---------|-----------|
| Cash dividend per share | ₱5.76 | ₱6.92 | ₱6.92 |
| Market price per share, start of year | ₱756.00 | ₱727.00 | ₱1,040.00 |

*A portion of dividends were retained at Liontide Holdings in order to meet obligations arising out of the debt raised to fund its participation in BPI's 2018 rights offering.

OUR BUSINESS MODEL

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 manage these capitals, to ensure they are harnessed in a way that creates the best possible value for all our stakeholders.

VALUE WE DRAW FROM

WHAT WE DO

VALUE WE CREATED IN 2018

TARGETS FOR 2020



FINANCIAL CAPITAL

Strong financial position including:

- Reliable operational cash flow
- Affordable, reliable access to debt supported by a robust capital allocation process

FINANCIAL CAPITAL ALLOCATION

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

PORTFOLIO MANAGEMENT

We carefully evaluate the performance of our subsidiaries vis-à-vis market behavior to make good judgement on increasing investment or divestment in a timely manner

STRATEGIC BUSINESS DEVELOPMENT

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

NON-FINANCIAL CAPITAL MANAGEMENT

- **Human resources development**
We continue to build competencies to support the growing requirements of our businesses
- **Strong corporate governance**
We continually improve our policies and monitor our practices to ensure we are at par with the best standards of corporate governance
- **Stakeholder Management**
We continue to listen to our stakeholders and keep them informed on matters important to their decision-making
- **Brand Management**
We continue to build and protect our brand by ensuring we deliver on our promise, and effectively communicate what we stand for as a company

- Earnings that are growing, consistent, and risk-adjusted
- Net Income: ₱31.8B
- Return on Equity: 12.2 percent
- Reliable dividends and total shareholder returns
- Market Capitalization was ₱568.1B at end of 2018-2nd largest among conglomerates
- Average cost of debt is at ~4.6 percent

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



INTELLECTUAL CAPITAL

- Deep expertise of Philippine ecosystem and key industries
- Corporate culture focused on lifelong learning
- Robust governance and risk approach

We maintained market leadership and strengthened expertise in our businesses, including:

- Ayala Land in integrated mixed-use master planned communities
- Globe in wireless market and as a purveyor of the Filipino digital lifestyle
- AC Energy as a regional player in energy development and power generation

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



HUMAN CAPITAL

- Best-in-class talent across departments and disciplines
- Diversity of talent, including global perspective and mindset

- Management excellence as evidenced by award-winning teams across Finance, Risk, Sustainability, Investor Relations, Governance and Strategy
- Developing future Ayala leaders
- Good quality of life for employees and their families
- A competent workforce of more than 64,000 employees across our businesses

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



SOCIAL AND RELATIONSHIP CAPITAL

- Strong relationships with a vast network of business partners, investors, communities, academe, and other relevant entities
- Strong, trusted Ayala brand

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

- Sustain the ongoing relationship with existing business partners while keeping our doors open for new ventures and partnerships
- Ayala remains a strong and trusted brand



The Ayala Group Mancom meets regularly to discuss updates and key issues.

WHAT WE DRAW FROM TO CREATE VALUE

Financial Capital: Our four main sources of funding: regular cash dividends from our operating units, strategic divestments and value realization opportunities, competitive issuances of high-quality corporate debt, and equity that has historically met with keen demand from long-term shareholders, allow us to maintain a strong financial position and a robust capital allocation process.

Intellectual Capital: Our deep expertise in key industries as well as experience in Philippine business borne out of 185 years of existence, allow us to create and grow businesses positioned for leadership in their sectors. We have developed a robust corporate governance process and risk approach that enables us to conduct our businesses with the highest standards of integrity, engage our stakeholders with greater transparency and accountability, and adapt to increasing complexities and volatilities in the global landscape.

Human Capital: Our ability to execute on our strategies is driven by our skilled and diversely experienced talent pool, and management expertise and discipline. We take pride in growing best-in-class talent across all our divisions, and have a corporate culture focused on lifelong learning and innovation.

Reputational Strength: The strong and trusted Ayala brand enables us to maintain strategic partnerships in the Philippines and across the globe. We keep close linkages and strive to balance the individual needs of our many stakeholders – investors and other capital market participants, creditors and suppliers, business partners and affiliates, government agencies and regulators, employees, customers, and industry associations.

HOW WE TRANSFORM CAPITAL AND GENERATE VALUE

We transform the four capitals into value through our key business activities. Our financial capital is allocated into businesses that we believe provide the best risk-adjusted long-term stakeholder returns and create shared value for society. Our intellectual capitals such as our deep expertise of Philippine ecosystem and key industries and robust governance and risk approach, enables us to make more informed investment decisions. These processes efficiently transform our financial capital into ownership of assets, such as in power, real estate, water utility, and telecommunications, which in turn generates additional financial capital where our returns are derived from.

Our financial, intellectual and human capitals are vital in our portfolio management. They help us carefully evaluate the performance of our subsidiaries vis-à-vis market behavior to make

good judgement on timely increase in investment or divestment. This process enables us to strengthen our portfolio, manage our risks, and take advantage of growth opportunities in our different businesses.

We use our social capital such as our relationships with a vast number of business partners and our trusted brand to pursue new ventures in different sectors, geographies, and market segments. Our partners’ trust in our brand facilitates forging of partnerships needed to build new business models that deliver products and services that address gaps in the market and contribute to sustainable development. We also leverage on the expertise within our business units to form synergies that help us deploy new innovative business models. These businesses generate financial capital that enables us to realize meaningful returns.

Through these integrated processes, we convert our various forms of capital into our key outputs—leading businesses and profitable investments that generate sustainable value, which we strategically realize for the benefit of all our internal and external stakeholders.

HOW WE REALIZE AND SHARE THE VALUE WE CREATE

Through active and disciplined management of our portfolio, we deliver robust financial value—stable profits, regular cash dividends, and above-market capital gains—at optimized levels of risk to our investors and other capital market participants. We ensure that our balance sheet remains strong with significant debt capacity to service cash obligations

to our creditors, suppliers, business partners and affiliates. We also ensure that taxes are paid on time in the domiciles we operate in.

We treat all our stakeholders with dignity, fairness, and respect. With a strong corporate governance process, our relationships stand the test of time and remain legally, ethically, and economically sound. This, together with our strong Ayala brand, allows us to be the business partner of choice and maintain close ties with more than 40 leading companies in the Philippines and across the globe.

We strive to be the employer of choice—providing a safe working environment, ample opportunities for career advancement, and competitive compensation that motivates our employees and allows them to provide for their families. 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, the growing prevalence of freelancing and the digitalization of work functions. We also nurture the next generation of Ayala leaders that will further drive our businesses into continual growth.

With our expertise, group synergies, and strong brand reputation, our companies maintain dominance in their sectors. All these enables us to innovate our business models and to offer transformative products and services that make life better for our customers and the communities we care for, and to contribute to sustainable development.



Ayala’s efforts to build a robust culture of innovation was recognized by the Global Innovation Management Institute as the first company to be Level 2 Certified in Innovation Management in Southeast Asia.

BUSINESS OF BUSINESS-BUILDING: THE AC ENERGY TRANSFORMATION STORY

VALUE CREATION CASE STUDY

Pioneering spirit and reinvention have been integral pillars of Ayala's brand of value creation. In its 185-year history, Ayala has established a solid track record of building businesses from the beginning and steering their strategic transformation as industry-leading players.

We identify opportunities in sectors that are either in nascent stages or are undergoing disruption to over time create strong franchises that help bridge structural and societal gaps and contribute to the country's development agenda.

By deploying capital, installing the proper governance framework, utilizing our corporate infrastructure, and bringing in the right talent, Ayala has produced groundbreaking businesses in blue chip institutions such as Ayala Land, BPI, Globe, and Manila Water. With foresight, innovative thinking, and game-changing products

and services, these businesses have served as catalysts for transforming the country's economic and social landscape. The expertise we have established in incubating new businesses from the ground up has always been part and parcel of our function as a conglomerate. This attribute has served as our key value proposition, maintained our relevance, and kept our edge in a highly competitive and volatile environment.

A more recent case study of Ayala's business-building ability is AC Energy, which we established back in 2011 to support our expansion strategy. Back then, we set out a long-term strategic imperative to diversify out of our four core franchises to achieve a healthy mix of earnings stream and sectoral exposure in our portfolio. We thus identified AC Energy as a new growth platform and allocated substantial amount of resources to establish a meaningful presence in the space.



Representatives from AC Energy, Ayala, and the Singapore Exchange at the ceremonial banging of the gong to signify the listing of the company's Green Bond.

With the critical gaps in physical infrastructure against the backdrop of a growing economy, we saw potential in power as a sustainable business and as a crucial sector in sustaining the country's progress.

Ayala has always viewed structural shifts in an industry as an opportunity for positive disruption and value creation. At that time, the power industry was undergoing reforms that enabled greater private sector participation, particularly in renewable energy.

Since its inception, Ayala has spent approximately ₱40 billion in capital expenditure to bankroll AC Energy's pipeline of projects across renewable and thermal platforms. To build scale faster, AC Energy has partnered with various regional and local players with complementary assets and skills, which it can leverage off with its own. Having only started eight years ago, AC Energy has quickly grown from a standing start into a significant power company, with over 1,600 megawatts in attributable capacity in 2018.

Over the past couple of years, AC Energy has deliberately redesigned its strategy to focus on renewable energy. It can be recalled that we entered the sector at a time when the Philippines was faced with a looming power shortage and needed reliable and affordable baseload capacity. Since then, the economics, efficiencies, and the ability to build renewable technology to scale has improved significantly. AC Energy is taking advantage of this opportunity and has since overweighted its investments in this space, particularly in solar, wind, and geothermal. In 2018, it generated 2,800 gigawatts of attributable energy, 48 percent of which came from renewable sources.

AC Energy is committed to scaling up its renewables portfolio and has set a target of achieving five gigawatts in capacity across these renewable technologies by 2025, with renewables contributing at least 50 percent of total energy output. In parallel, AC Energy is reducing its exposure to thermal energy.

In support of its 2025 aspiration, AC Energy is establishing a footprint internationally, particularly in markets where an enabling environment for renewable energy have been put in place. It has identified Vietnam, Indonesia, and Australia in addition to the Philippines as core markets. In partnership with regional and local players, it has secured a pipeline of renewable projects of over 4,000 megawatts across these markets.

Furthermore, AC Energy has built up its balance sheet as a self-sustaining business with sufficient capacity to fund its own investments without additional capital from Ayala. Its 2025 targets require an equity commitment of US\$2 billion, which AC Energy will independently support on a combination of fund-raising exercises via the capital market, debt, and capital recycling from value realization initiatives. In January 2019, it made its debut in the capital market and raised US\$410 million in a Green Bond issuance, the first publicly syndicated US dollar Green Bond in Southeast Asia to be certified by the Climate Bonds Initiative.

Today, AC Energy has progressed to become a critical driver of Ayala's portfolio, contributing 10.4 percent to our equity earnings in 2018. With an aggressive growth strategy in place and a track record of successful execution over the past eight years, we expect AC Energy to be a key catalyst for Ayala's growth and evolution in the years to come.



In 2018, AC Energy entered the Australian Renewables market through a joint venture with international renewable energy developer UPC Renewables.

APEC SCHOOLS: EMPOWERING YOUNG FILIPINOS THROUGH ACCESSIBLE, QUALITY EDUCATION

VALUE CREATION CASE STUDY

The Philippines is entering a demographic window that has the potential to create a highly productive workforce over the next decade. With the rapid changes taking place in an increasingly digital environment, it is imperative that we prepare this young population for the profound changes in future employment needs.

However, the lack of sufficient access to affordable quality education has led to massive dropout rates and quality issues across all educational levels in the country. At Ayala, we see this as an opportunity for positive disruption, and a chance to contribute to our country's human capital development.

Through our APEC Schools, now the largest chain of stand-alone private high schools in the country, Filipino students receive the education they need to go on to college, or to find entry-level professional employment.

Started only in 2013, APEC now has a student population of 18,000 across its 23 branches in Metro

Manila and the Calabarzon region. APEC is able to produce graduates who are IT-literate, possess effective business communication and critical thinking skills, and are equipped with broadly applicable service, sales and support skills, as well as industry and job-specific knowledge. Its learning modules, which have been co-designed with employer partners, also provide its students with valuable soft skills and work habits such as grit and persistence, reliability, integrity, and curiosity.

APEC graduated its first cohort of Grade 12 students in 2018. Of the 296 senior high school graduates seeking employment, 275 (92 percent) received job offers and 248 (84 percent) were employed within 120 days after graduation, with significantly above-average starting salaries, comparable to those of college graduates. One of these working students was Troy Nico Serdena, an 18-year old graduate from APEC Schools' G. Tuazon branch.

After graduating from senior high school, Troy decided to work to help his parents, and landed a



APEC students are equipped to meet the challenges after senior high - either transitioning to a college degree or seeking employment.



TROY NICO SERDENA

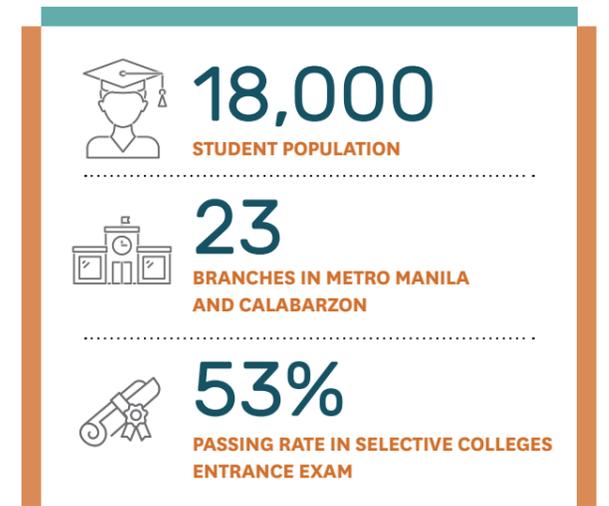
PAUL DARRYL MARCO

job as a customer service representative with one of APEC's employer partners. After only a few months on the job, Troy gained recognition from his employer as one of the top 100 performers in his account. He continues to work to save enough money for college tuition, so he can pursue a course in Psychology.

APEC Schools' unique features also include a technology-enabled classroom with which all students are provided with digital tools such as Chromebooks and tablets. It employs an English-immersive environment and a student-centric methodology that promotes confidence, collaboration, and independence.

This approach has helped many APEC graduates make it to a college of their choice. Of over 800 students who applied to selective colleges such as Polytechnic University of the Philippines, University of the Philippines, Pamantasan ng Lungsod ng Maynila, FEU Tech, University of Santo Tomas, La Salle, and Ateneo, 53 percent were accepted. Paul Daryl Marco from Mindoro is one such student. After finding out about APEC Schools, he left home and went to Manila where he secured a scholarship at APEC. He excelled in class, was elected student council president, and graduated with honors. He is currently taking up engineering at Polytechnic University of the Philippines as a scholar of the Department of Science and Technology.

Troy and Paul are just two examples of students whose lives were transformed by APEC. Going forward, we hope to be able to empower more Filipino students by deploying the appropriate knowledge and skills that will enable them to thrive in a rapidly evolving environment, and achieve their aspirations.



APEC Schools graduates its first cohort in 2018.



APEC's learning modules have been co-designed with employer partners.



APEC Schools is now the largest chain of stand-alone private high schools in the country.

OUR OUTLOOK

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

| DESCRIPTION | HOW OUR STRATEGY ADDRESSES THIS |
|--|--|
| <p>RISING CONSUMER CLASS</p> <p>While 2018 witnessed slowing growth on household spending due to rising inflation, domestic consumption continues to be a main driver of the Philippine economy. As an increasing number of Filipinos become eligible to enter the labor force, we foresee that Philippine economic growth prospects—and consumption in particular—remain strong. Our demographic dividend given our young, growing population is further augmented by continued strong remittances and rising average incomes. This expanding base of urbanized, middle-income consumers with discretionary income unlocks demand for products and services. Further, we believe that with the advent of technology as well as increasing access and awareness, this rising consumer class has changing demands and lifestyles that require new innovations in terms of both product and service delivery.</p> | <p>We continue to prioritize the Philippines with most of our businesses positioned to both contribute to and grow alongside the country’s development. Our core business units continue to cater to the banking, telecom, real estate, and utility needs of the growing consumer class. Globe has become the market leader in wireless market share with 74.1 million subscribers across prepaid and postpaid. Ayala Land is exploring new business models in real estate such as The Flats, dormitories in the heart of the central business district to allow people to live closer to work. We further believe in supporting the growing young labor force by addressing the skills gap through our education investments.</p> |

| | |
|---|---|
| <p>DIGITAL TRANSFORMATION</p> <p>Beyond a growing consumer class, we believe that consumer demands and lifestyles have changed and continue to do so, following global trends and increasing access to technology – such as the ubiquity of internet connectivity and smart devices around the country. In the realm of online shopping, for instance, speed and convenience have become top priorities; therefore, efficient payment capabilities and logistics fulfillment and delivery are key. Beyond changing consumer habits, we also see emerging technology-enabled challengers enter traditional industries to deliver new products and services in innovative ways, as well as new ecosystems that deliver value and create better customer experiences.</p> | <p>Over the years, we have nurtured an innovation mindset, empowering our business units to continuously transform themselves while remaining cognizant that the pace and scale of their transformations varies – with some business units undergoing large-scale transformations, while others focus on smaller process and service improvements. With this innovation mindset, we have also become more open to invest in new industries and explore new business models, resulting in our high-technology investments at AC Industrials, digital healthcare technologies at AC Health, greater investments in fintech and logistics, and expanded venture initiatives across the group, among others. Finally, we continue to grow our data analytics capabilities as a group and remain committed to creating a more open and collaborative culture, focused on lifelong learning and innovation.</p> |
|---|---|

| DESCRIPTION | HOW OUR STRATEGY ADDRESSES THIS |
|--|---|
| <p>STRUCTURAL REFORMS</p> <p>Our businesses, at varying degrees, are impacted by shifts in laws and regulations. We have witnessed substantial structural reforms take place across the tax system, healthcare, education, and labor, as well as pockets of legislation that have improved ease of doing business. Some of our businesses that support the country’s physical infrastructure development require us to continue working closely with the government, such as in water, transport infrastructure, and telecommunications. Meanwhile, other industries are witnessing a structural shift in dynamics given new government measures.</p> | <p>Through collaborative relationships with policymakers, the academe, and partner organizations, our Public Policy team continues to provide support to the Ayala group on the legal and regulatory aspects of business operations. In 2018, consistent with Ayala’s vision to increase shared value among its stakeholders, the Public Policy Unit participated in policy discussions on reform initiatives on tax, health, education, labor, and ease of doing business which affect the group’s operations as well as contribute to the overall economic growth and development of the country. The team, along with our Regulatory Council, serves as our platform to collaborate, exchange insights and proactively help senior management stay abreast of new laws and changing government policies, and manage risks arising from the continuously evolving policy environment.</p> |

| | |
|---|--|
| <p>GROWING IMPORTANCE OF ESG</p> <p>We believe that to create sustainable and long-term value, private enterprises must continue to strive for a deeper engagement with society to address the various environmental, social, and governance issues we face today – such as marginalization, large untapped potential of our human capital, climate change, and irresponsible growth leading to lasting environmental damage. In response to such issues, we see a trend towards renewables, reduction in carbon footprint, and new inclusive business models. To complement these, we also see more professional investment management firms increasing their focus on socially responsible investing strategies.</p> | <p>We have recently completed our sustainability blueprint, Bridging the Filipino to 2030. We are increasingly deliberate about our contributions to the Sustainable Development Goals, and are committed to addressing three pillars: access and inclusivity; productivity and competitiveness; and responsible growth and innovation. Each business unit has committed to actionable and measurable initiatives, exploring group-wide synergies across initiatives such as waste management and climate change mitigation, among others. We emphasize carbon reduction across multiple businesses and are focused on measuring our impact by increasing our efforts on SROI and institutionalizing Sustainable Development Goals as a performance metric for our leaders. Beyond this, AC Energy is accelerating its focus on renewable energy projects across Asia Pacific, recently raising the first Climate Bond Initiative-certified dollar-denominated green bond in Southeast Asia, ensuring that funds will be used for projects that will deliver a low-carbon and climate resistant economy.</p> |
|---|--|

DESCRIPTION

HOW OUR STRATEGY ADDRESSES THIS

CHINA'S GROWING INFLUENCE

China's influence has grown significantly over the past decade, reshaping how countries around the world do business and think about trade. Threat of trade wars rattled markets worldwide, as investors feared a slowdown in global growth. For the Philippines and the rest of Southeast Asia, the long-term impact remains unclear, with some government officials speculating that this could be good for Southeast Asia as China diverts its orders to the region, or have a negative impact given the interconnectedness of supply chains between China and the region. However, what remains clear is that China's influence in the Philippines continues to grow as the current administration continues to ally itself with China. This is evidenced through the influx of Chinese tourists in the past two years, the increasing presence of Chinese businesses, and the inflow of Chinese buyers and its subsequent impact on the real estate market. Meanwhile, in the realm of technology, China's rapid advancement has started to tip the balance of different industries such as affordable smartphones and mobile payments. These developments all have far-reaching implications on how we fundamentally do business.

Ayala continues to engage with China on multiple fronts. For AC Motors, we have started to work together to leverage Chinese automobile manufacturers, such as Volkswagen's China partnership, as well as Maxus. In telco, Globe continues to deepen its partnership with Huawei and together, we are exploring piloting 5G technology in the Philippines. We have also continued to grow our partnership with Alipay through Mynt. Moreover, we recognize the increasing influence of China on the Philippine economy, and we have increased our investments strategically. For example, Ayala Land is looking to launch its first Philippine-Sino Industrial Park over the next few years and has already launched Esta Galleria with NYZ Ceramics Group.



Ayala Senior Management visits the Facebook campus in Silicon Valley, California, USA.



AC Health's Generika pharmacy provides free blood check-up to its customers.



Students of AC Education are supported by digital tools for better learning.



Ayala signs an agreement with the Yuchengco group to merge AC Education with iPeople.

OUR STRATEGY

FIVE VISION PILLARS



FINANCIAL STRENGTH

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

2018 PERFORMANCE

- Continued to increase earnings capacity and quality in 2018
- Increasingly diversified returns through exposure in varied industries

KEY PERFORMANCE INDICATORS

| | | |
|---|--|--|
| NET INCOME GREW TO ₱31.8 Billion | SUSTAINED DOUBLE-DIGIT ROE AT 12.2% | OUTPERFORMED PHILIPPINE STOCK EXCHANGE INDEX IN TOTAL SHAREHOLDER RETURN |
|---|--|--|



REINVENTION AND GROWTH

Positively disrupt, transform, and impact the markets we serve

2018 PERFORMANCE

- Rising earnings contribution of emerging businesses as AC Energy and AC Industrials continues to scale

KEY PERFORMANCE INDICATORS

| | |
|---|--|
| EQUITY EARNINGS CONTRIBUTION FROM EMERGING BUSINESSES AT 15% | CONTINUED TO INVEST ₱17.6 BILLION IN NEW GROWTH PLATFORMS |
|---|--|



GEOGRAPHIC EXPANSION

- Strategically expand internationally, with a focus on Southeast Asia**
- We have identified key business units to strategically drive the group's international growth – namely, AC Industrials, AC Energy, Manila Water, and Ayala Land**

2018 PERFORMANCE

- Expanded presence in Vietnam, began operations in Indonesia and continued to deepen presence in Australia

KEY PERFORMANCE INDICATORS

SUCCESSFULLY DEPLOYED CAPITAL IN KEY STRATEGIC MARKETS TO FURTHER OUR INTERNATIONAL FOOTPRINT



STAKEHOLDER EMPOWERMENT

- Align our strategy to the national development agenda**
- Partner with respected local and global institutions**
- Attract the best talent possible**

2018 PERFORMANCE

- Strengthened commitment to integrate sustainability with strategy through the Ayala Sustainability Blueprint: Bridging the Filipino to 2030
- Develop a culture of continuous learning to create a highly productive workforce

KEY PERFORMANCE INDICATORS

| | |
|---|---|
| ROBUST STAKEHOLDER ENGAGEMENT DISCUSSED IN PAGES 72 TO 75 | LAUNCH OF THE AYALA SUSTAINABILITY BLUEPRINT: BRIDGING THE FILIPINO TO 2030 |
|---|---|



BUSINESS LEADERSHIP

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

2018 PERFORMANCE

- Listed businesses are leaders in their industries
- Recognized as among the best in the Philippines for management excellence, corporate governance, sustainability, and investor relations

KEY PERFORMANCE INDICATORS

| | |
|---|--|
| RANKED NO. 1 BEST MANAGED COMPANY AND BEST GROWTH STRATEGY BY FINANCEASIA | AYALA, AYALA LAND, GLOBE, AND MANILA WATER RANKED AMONG TOP 50 PUBLICLY LISTED COMPANIES IN ASEAN (BY ACGS) |
| RANKED NO. 1 BEST CEO AND BEST CFO BY FINANCEASIA | RANKED 1ST BEST CORPORATE GOVERNANCE BY INSTITUTIONAL INVESTOR |
| AYALA PRESIDENT AWARDED MAP MANAGEMENT AWARD OF THE YEAR | RANKED 3RD BEST INVESTOR RELATIONS BY FINANCEASIA |
| RANKED 2ND BEST IR COMPANY BY INSTITUTIONAL INVESTOR | RANKED 1ST BEST ESG BY FINANCEASIA |
| | RANKED 2ND BEST ANALYST DAYS BY INSTITUTIONAL INVESTOR |

RISK MANAGEMENT

Risks and Opportunities (GRI 102-15)

Over the years, the practice of risk management has improved significantly, which allowed a better understanding of the organization's risk and opportunities. Stakeholders are more engaged today, in search for greater transparency and accountability for managing the impact of risk, while also critically evaluating the leadership's ability to realize opportunities. Organizations have become more adaptive to change and have started to think strategically how to manage the increasing complexity, volatility, and ambiguity of the global landscape.

In a similar manner, Ayala's risk management framework, designed to strengthen the risk-aware culture across the group and to identify, assess and

manage risks and opportunities, has matured and become more robust that it encourages integrated thinking. This integrated thinking guides the alignment of our strategy with risks and opportunities. With the mapping of risks to the five vision pillars, management gains a better understanding of how risks impact their choice of strategy. The dialogue adds perspective to the strengths and weaknesses of a strategy as conditions change, and how well a strategy fits into the organization's vision and mission. Integrating risks with business objectives provides an effective way for management to ensure how risks can impact strategy and manage them well. In effect, risk management strategy is embedded in the business strategy. This, in return, helps create trust and strengthen confidence among stakeholders.



Adapted from Deloitte

| VISION PILLARS | | | | | |
|-------------------------------|--------------------------------|------------------------|----------------------|-------------------------|---------------------|
| | Financial Strength | Reinvention and Growth | Geographic Expansion | Stakeholder Empowerment | Business Leadership |
| KEY PRINCIPAL RISK CATEGORIES | Portfolio Management | ● | ● | ● | ● |
| | Competition | ● | ● | ● | ● |
| | Partnerships and Alliances | ● | | ● | ● |
| | Innovation and Technology | | ● | | ● |
| | Synergy | | ● | ● | ● |
| | Capital Markets | ● | ● | ● | ● |
| | Funding | ● | ● | ● | ● |
| FUNDAMENTAL RISKS | | | | | |
| | Political and Regulatory | | | | |
| | Brand and Reputation | | | | |
| | Governance and Controls | | | | |
| | Talent | | | | |
| | Business Resiliency | | | | |
| | Information Security and Cyber | | | | |

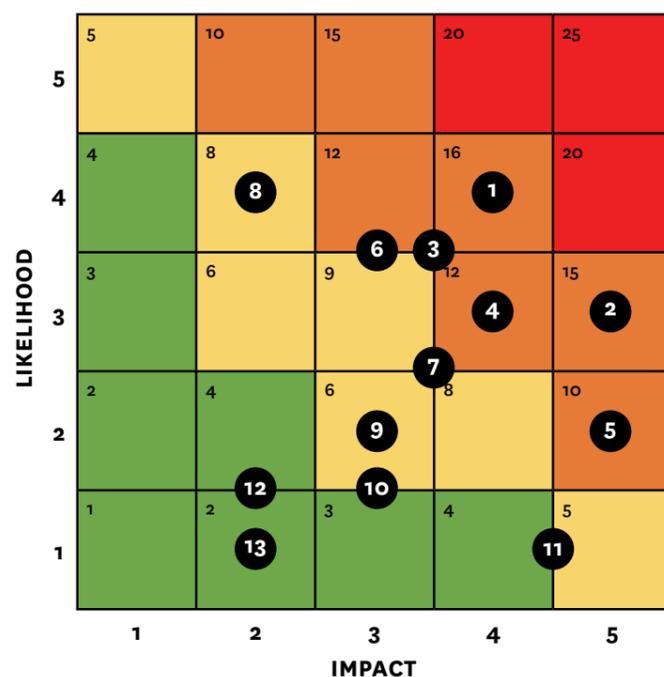
This thinking also started the conversation of including sustainability in the 2018 risk assessment. The management team was introduced to the eight sustainability megatrends and revisited Ayala's top risks through the lens of sustainability and understanding these as risk components. Clearly, more work is needed to fully integrate sustainability in the current risk management process.

Succeeding the discussion of risks through the lens of sustainability and understanding various external

factors affecting our operations, we relied on our management's foresight and creativity in reviewing and prioritizing our risk exposures.

On the next page is the prioritization of the 13 risk categories, which are based from the common risk language developed by the ERM Council in 2016 to aid group reporting and facilitate risk aggregation. Following the diagram is the discussion of Ayala's top six risks. Please contact esg@ayala.com.ph for the discussion of the remaining risks.

AYALA's 2018 RISK HEAT MAP



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



1. Political and Regulatory

The group defined this risk as the inability to anticipate changes in the political and regulatory landscapes that may result in the group being unable to shield its profitability and brand value. This remained to be the #1 risk of Ayala and the group.

Key issues and concerns considered were the varying interpretations and implementation of new laws and regulations, and the different mindset and priorities of local and national government officials in the Philippines and in operations abroad. In addition, climate change was discussed as a potential sustainability factor that can be used to drive political and regulatory climate in the future. Climate change and global warming are relevant topics to the Philippines as an island country.

The changes in political and regulatory landscapes may pose challenges in tracking compliance, may result in higher cost of compliance, delayed projects, and possible loss of business. Overall, this risk may impact the Ayala group's profitability and brand value.

Ayala's Public Policy Unit and the group's Regulatory Council regularly identify, monitor, and evaluate new policy issues across sectors and industries. The unit is also in-charge of maintaining and strengthening relationships with all levels of government by conducting policy dialogues and consultations among others. Please refer to Stakeholder Engagement-Government Agencies and Regulators discussion on page 72 to 75 for additional information.



2. Business Resiliency

The inability of the organization to restore normal operations following natural or man-made disasters was ranked #2, higher by five points from the previous year.

With the Philippines ranked as the fourth most disaster-prone country globally where a majority of our assets and employees are located and with the heightened terrorism activities within the region, the robustness of each company's business continuity management system requires review and improvement.



The risk may potentially result in lives lost, substantial damage to properties, delayed business operations, suspended projects, and eroded public trust and confidence, if not handled properly.

Thus, the Ayala group's functional units periodically review and enhance business recovery plans, increase employee awareness in disaster management thru training, drills, and reminders, and collaborate with government agencies for shared resources and mutual assistance. In addition, the Group Risk Management Team regularly reviews adequacy of insurance coverages. The Corporate Support

Services Unit, who handles crisis management, also tracks frequency of typhoons, earthquakes, and terrorism threats.

In relation to information technology (IT)-related disasters, the Information and Communications Technology (ICT) Unit of the company has processes and procedures in place to ensure timely response to IT incidents. Moreover, the ICT Unit developed an IT Disaster Recovery Policy and Plan which details the measures for protecting and recovering IT infrastructure in the event of a disaster. It also explains how the IT infrastructure will support critical business operations during the recovery period.



3. Portfolio Management

Ayala's inability to align portfolio management strategy with business objectives may result in its failure to provide the right balance of risk and return. Portfolio Management risk went up by two points this year.

The management team was concerned with overdiversification and Ayala becoming a financial investor, resulting in it not being able to have significant influence in the management. In addition, factors, such as rise of disruptive technology that may replace subsidiary's business model, unfavorable industry regulations, and geopolitical environment in operations outside of the country, were considered during the prioritization activity. Please refer to Outlook discussion on pages 56 to 59.

This risk has significant impact in financial terms: missed targets and expensive funding mechanisms, and reputational aspect:

loss of relevance in the market or industry and inability to create value for stakeholders.

To mitigate this risk, Ayala rebalances its portfolio regularly within its risk appetite by analyzing portfolio twice a year, including capital management, valuation, investment, and divestment opportunities.

The Strategic Planning Unit cultivates market intelligence, compares key metrics with competition, analyzes annual innovation trends and new sectors, and strengthens Ayala's gating process, where all possible business ventures are discussed and monitored. The CFO, thru its Financial Planning and Corporate Finance and Asset Management teams, complements these activities with regular deep-dive analysis of portfolio and business unit performance. The Senior Management Team is also expected to strengthen relationships and establish networks with potential partners and advisers.



4. Competition

Competition risk remained at #4. It is defined as the inability to meet the desired market position that may directly impact financial health and brand value of the group.

Ayala was concerned with new market entrants that can potentially turn into competitors in the industries that our subsidiaries operate in. Also considered during the ranking were the non-traditional competition coming from disruptive technology and the shift in customer behavior.

Competition risk may impact our profitability because of missed targets, our brand and reputation as we lose relevance in the market or industry, and our ability to create value to our stakeholders.

This is being monitored side-by-side with portfolio management risks. In addition, we leverage on the brand and reputation of Ayala in developing partnerships and alliances.



5. Brand and Reputation

Ayala's brand and reputation are significant value drivers. Ayala is known for its good governance and integrity, making it a company of choice for partners, lenders, bankers, future employees, communities, and customers. The risk of not being able to maintain our stature as a company of choice may result in significant difficulty in creating and/or maximizing value for all stakeholders decreased by two points from previous year's prioritization exercise. This risk may also increase cost of capital, loss of potential partners or investors, and pose difficulty managing Ayala's growing portfolio.

Five years ago, this was our #1 risk and the management team put in significant efforts to

protect the brand. A brand health study was conducted in prior year and its results informed our programs and activities in protecting the brand. In addition, Ayala is more active in social media than its competitors and needs to continue to engage the next generation of customers to build its brand. Ayala tracks its social media indices, such as shares and likes, to monitor its brand likeability and level of engagement.

We are also including in our tracking issues related to human rights and we are purposive in monitoring diversity in our talent pool because these are important sustainability considerations to continuously strengthen our brand and reputation.



6. Information Security and Cyber

Despite the drop by three places, Information Security and Cyber Risk remained to be at the first half of Ayala's top risks. Failure to ensure strong and adequate information security controls to safeguard confidentiality, integrity and availability of critical information may impact the Ayala group's business viability and reputation.

Beyond cyber attacks, Ayala is concerned with the risks involved in handling confidential information of individuals and organizations. The Data Privacy Act of 2012 went into effect two years ago, and penalties for violations pertaining to personal information include fines and imprisonment. More so, human rights to privacy is a sustainability issue that must be significantly considered in managing this risk.

As a mitigating measure for data privacy concerns, the ICT Unit has a data privacy framework and manual in place, which detail how all processes involving personal

and sensitive personal information are secured to maintain data confidentiality. The Learning and Organization Development Unit, together with the Public Policy Unit, holds an annual training for all employees to strengthen their awareness on the data privacy act.

The ICT unit has detection and monitoring process in place. On a regular basis, the ICT Unit updates antivirus software and performs vulnerability test on its assets to preserve its security from increasing cyber threats. It also conducts regular review of security measures employed by third parties and communicates standard ICT requirements to all outsourced system providers. This will warrant consistency and alignment in the security measures deployed across Ayala's business IT infrastructure. With more frequent and progressively sophisticated cyber threats, Ayala also saw an opportunity to forge synergy within the group to institutionalize a centralized security operations center that will monitor security and provide timely incident response.



Ayala conducts annual risk assessments attended by senior leaders, risk owners, and risk designates.

The following sections discuss the programs and activities designed to maintain the robustness and relevance of the risk management framework in Ayala.

Risk Architecture (GRI 102-30)

Through the Risk Management and Related Party Transactions Committee, the Board of Directors maintains its oversight role in the operationalization of the enterprise risk management framework, supports the value creation in an entity and prevent decline that may emanate from principal and emerging risks. The Committee provides appropriate transparency and visibility into the organization's and the group's risk management practices and ensures that the company has effective risk management in place. The Committee reviews its performance on an annual basis and proposes improvements as needed.

The Chief Risk Officer (CRO), being the risk management advocate for the company and the group, reports to the Committee any improvement in the design, implementation and maintenance of the enterprise risk management roadmap. The Group Risk Management and Sustainability Unit supports the CRO by 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 key principal and emerging 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.



Ayala CFO, CRO, and CSO Jose Teodoro K. Limcaoco delivers his closing message at the first Integrated Risk Management and Sustainability Summit.

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.

Finally, the risk owners, as 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.

The Internal Audit, on the other hand, assesses the effectiveness of the risk mitigation measures proposed by the risk owners and provides an independent assurance of the adequacy, effectiveness, and efficiency of the risk management process.

Risk Management Strategy (GRI 102-11)

The risk management practices in Ayala are anchored on its enterprise risk management roadmap, which highlights milestones in the linking of risk management to strategy and integration of risk management to sustainability. Ayala has successfully completed the first and second phases of the roadmap and is currently revisiting the alignment of risk management with business strategy and daily operations and the integration of sustainability into risk management.

From 2013 to 2015, Ayala transformed risk management from being compliance-driven to value protection and creation activity. This involved a shift from the old view of risks as distinct and separate, towards a mindset that understands the interconnectedness and interdependency of risks that require collaborative risk mitigation strategies. From 2016 onwards, Ayala intensified its risk management program by capitalizing on activities that linked risk management with business strategy, which further strengthened and embedded the practice at all levels of the organization. In 2018, Ayala continued to explore on the value proposition of risk management by assessing the effectiveness of its risk management program and streamlining opportunities and positive impact.

Risk Appetite

Recognizing that it is a relevant driver for strategic decision-making, the Board approved the management-recommended risk appetite for the company. The senior management also identified non-negotiable risks and set the risk limits for each of the drivers of four impact areas, i.e., financial, people, compliance, and reputational. These limits shall be referred to when making business decisions on projects and investments.

Risk Maturity Assessment

Best practice states that the assessment of the maturity of the risk management process be performed every two or three years. Ayala engaged Aon Risk Solutions to execute a group-wide risk management maturity assessment, the first round of which was completed in 2015.

The Aon Risk Maturity Index is designed to capture and assess an organization's risk management practices and provide participants with immediate feedback in the form of a Risk Maturity Rating and actionable steps for improvement. Aon has partnered with the Wharton School of the University of Pennsylvania to develop the Index and conduct joint research on the relationships between risk management practices and actual performance. Through this study, the Ayala group evaluated the effectiveness of the improvements implemented since 2015. Similarly, Ayala's roadmap was revised to address other potential areas for improvement.

The Ayala group average risk maturity is 4.1, on a scale of 1 to 5, with 1 reflecting a low level of maturity and 5 being considered very mature. There is an increase of five basis points from its initial score of 3.6 in 2015. This score implies that overall, the Ayala group of companies has developed a clear understanding of their respective organization's risks and applies a consistent execution of mitigation strategies to address these risks. In addition, the group demonstrated a continued strong executive sponsorship on risk management within each business. Operational business processes and practices also establish and utilize thresholds to set risk limits and express expectations for acceptable risks and risk management performance.

Meanwhile, Ayala Corporation's risk maturity is at 4.0, five basis points lower from its initial score of 4.5 in 2015. The participants of the workshop were conservative in their responses, encouraging everyone to raise the bar in implementing the risk management program. Despite this decrease in rating, the company significantly outperforms the benchmark group in most areas. Ayala is notably strong in cross-functional risk understanding, alignment of risk management and budgeting processes, board roles and responsibilities for risk management, and understanding and appreciation of upside of risks. Conversely, the company needs to improve on self-insured risk valuation and collection of information from strategic partners.

Optimizing the Ayala group's risk transfer strategy

Started in 2016, Ayala continues to consolidate and centralize insurance procurement to secure better coverage and consistent wordings, as well as premium savings, for all business units across the group. The group has placed its first optimized motor car insurance program, which generated a premium savings and allowed 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.

Aside from the motor car insurance program, the Group Risk Management Team, together with the risk and insurance officers of the group, placed an optimized political violence cover. The policy covers all political violence perils with widened occurrence definition, liability cover, and other extensions. Previously, only four business units from the group procure a terrorism and sabotage cover. With the optimized program, the cover extends to all business units with premium savings.

The directors' and officers' liability insurance was also optimized for the group in 2018. Previously, separate policies were bought throughout the group with different wordings, insurers, limits, and deductibles. Through the optimized program,

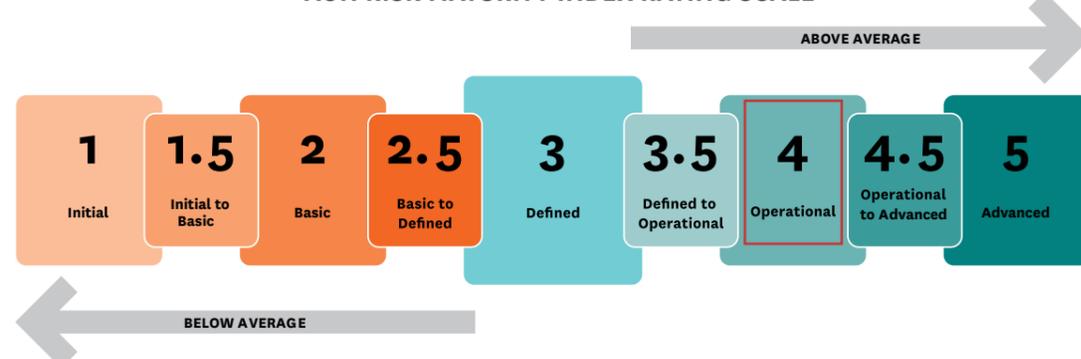
the coverage is provided to all current operations within the Ayala group. On top of the full policy limit, an additional cover is specifically dedicated to directors and officers. Despite the improvements in coverage and wordings, the group generated premium savings as well.

Another insurance line that was simplified was the public and product liability cover. Previous policies showed that different entities across the group purchase minimal limits through multi-line policies, while others have liability programs embedded in their omnibus policy for property damage insurance. The new structure for general liability sought to reduce administration costs and duplication of cover. Furthermore, the group policy features an unlimited coverage for public liability. Finally, a uniform coverage for property damage and business interruption was afforded for the entire Ayala group. The policy uses true all-risk policy



Ayala, together with AON, gathers insurers who supported Ayala's group-wide insurance optimization program.

AON RISK MATURITY INDEX RATING SCALE



wordings, hence exclusions are reduced. Limits are set per occurrence, regardless of the number of locations, removing the issue of aggregate limit erosion. More so, a portion of the premium is allocated for risk management bursary, a central fund to pay for the rolling program of pre-loss engineering consultation, together with other risk management initiatives such as valuation study, business interruption study, NATCAT modelling among others.

Integrating Risk Management and Sustainability

With the theme “Working Better by Working Together”, Ayala held its first Integrated Risk and Sustainability Summit. One of its objectives was to start the conversation on the necessity and importance to integrate the two fields and how it can be done. Global experts and speakers from international organizations graced the event to give light on the integration process. It was attended by almost 400 participants, including senior and mid-level officers, and staff across the group.

The integration of the two disciplines are vital today with the accelerated pace of change in the business landscape brought about by business disruptions, global megatrends and changes in stakeholder mindset. According to the World Business Council for Sustainable Development (WBCSD), a harmonious blending of risk management and sustainability will result in businesses being able to protect themselves from emerging challenges, giving them the opportunity to create more value and drive greater performance. Furthermore, Deloitte affirms that an enterprise risk management program that includes ESG risks helps connect risk, strategy, and decision-making, which in turn makes companies more resilient and competitive.

Risk culture survey

In line with embedding a risk-aware culture, the Group Risk Management and Sustainability Team conducted a risk culture survey, encompassing all employees from staff to senior management. It followed Deloitte’s Risk Culture Framework, which consists of 16 risk culture indicators aligned to four risk culture influencers: risk competence, motivation, relationships, and organization.



Sunny Verghese, CEO and Co-Founder of OLAM International and Chairman of WBCSD, delivers his keynote speech at Ayala’s first Integrated Risk Management and Sustainability Summit.



Global and regional speakers contribute in the first Integrated Risk Management and Sustainability Summit of Ayala.

Through this activity, Ayala gained insights into employee views and unit-level tendency to take risks, assessed the employees’ ability to identify and understand organizational risks, and identified gaps to address and enhance risk awareness.

On a 6-point scale, with 1 as the lowest and 6 as the highest, Ayala was rated between 4 (Slightly Agree) and 5 (Agree) across the 16 risk culture indicators. The survey suggests that Ayala’s risk culture is strong in the areas of Knowledge, Skills, and Risk Orientation, while it needs improvement in Challenges, Policies, Procedures and Processes, and Recruitment and Induction.

Risk Management Protocol

The Group Risk Management and Sustainability Unit continues to be innovative in the tools and methodologies it uses. In 2018, it employed a mix of black swan approach and risk sensing methodology in identifying and assessing risks. This is on the premise that Ayala recognizes events currently not perceived as risks to be

possible threats in the future. Furthermore, as we acknowledge the importance of integrating risk management and sustainability, we introduced sustainability megatrends in the risk assessment process, and senior officers of the corporation discussed how these can be translated to risks or become a risk mitigation measure or opportunities.

Risk Management Process

Following 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 continuously innovate and enhance our approach in establishing the context by

conducting research on current and emerging risk and sustainability mega trends, engaging risk management experts, and collaborating with internal stakeholders to ensure that the right perspective is in place for the annual 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. As we go through this process, we interact with stakeholders at the different levels of organization for alignment that allows people to understand the risks of any activity they undertake, and how this may affect the risks being managed by others.

DELOITTE’S RISK CULTURE FRAMEWORK



Risk culture influencers

Risk Competence

The collective risk management competence of the organization

Motivation

The reason why people manage risk the way they do

Relationships

How people in the organization interact with others

Organization

How the organizational environment is structured and what is valued

STAKEHOLDER ENGAGEMENT

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

INVESTORS AND SHAREHOLDERS

Ayala encourages active participation and regular dialogues with institutional and retail investors and sell-side analysts. Through Investor Relations, a unit under the Finance Group, information requirements of the investing public and minority shareholders are fully disclosed to securities regulators on time.

The Investor Relations Unit holds quarterly media and analyst briefings, supports the annual stockholders' meeting, and engages with institutional and retail investors through one-on-one meetings, conference calls, and e-mail. In 2018, four analyst briefings were held to discuss the quarterly financial and operating results and a special analyst briefing to discuss recent developments on AC Energy. The briefings were made accessible to overseas analysts and investors via a conference call facility.

The company holds regular briefings and meetings with investment and financial analysts, during which they are given access to senior management. In addition, the Investor Relations Unit, together with senior management, regularly attends investor conferences and holds non-deal roadshows to update Ayala's local and foreign institutional investors and overseas shareholders on the macroeconomic and socio-political environment, corporate strategy, including long-term goals and financial targets. In 2018, Ayala participated in 12 institutional investor conferences and non-deal roadshows held in Asia, Europe, the United States, and the Philippines. Further, Ayala engaged in 66 one-on-one sessions and conference calls with overseas institutional investors and analysts to discuss company updates and developments.

Ayala regularly updates its website to ensure that disclosures to the regulators and presentations at analyst briefings and annual stockholders' meetings



Ayala conducts regular dialogues to address the concerns of its stakeholders.

are immediately made available online to provide easy access for the investing community.

Ayala continues to strengthen its investor relations framework. In 2018, the Investor Relations Unit organized the fourth Ayala Group Investor Relations Summit to keep management abreast of best practices, global trends, and perspectives on the equities market and the evolving role of investor relations. The summit was attended by senior leadership and investor relations officers of Ayala and its listed subsidiaries, who listened to international speakers and panelists share their thought leadership.

We continue to improve our stakeholder engagement to ensure that our business strategies are aligned to what is material to them. We ensure that the outcomes of the engagement initiatives across the group are utilized as valuable insights into our business decisions and that management approaches are implemented for the best interest of our stakeholders. We remain committed to integrity, transparency, and accountability in both our policies and practices as we engage with our various key stakeholders.

BUSINESS PARTNERS AND AFFILIATES

Our business partnerships are driven by a mutual desire to creating value and enhancing capability through sharing of complementing strengths and expertise. Before engaging with potential partners, we perform due diligence through an internal team or a third-party assessor. We firmly conduct our business professionally and adhere to high standards of governance.

Operating on the same principles of timeliness, integrity, and transparency, our Senior Management Team regularly engage with business partners and affiliates through high-level meetings and dialogues to address topics of concern on financial performance, governance, commercial viability, business outlook, and management strategies. To familiarize ourselves and our business partners with our respective operations, an operations visit is scheduled on a per need basis. Further, we participate in relevant global organizations to keep abreast of developments in industry sectors we are in.



Ayala forges strong and meaningful partnerships.

CREDITORS AND SUPPLIERS

As we pursue our business objectives, we are cognizant that an eco-system of reliable, competent and responsible creditors and suppliers is critical. And as such we value our relationships with them. This denotes our respect to their concerns on obtaining regular company

updates and financial performance, project pipelines, compliance to covenants, accreditation requirements, procurement policies, and on-time release of due payments. In addressing their concerns, we ensure that we perform touch-point meetings, give regular updates, conduct roadshows particularly for bondholders and insurance markets, organize trainings and accreditations, and release on-time payments.



Manila Water provides Sustainability 101 workshops for its suppliers.

GOVERNMENT AGENCIES AND REGULATORS

Government agencies and regulators provide an enabling environment for businesses to succeed. Abiding by laws and regulations is the first step to be a responsible organization and we ensure that we adhere to the rulings that apply to our business units. We also conduct policy dialogues and consultations, submit required reports, provide regular briefings and updates, and support legal lectures when requested. In instances where concerns were raised, we dialogue with government representatives, provide training to company officers and employees, and when needed, we update our company policies to align with relevant laws and regulations. To support all these initiatives, the Ayala group established the Regulatory Council in 2015 to engage government agencies and regulators and to ensure that dialogues are continuing. Please refer to page 64 for more information.

CUSTOMERS

The Ayala group actively engages customers to understand their concerns mostly in areas of quality of service, convenience, affordability, and reliability. To respond to these, we created consumer touch points across our businesses using various platforms like hotlines, social media channels, website, and marketing events. We also conduct annual and periodic satisfaction surveys and briefings, including regular visits to existing clients when needed. We are always open to immediately address concerns that arise from our consumers and endeavor to immediately resolve issues reported. Our companies measure customer satisfaction using metric relevant to their industry. Below is the results of the group’s customer satisfaction survey for the last three years.

EMPLOYEES

Our employees are our primary customers and their well-being is important to us. Operating on the belief that empowered employees perform to their utmost potential, we provide strong support to our workforce through different channels. On engagement, we provide activities and events such as sports tournaments, holidays or season celebrations, special wellness events, and other quarterly activities. For professional development, we provide training and conferences, planning and learning sessions, online learning tools, and require annual performance appraisal to determine performance results and areas for improvement. We also provide career development and succession plans. To address grievances, we remain open to one-on-one discussions and provide

| COMPANY | METRIC | DESCRIPTION | 2018 | 2017 | 2016 |
|-----------------|------------------------------------|---|------|------|------|
| Ayala Land | CSAT rating | Percent of tenants satisfied with APMC’s property management services | 86% | 92% | 93% |
| Globe | Net Promoter Score | A measure of how likely customers recommend its service to others (-100% means everybody are detractors while +100% means everybody are promoters) | 38% | 27% | 22% |
| Manila Water | Service complaints resolution | Percent of service-related complaint resolved | 99% | 96% | 98% |
| | Billing complaints resolution | Percent of service-related complaint resolved | 99% | 95% | 96% |
| IMI Philippines | CSAT rating | Scoring guideline that covers specific customer requirements such as Quality, Cost, Delivery, and Responsiveness that are defined and agreed with customers | 4.60 | 4.66 | 4.61 |
| Honda | CSAT (sales) | Percent of customers who are satisfied with new vehicles sales | 96% | 97% | 97% |
| | CSAT (services) | Percent of customers who are satisfied with vehicle service provided | 90% | 84% | 96% |
| Isuzu | CSAT (sales) | Percent of customers who are satisfied with new vehicles sales | 89% | 88% | 90% |
| | CSAT (services) | Percent of customers who are satisfied with vehicle service provided | 87% | 96% | 87% |
| Volkswagen | CSAT (sales) | Percent of customers who are satisfied with new vehicles sales | 89% | 89% | - |
| | CSAT (services) | Percent of customers who are satisfied with vehicle service provided | 83% | 89% | - |
| Generika | CSAT (internal) | Percent of customers who are satisfied with Generika’s services based on internal measurement | 82% | 63% | 55% |
| | CSAT (external) | Percent of customers who are satisfied with Generika’s services based on third party measurement | 80% | 90% | 89% |
| MedGrocer | CSAT (internal) | Percent of customers who are satisfied with MedGrocer’s services based on internal measurement | 94% | 90% | 86% |
| | CSAT (external) | Percent of customers who are satisfied with MedGrocer’s services based on third party measurement | 92% | - | - |
| FamilyDOC | Net Promoter Score | A measure of how likely customers recommend its service to others (-100% means everybody are detractors while +100% means everybody are promoters) | 56% | 80% | - |
| LRMC | Customer complaint resolution rate | Percent of complaints resolved | 100% | - | - |



Ayala provides continuous learning to its workforce.

townhall meetings. Our employees are also given opportunities for volunteerism such as reforestation and forest protection activities and blood donation to name a few.

COMMUNITIES

We also strive to keep a strong relationship with the communities we work with by providing capacity building activities and livelihood education. Further, we give effort to promote local hiring for our businesses. Ayala Foundation, the social commitment arm of the Ayala Group, primarily heads various social and community development programs. We explore possibilities of having local communities as part of our workforce or partner suppliers in the areas we operate in. Please refer to pages 80 to 81 for our community engagement activities.



Ayala fosters strong relationships with communities.

INDUSTRY ASSOCIATIONS

We actively participate in industry activities that are relevant to our business units. Such activities include conferences, forums, industry workshops,



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

and industry meetings. We also take part in industry surveys, studies, and working committee meetings. We value building collaborative networks and support long-term memberships. Moreover, we continue to forge partnerships across the industries we are at to contribute to discussions on business development, adoption of new rules and regulations, and setting of industry standards and market practice.

OTHER STAKEHOLDERS

We reach more stakeholders through various channels such as press briefings, conferences, media events, interviews, social media, corporate websites, and other communication platforms. Our group ensures that our stakeholders are updated on our financial, environmental, and social performance, as well as on our business developments, strategies, new products and services.



Ayala and the UP School of Economics conduct dialogues.

MATERIALITY

(GRI 102-29, 102-31)

Materiality assessment is a regular process that we undertake in Ayala since 2013 as an early adoption of the GRI G4 reporting framework which was implemented in the 2014 reporting. The assessment guides the identification, prioritization, evaluation, and management of key concerns of stakeholders. This process in defining the material factors across our business units and various stakeholders remain guided by the GRI standards. We further aligned its scope by including the 10 Principles of the UN Global Compact when Ayala became a founding member of the local network in 2016. Our material factors are best depicted in the Ayala 360° Sustainability Reporting Framework in the succeeding page.

We commit to ensure that our identified material factors remain relevant with the changing business landscape.



Economic Material Factors

Our economic material factors are based on the value that our companies directly and indirectly contribute to society. Our direct contributions are relevant because they reflect how we distribute the economic value we generate to various stakeholders such as capital providers, suppliers, employees, government, and communities. On the other hand, our indirect contributions give a deeper understanding of our economic efforts and performance. It demonstrates our impact to the growth of SMEs and our partners in the supply chain, access to quality products and services of the vulnerable sector, and resilience to climate change. Also considered in our indirect contributions are our foreign and domestic investments that enable us to grow our businesses.

Environmental Material Factors

Our environmental factors across the group are varied in nature and scale due to the diversity of our business units. They were identified based on our businesses' dependency on various natural capitals and the magnitude of their impact on the environment. Our key resources include: energy,

water, and other materials we utilize to deliver our products and services. Further, we determined the effect of our operations on climate change through the emissions and waste that we generate and the biodiversity we affect.

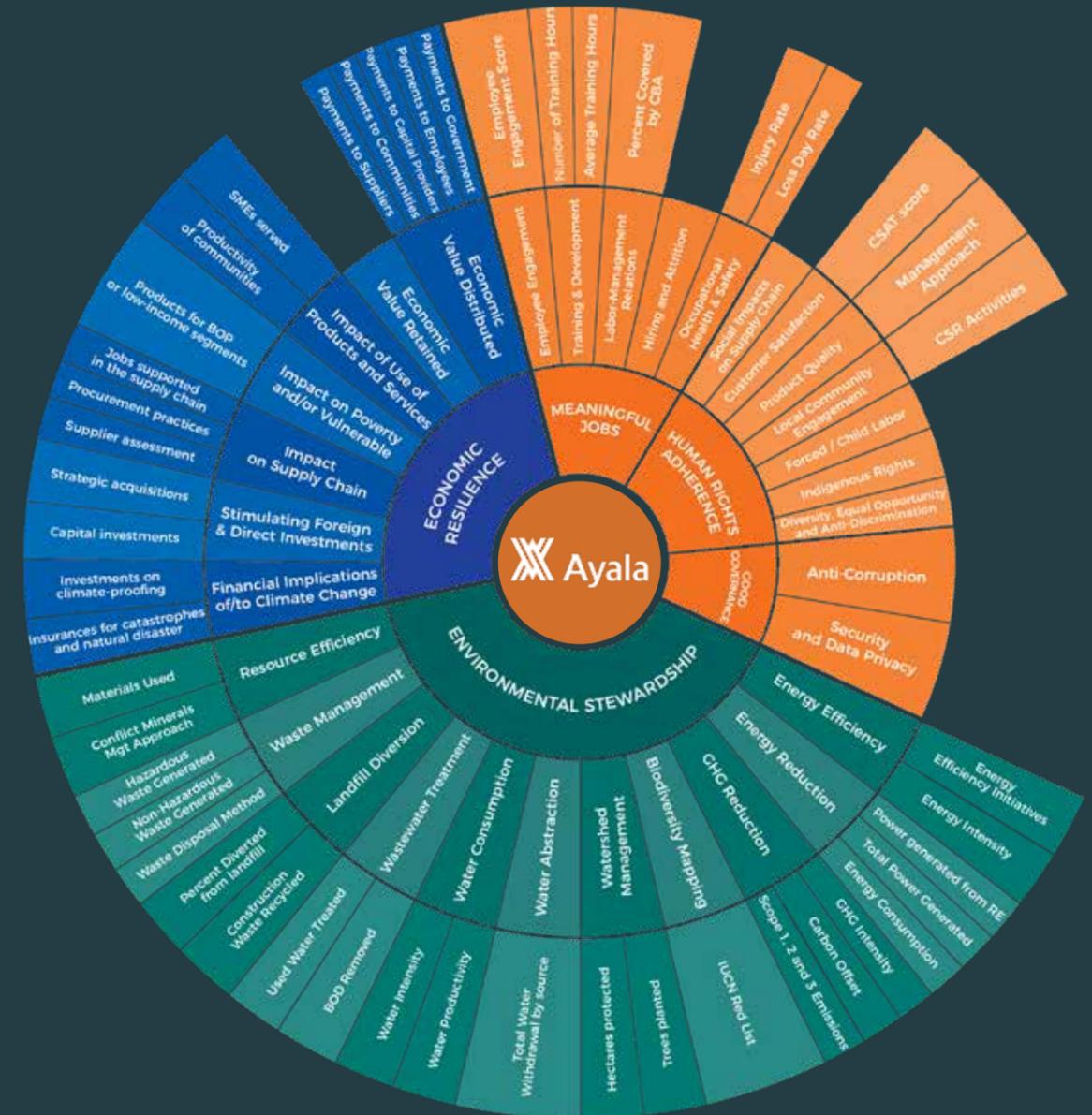
Social Material Factors

Our social material factors cover topics on the well-being of our employees and our engagement with communities, good governance, and satisfaction of our customers. Factors related to our workforce include employee engagement, training and development, hiring and attrition, occupational health and safety, and labor-management relations. Further, this includes an assessment on whether we effectively uphold human rights principles such as child labor, forced labor, anti-corruption, diversity, equal opportunity, and anti-discrimination in our operations and dealings with suppliers.

On good governance, we look at our group-wide performance on anti-corruption, security, and data privacy. While on communities, we gauge how well we have included the locals that we serve in our value proposition, including indigenous people and the marginalized.

Finally, the satisfaction of our customers with our products and services and our adherence to customer data privacy were also identified to be material across the group.

The full list of our material factors with their positive and negative impacts, link to principal risks, related management approaches, and performance indicators can be found at the Annex on page 182 to 193.



THE AYALA 360° SUSTAINABILITY REPORTING FRAMEWORK

Ayala views that complying with ESG requirements is the first step towards becoming a responsible organization and is imperative to creating shared value. The 360° Sustainability Reporting Framework is the result of the materiality process across the Ayala group, and it reflects the ESG metrics where we base our performance. This framework is updated whenever we perform our materiality reviews. Thus, the framework shown above remains the same because the same set of material factors were deemed still relevant upon our materiality review in 2018.

The framework gives a comprehensive look at the material factors, indicators, and metrics that our businesses focus on through three major segments namely: Economic Resilience, Environmental Stewardship, and Social which is further divided into three: Meaningful Jobs, Human Rights Adherence, and Good Governance. Consequently, this framework complements with the UN Sustainable Development Goals and was thus used to support the creation of the Ayala Sustainability Blueprint: Bridging the Filipino to 2030. Certain indicators and metrics in the wheel are considered vital to measure the achievement of the goals set in the blueprint.

To learn more about our policy, practices, and sustainability philosophy, please visit www.ayala.com/commitment-sustainability

THE AYALA SUSTAINABILITY BLUEPRINT

BRIDGING THE FILIPINO TO 2030

Ayala was one of the first companies to align with the UN Sustainable Development Goals (SDGs) during its launch in 2015. We anchored on the SDGs as a perfect framework to align our purpose of accelerating the future by seeing potential, making businesses better, and improving lives.

We achieved a milestone the following year, 2016, when we published our first Integrated Report. The 2016 report was the first of its kind in the Philippines and featured a comprehensive look at the Ayala group's contribution to the SDGs. In the same year, we became a founding member of the UN Global Compact Network (UNGC) Philippines and we also began to incorporate the 10 Principles of UNGC into our sustainability reporting framework. The 2017 Integrated Report built on the foundations of the previous report, and shows how we as a group of companies have continued to contribute to the SDGs. We also put emphasis on the specific SDGs on which each business unit has a particular impact.

To remain relevant in our drive to create shared value, the Ayala group made a conscious decision to further deepen our commitment to the SDGs. After a rigorous process with key executives, we are now more deliberate in our contribution and adopted the language of the SDGs for the targets we set in our **Ayala Sustainability Blueprint: Bridging the Filipino to 2030**.

A PRINCIPLED APPROACH

We took a systematic approach in the creation of our Sustainability Blueprint and operated under five principles:

- 1 **Outside-in**
We made a careful assessment of the external business environment and needs of society and determined where it is relevant to contribute. This is in contrast to taking the approach of looking at Ayala's products and services and choosing certain sectors.
- 2 **Bold leadership**
Executives across the group made a firm commitment to demonstrate industry leadership in linking our businesses to the SDGs and to communicate it in order to inspire others.
- 3 **Impact at scale**
Ayala puts emphasis on creating significant long-term impact. This helps ensure continuity and the magnitude of our positive effect on various sectors.
- 4 **Focus**
Our companies will champion SDGs that are naturally related to their businesses, with core targets to be attained by 2030.
- 5 **Public-private partnerships**
Ayala recognizes that the government and communities where we operate in are essential partners in scaling sustainability, and in realizing SDGs 16 and 17.



IDENTIFYING MEGATRENDS

In the course of developing this blueprint, Ayala noted the three megatrends that posed the biggest development challenges to Filipinos today and are relevant to the group: Marginalization, Untapped Potential, and Irresponsible Growth.

First, Marginalization, is a phenomenon that affects majority of the Philippine population, threatening health, mortality, attainment of quality education, and the well-being of households by having access to basic necessities. In 2018, the Philippines ranked 113 out of 189 countries in the Human Development Index, indicating that the country needs to make massive strides to improve education and healthcare, and ensure inclusive growth.

Second, Untapped Potential, refers to the missed opportunities for the working class because of unemployment, underemployment, lack of access to financial services, inefficient infrastructure, lack of access to safe dwellings, other services and conveniences.

Last, Irresponsible Growth, speaks to unfettered and thoughtless development which can affect future generations. This includes concerns related to waste management, climate change, and other negative environmental impacts that are brought on by societal consumption including growth of organizations.

A VISION OF THE FILIPINO IN 2030

With the three megatrends above serving as challenges to overcome, Ayala envisions that 2030 will see a Filipino who is healthy, educated, has access to safe and affordable water, is economically secure, has access to financial services, information communication, and clean energy. The Filipino will be able to move freely and efficiently, have peaceful dwellings, and manage wastes effectively. We envision the Filipino who, in every sense of the word, is a responsible global citizen.

THREE JOURNEYS TO 2030

After the rigorous process guided by the aforementioned five principles and vision for the Filipino in 2030, Ayala firmly commits to bring the Filipino to embark on three journeys:

Access & Inclusivity Journey

will ensure that the Filipino has access to basic needs such as safe and clean water, and other necessities critical to health, education, and sanitation. This journey prioritizes the vulnerable sector, ensuring that they are included and helped to holistically grow to be positive contributors to society.

Productivity & Competitiveness Journey

will enable the Filipino to be safe and have stability. This includes giving opportunities for meaningful and productive employment, ensuring that the people also have access to necessary infrastructures, technologies, products, and services that are needed for them to function at their best in a globally connected economy.

Responsible Growth & Innovation Journey

will address the need for resilience against vulnerability to climate hazards. In this journey, Ayala aims to contribute in reducing reliance on fossil fuels, to increase the demand for more sustainable alternatives and lifestyles, and to seek innovative solutions to manage negative impact to the environment and communities.

With these three journeys serving as paths to the envisioned Filipino of 2030, Ayala sets its business units to advocate the SDGs that fall naturally in place per journey, completing the Ayala Sustainability Blueprint. Each SDG champion will maximize relevance and impact through focus, ensuring that their respective targets are achieved.

The Ayala group commits to this blueprint, with each business unit setting a core target that is aligned to the SDGs to assure significant contribution to the goals by 2030. We acknowledge that our business units have initiatives that go beyond the SDGs that they champion and we encourage them to continue contributing to other SDGs.

AN ANNUAL LOOK AT NON-FINANCIAL PERFORMANCE

CREATING SHARED VALUE ACROSS THE GROUP

With the advent of the Ayala Sustainability Blueprint, the group continues to monitor the relevant sustainability topics and results that form our strong foundation in creating shared value.

ACCESS AND INCLUSIVITY JOURNEY

1 Ayala Foundation, the social commitment arm of the Ayala group, is one of the pioneer corporate foundations in the country and runs various development programs. To cite a few, they work with the indigenous community of Iraya-Mangyan in Talipanan, Mindoro, and Sibaltan, El Nido in Palawan, and a group of ornamental farmers in Calauan, Laguna.

In Mindoro, Ayala Foundation helps the Iraya-Mangyan community to preserve their tradition of weaving beautiful and functional products from nito¹ vines, and further assists in selling the said products. The Iraya-Mangyans also undergo workshops and learning sessions to enhance their skills in masonry, electrical, dressmaking, and agriculture. The overall initiatives of Ayala Foundation continue to generate 80 jobs within the community.



The culture of the Iraya-Mangyan community is reflected in their woven products.

Total revenue generated by the Iraya-Mangyans amounted to ₱4.2 million wherein about ₱1.4 million was distributed to the weavers. About 127 students from the weavers' families were beneficiaries of Ayala Foundation's K-6 financial assistance. To promote good health, Ayala Foundation supports a healthcare center in the community which has served a cumulative number of 7,624 patients in 2018.

Another group of weavers that Ayala Foundation supports are the women of Sibaltan, El Nido, Palawan. The community is assisted in scaling up the production of buri² palm merchandise, in improving their operations, and in providing market linkage opportunities. Ayala Foundation also aids in other forms of livelihood such as vegetable farming, pandan making, and retail of farm-based products, which generated 213 jobs in 2018, a 170 percent increase from the 80 jobs generated in 2017.

Scaling efforts in the Palawan area, Ayala Foundation partnered with Ayala Land in 2016 to conduct a rapid appraisal of communities near the Lio tourism estate. The assessment guided Ayala Foundation in creating its community development plan for the barangays in the vicinity that need assistance on education, health, livelihood, and water. Currently, they are measuring the effectiveness of their community interventions through the Social Return On Investment framework, results of which will be published within 2019.



The Calauan Ornamental Plant Farming program has helped displaced families since 2012.

1 - Nito Plant, a type of climbing fern that abundantly grows in the Philippines
2 - Buri Plant, a native palm tree in the Philippines

Ayala Foundation also works with relocated families in Calauan, Laguna. With MDC Greens, a subsidiary of Ayala Land's construction arm Makati Development Corporation, they established the Calauan Ornamental Plant Farming Program in 2012 which supplies plants used to landscape estates, hotels, and resorts. The farm expanded its size from two to five hectares. However, the income of the 31 farmers decreased by five percent in 2018 due to seasonality of purchase orders. In the second half of the year, their monthly income reached a high of ₱7,745 but this was unable to offset the low income during the lean months.

In 2017, Ayala Foundation conducted an assessment covering 25 Calauan farmers and found out that the program improved their quality of life. This afforded them the ability to acquire basic and transport needs, to improve shelter, and to address education and health concerns.



These efforts of Ayala Foundation contribute to their core target of reducing extreme poverty in their project areas. They will put mechanisms in place to increase results.

Meanwhile, AC Health provides quality healthcare through its various business units such as FamilyDOC, Generika, MedGrocer, and Aide.

FamilyDOC continues to address the gap in primary care and preventive health by providing a chain of accessible and affordable community-based clinics. These clinics offer outpatient services and diagnostic facilities with an on-site Generika pharmacy.

FamilyDOC widened its base within Metro Manila, Rizal, Laguna, and Cavite from 21 in 2017 to 54 branches in 2018. At the end of 2018, FamilyDOC had served a total of 240,000 unique patients, a 370 percent increase from last year. With this increase in branches and unique patients, FamilyDOC ensures that their medical community is growing to effectively cater to their needs. FamilyDOC offers a residency program accredited by the Philippine Academy of Family Physicians for doctors in Family and Community Medicines. Currently, they have 97 resident doctors from 79 doctors in 2017, who are available from 8:00 am to 8:00 pm from Mondays to Saturdays.

Patients are guaranteed a 45-minute service turn-around time which significantly improved by 10 minutes in 2018. This, together with their aggressive expansion contributed to the substantial increase in their patients served.

~28 MILLION
GENERIC MEDICINE SALES COUNT FOR GENERIKA

240,000
UNIQUE PATIENTS FOR FAMILYDOC

6,300
UNIQUE RETAIL CUSTOMERS FOR MEDGROCER

54 FAMILYDOC CLINICS

| | |
|-----------|-------------|
| CALOOCAN | PATEROS |
| CAVITE | PARAÑAQUE |
| LAGUNA | QUEZON CITY |
| LAS PIÑAS | RIZAL |
| MARIKINA | TAGUIG |
| PASIG | VALENZUELA |

On the pharmacy sector, Generika promotes high quality, reasonably priced and safe generic medicines. It continues to contribute to the growth of the industry and has successfully increased from 750 branches in 2017 to 816 branches in 2018 across locations that are accessible to low income communities.



AC Health's Generika Pharmacy is expanding across the country.

The medicine sales transactions reached 40 million in 2018, a four percent decrease from previous year sales count of 41.7 million. However, the average basket size of their customers increased by five percent resulting from ₱106 in 2017 to ₱112 in 2018. It was observed that the customers now tend to increase the size of their purchases and reduce the frequency of their store visits.

Out of the total medicine sales in 2018 and 2017, 71 percent or 28.4 million and 79 percent or 32.8 million are generic medicines, respectively.

Generika's house brands, Actimed and Nutrawell, contributed 26 percent of the total ₱3.8 billion sales in 2018 with prices that are 85 percent lower than their non-generic counterparts. Actimed is a wide range of generic medicines prescription, over-the-counter drugs, and vitamins. Whereas Nutrawell is a line with a wide selection of vitamins, food supplements, and personal care products.

Generika conceptualized the MedPadala electronic gift certificate with the intention of assisting overseas Filipino workers and residents in ensuring that the money they send to their loved ones are duly spent for purchase of medicines. MedPadala generated ₱885,000 from 3,110 transactions and, ₱975,000 from 2,293 transactions in 2017 and 2018, respectively.

Another tool from Generika is Gamot Guide (Medicine Guide), a printed instruction on responsible medicine intake, proper storage, and possible side effects of medicines. In addition to their efforts in giving access to health care, Generika continues its program called Libreng Konsulta (Free Consultations) where free medical consultations are provided to patients on a scheduled basis.

In 2017, AC Health invested in MedGrocer, an online pharmacy platform that caters to both retail and corporate clients. Retail clients significantly increased from 593 in 2017 to 6,300 in 2018. On the other hand, corporate clients increased from 100 covering 60,000 employees to 450 covering 460,000 employees.



AC Health's MedGrocer extends online services for a more convenient purchasing of medicines.

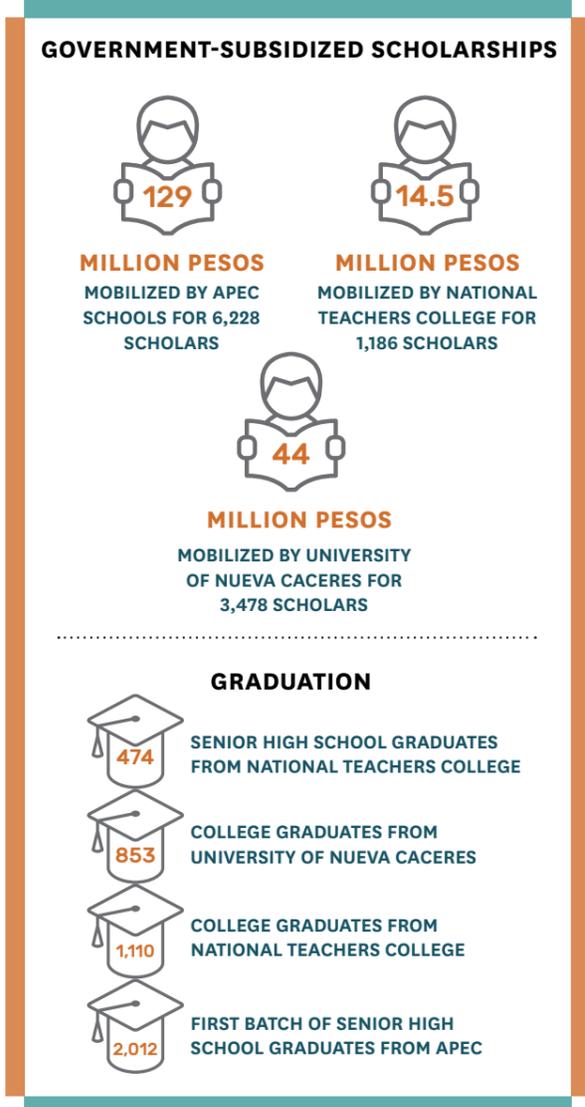
Joining the AC Health portfolio in 2018 is AIDE, a mobile application that allows users to search, choose, and book schedules with medical professionals for quality care across the country. AIDE provides options for appointments with different medical professionals including doctors, nurses, physical therapists, acupuncturists, veterinarians, caregivers, and midwives. After completing a reservation, the service will be rendered at the convenience of the patient. Currently, AIDE has a total of 798 medical specialists and healthcare professionals from 74 cities and municipalities across the Philippines. Other services include vaccination, laboratory testing and interpretation of results, medicine delivery, and pet grooming. In 2018, AIDE received 8,600 requests with about 54 percent fulfillment rate.

AC Health's efforts touched the lives of close to one million Filipinos in 2018 and they remain aligned with their target to provide access to affordable and

quality essential health care services. With their outlook on expansion, they are geared towards achieving their goal of improving the lives of 20 million Filipinos annually.

On affordable and quality education, AC Education makes access available through its Affordable Private Education Centers (APEC) Schools, continued management of University of Nueva Caceres (UNC), and in the acquisition of National Teachers College (NTC). Moreover, they extend job placement support to graduating students through their Professional Employment Program (PEP).

APEC Schools is a chain of affordable private and quality Junior and Senior High School education



(Levels 7-12) through progressive teaching methods in its 23 branches across Metro Manila, Cavite, Rizal, and Batangas. In 2018, APEC Schools has a student population of 18,120 with 10,328 from the D & E market segments, a 12 percent increase from the 2017 student population of 16,219 wherein 8,191 come from the same market segments.

Students enrolled through the Department of Education's Senior High School (DepEd SHS) Voucher Program increased from 5,700 to 6,228 students with total subsidies of ₱118 million pesos to ₱129 million pesos from 2017 to 2018.

APEC Schools started the Special Recognition Scholars program which grants six years of financial assistance to qualified students from public schools. The program began with 436 students in 2018.

To increase the employability of the graduates in the service sector, APEC Schools embedded focused industry-related skills, routines, and training into their curriculum. Students are expected to complete specific milestones across four competencies: Beginning, Developing, Intermediate, and Proficient. The students are assessed to ensure they are proficient and are ready to work upon graduation.



APEC Schools graduated its first batch of senior high school in 2018.

In 2018, APEC Schools graduated 2,012 students as their first batch. There were 296 graduates that sought employment and were hired within 100 days, 146 were employed with an average of more than ₱15,000 monthly salary which is 26.6 percent higher than the NCR standard minimum wage³. Majority of the remaining graduates pursued college education.

Meanwhile, UNC, one of the oldest universities in the Bicol region, has a nurturing culture which is reflected on their academic programs that focus on a balanced student life. In 2018, the school has a student population of 8,206, a two percent increase from their population of 8,054 in 2017.

UNC students enrolled through the DepEd SHS voucher program increased from 2,917 to 3,478 with total subsidies of ₱35 million pesos to ₱44 million pesos in 2017 and 2018, respectively.

The university's Career Placement Services Office aims to improve the employability of their senior college class by conducting job application workshops. Of the 127 graduates who sought employment, 69 were employed with an average monthly salary of ₱18,600, 54 percent higher than NCR's minimum wage.

To further scale and positively contribute to the education sector, AC Education also acquired NTC which has 12,029 students from Basic to Higher education in April 2018.

AC Education is set to spend ₱650 million pesos for the improvement of the facilities, programs, and curricula.



AC Education widens its reach with its acquisition of NTC.

Currently, AC Education offers PEP to prepare graduating students for employment. This is focused on experiential learning wherein the classroom is uniquely designed to simulate a work environment. The program is recognized by the Commission on Higher Education (CHED) and has been embedded in the UNC and NTC curricula. Throughout the program, students are required to communicate in English, develop specific skills including job application techniques, and refine their work habits. In 2018, 336 out of PEP's 366 enrollees were employed within 90 days of graduation.

In October 2018, AC Education signed the merger with iPeople, a development and investment management subsidiary of the House of Investments. It includes iPeople's significant subsidiary, the Malayan Education System, Inc. which operates Mapua University, a leading engineering and technical universities in the Philippines, that ranked as a QS-3 star and the school with the most CHED Centers of Excellence in Engineering. The merger will also include the subsidiaries of Malayan Colleges in Laguna, and in Mindanao, and the Malayan Science High School in Manila.

The iPeople merger will bring together the educational institutions of the two entities with campuses in Metro Manila, Calabarzon, Bicol region, and Mindanao.

The overall efforts of AC Education will make a difference in the lives of about 23,000 students from APEC Schools, UNC, and NTC who are in the 15 to 24 age demographic. They are on track in the achievement of their 2030 target of ensuring equal access to quality yet affordable junior and senior high school, and tertiary education. The number will increase when the merger is set into motion.

Additional contribution to SDG 4 is Ayala Foundation's CENTEX, CENTEX Training Institute, ProFuturo, and AYLC programs.

CENTEX provides holistic, quality education for bright elementary school children from economically disadvantaged families.

3 - Minimum wage in the National Capital Region is ₱12,047.

CENTEX aims to develop their confidence and competencies through a robust academic plan, participation in performing arts, and other skill-building activities. The CENTEX program sites in Tondo, Manila and in Bauan, Batangas are in partnership with the city government of Manila and the provincial government of Batangas, respectively. Currently, it has a total student population of about 1,000.

CENTEX Training Institute on the other hand focuses on enhancing the proficiency and critical thinking of public-school teachers. Since 2012, the training institute reached 87 schools in 20 areas across the country and has engaged 865 faculty members.

In partnership with ProFuturo, Ayala Foundation also continues to bridge the gap in education by bringing digitalization to schools in marginalized areas and giving trainings to teachers to enhance their computer skills. In 2018, 94 schools in the MIMAROPA⁴ region were reached by the program which brings the cumulative number to 125 schools since its launch in 2017. ProFuturo trained

195 teachers from eight municipalities namely: Taytay, Palawan; Odiongan, Romblon; Torrijos, Marinduque; and Sablayan, Gloria, and San Teodoro in Occidental Mindoro. The program has benefited a total of 12,730 students since it started.

Ayala Foundation also goes beyond traditional means of education and pursues motivating the minds of young leaders across the country through their program Ayala Young Leaders Congress (AYLC). Every year, a batch composed of around 70 top students are chosen after a rigorous selection process who go through an intensive leadership training. In this program, the students interact with industry leaders and Ayala top executives. The participants take part in demanding physical challenges, and collaborate in creating ideas that help in nation building. Since its inception in 1999, the program has 1601 alumni from different parts of the country. As a result, the inspired young leaders have launched community-based programs to help various groups such as mothers, students, teachers, among others, across the country.



The Ayala Young Leaders Congress celebrated its 20th anniversary in 2018.

4 - The southwestern Tagalog Region composed of the provinces of Mindoro, Marinduque, Romblon, and Palawan

With regard to delivery of equitable, safe, and reliable water, Manila Water supplied 1,160 million cubic meters of water through more than 1 million billed connections in 2018, a 44 percent increase from the 807.2 million cubic meters of water supplied in 2017. Further, a cumulative total of ~7,600 kilometers of pipes were laid as of 2018 across all concessions in the Philippines, a 23 percent increase from 6,220 kilometers of total pipes laid as of 2017.



Moreover, Manila Water continues its Tubig Para Sa Barangay⁵ program to provide water to low-income communities at a subsidized rate. A total of 214,164 billed connections were placed since the program began in 1998.

To enable water supply to its customers, Manila Water continues its efforts to reduce non-revenue water (NRW) in all its concessions. Enterprise-wide, the average NRW in 2018 is 9.6 percent, a 0.3 percent improvement from 2017.

As part of its concession agreement, Manila Water also treats used water. The company recognizes that households, especially those from marginalized areas, do not have direct connections to treatment facilities. Hence, Manila Water sets up sewer connections in their service areas and provides free scheduled desludging services. In 2018, Manila Water treated 62.4 million cubic meters of used water, a 10 percent increase from 56.4 million cubic meters in 2017. This was accomplished through more than 142,000 sewer connections in its service areas, a minimal increase from ~141,200 sewer

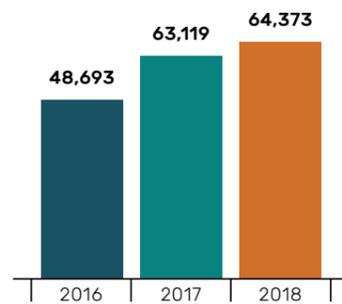
connections in 2017, and led to a removal of ~9,100 tons of organic pollutants from the used water in 2018, a 0.2 percent increase from 9,087 in 2017. The average quality of effluent discharged by Manila Water back to waterways is about seven milligrams BOD⁶ per liter. This is better than DENR's minimum requirement of 30 milligrams BOD per liter for public and recreational water discharge.

With these efforts, Manila Water is on track in reaching its target of providing universal and equitable access to equitable, safe, and reliable water.

PRODUCTIVITY AND COMPETITIVENESS JOURNEY

At the forefront of Ayala's businesses are our employees. Treating them as our primary customers, we put importance on their growth and well-being from recruitment to retirement. Our success as a group is a direct function of the performance of our human capital. Therefore, we strive to provide meaningful and gainful employment, open opportunities for learning and development, and ensure that our workforce receive equal pay for equal value.

TOTAL DIRECT HIRES OF THE AYALA GROUP



In 2018, Ayala group's direct hire population grew to a total of 64,373, a two percent increase from our headcount in 2017. Of this total, 44 percent are male while 56 percent are female, giving us a 1:1.3 ratio. Ayala promotes diversity by hiring across segments and age groups.

In addition, Ayala gives equal opportunity for women to be in senior positions in the group. In 2018, 40 percent of senior management and executive positions are filled by women, which is significantly higher than the 16 percent Asia Pacific benchmark⁷.

5 - In the Philippines a village, suburb, or other demarcated neighborhood, a small territorial and administrative district forming the most local level of government
6 - BOD refers to biological oxygen demand which measures the amount of pollution in terms of organic material in waste water



Millennials are given opportunities for growth in the Ayala group.

The group acknowledges that the Millennials are a growing part of the working population. Research shows that this age group gives importance on work-life balance, open corporate culture, and social consciousness. They are more attuned with communications media and digital technologies. According to the study of the World Economic Forum, 65 percent of children now entering primary school will eventually work in job types that do not yet exist today.

We are beginning to explore opportunities to give meaningful employment to this emerging work force. Our 2018 results show that our new hires who are below 30 and those in the 30 to 50 age brackets increased by nine percent and 12 percent respectively. Majority of these two age groups belong to the range of the Millennial generation.

Recognizing that remuneration is an integral concern of an employee, we ensure that the compensation and benefits that we provide are of equal pay for work of equal value. Annually, Ayala Corporation participates in the Total Annual Compensation Survey of Willis Towers Watson for various employee functions, career bands, and disciplines that are matched against peers globally. In doing so, Ayala gains access to industry-specific Compensation Reports, General Industry Report on HR Policies and Practices, and Benefits Design Practices Reports.

7 - L'helias and Vasil (2019). Who Runs the World? The Global Status of Women in Leadership. Corporate Knights. <https://www.corporateknights.com/channels/leadership/global-status-women-leadership-15521397/>

With this array of results made available to Ayala, the organization is able to have a macro-economic overview of how it compares across the country and Asian Region in terms of Gross Domestic Product, salary increase, consumer price index, and more. Overall, it helps in the measurement of the competitiveness of the compensation that the company provides. A sampling computation of the results compared against what the company provides shows that Ayala provides remuneration of more than 10 percent than industry average.

Ayala also ensures that the benefits it provides is above than what is required by law. This includes medical and dental packages in support of the well-being of our employees. Ayala also offers employee stock ownership plan in accordance with existing policies of Ayala Corporation to managers and staff who are eligible depending on their employment status and standing. The company looks at ways to improve benefits as a recruitment and retention strategy.

Ayala Corporation strives to provide full and productive employment by ensuring employment remuneration is within 10 to 20 percent above the industry average.

On the other end of spectrum of SDG 8, BPI champions financial inclusion through innovation in their financing programs and services. Through one of BPI's subsidiaries, Direct BanKo Inc., which has a financial solution called NegosyoKo, microfinance loans are provided to Self-Employed Micro-Entrepreneurs (SEMEs). This gives the underserved Filipinos more opportunities to secure financing and lessen their reliance on unaccredited lenders.



BPI strongly supports self-employed micro-entrepreneurs.

Since its inception in 2016, Direct BanKo has served more than 40,000 SEMEs, from their 200 branches and disbursed a cumulative loan total of ₱4 billion, ₱3.3 billion, ₱559 million, and ₱171 million, in 2018, 2017, and 2016, respectively. It grew seven times in 2018.

MICROFINANCE LOANS DISBURSED BY BPI

AS OF 2017

₱730 MILLION

AS OF 2018

₱4 BILLION

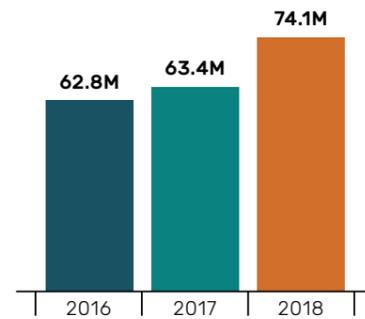
BPI also gives strong support to overseas Filipino customers through remittances. In 2018, BPI served about 76,000 Overseas Filipino Workers, taking a 27 percent share in the remittance market. Specific products were launched to further assist in easier and faster processing of remittances, with focus on the families back home.

With the advancement in technology, BPI also maximizes solutions to increase access through its digital channels. The BPI mobile app can be used for money transfer, bills payment, prepaid credits, and check book ordering. In the BPI Express Online banking portal, users can access all the features of the mobile application and in addition, manage investments, access credit card services, and other products. In 2018, a total of 946.8 million transactions were fulfilled through their digital channels, a 35 percent increase from 2017.

These products and services are in line with BPI's target of expanding financial access to the unbanked, and meeting the diverse needs of its customers.

To enable productivity and competitiveness by harnessing technology, Globe, the telecommunications company of Ayala, continued to increase its mobile coverage to 95 percent of cities and municipalities in the Philippines, serving up to 74.1 million prepaid and postpaid subscribers. Globe increased its market penetration in home broadband to

GLOBE'S INCREASE IN SUBSCRIBERS



956 PETABYTES
MOBILE DATA TRAFFIC



45,000
ESTABLISHMENTS SUPPORTED BY GCASH

1.6 million customers while providing free internet access through GoWifi Auto. As of 2018, over 11,000 locations were tapped as access points for free public WiFi services.

Due to the increase of their customer base, Globe's mobile data traffic reached 956 petabytes in 2018, a 59 percent growth from their results the previous year. Supporting this large amount of data was made possible by their network of base stations and cell sites. Globe continues to provide a robust network infrastructure for cellular, broadband and mobile data services across the country.

Globe also aids micro, small and medium enterprises through its product, MyBusiness, which integrates digital solutions to business operations for improved productivity and efficiency. The product provides internet and landline connection, website development and management, asset tracking, and e-commerce systems.

Globe is also increasing efforts on financial technology through Globe Fintech Innovations Inc. or Mynt with the platforms called Fuse Lending and GCash. In Fuse Lending, individuals may access and pay loans through their mobile phones. As of 2018, they disbursed loans to a total of 77,000 recipients.



Globe's GCASH makes transactions faster and easier.

Meanwhile, GCash deploys cashless payments to businesses to help boost retail trade. To date, it has supported 45,000 retail establishments with its QR payment system called Scan To Pay. It also offers the opportunity to remit money with a few taps on the mobile phone, making it easier for users to transfer cash in real time.

Globe's efforts will lead to the achievement of their core target of providing affordable access to information and communications technology. They continue to support businesses by integrating financial technology services into value chains and markets.

Going beyond network infrastructure, Ayala also enables people to be more productive by improving urban mobility, logistics, and mass transportation through AC Infrastructure. The Light Rail Manila Corporation (LRMC) operates and maintains the 20.7 km LRT-1 system. Passengers can travel across various points in Quezon City, Caloocan, Manila, Pasay, and Parañaque.

LRMC implements a strict train traffic management to help reduce cycle time, the time it takes for a train to complete a journey from a terminal station and back. The LRT-1 cycle time improved by 2.25 minutes from 102 minutes in 2017 to 99.75 minutes in 2018. Train interval on the other hand, is the time between the departure and arrival of the next train. LRMC was able to maintain the train interval of about 3.4 minutes for peak hours in 2018, while improving interval time for off-peak hours to 3.9 minutes from 4.3 minutes the previous year. LRMC also continued to implement their fleet plan and

successfully restored three Light Rail Vehicles (LRVs) and rehabilitated 13 existing LRVs which brought the total operating LRVs to 112. These improvements contributed to a five percent increase in ridership from 157 million in 2017 to 165 million in 2018.



LRMC continues to make the LRT-1 more efficient.

Another company under AC Infrastructure is MCX Tollway, Inc. which operates and maintains the four-km, four-lane Muntinlupa-Cavite Expressway that connects major roads in Las Pinas, Muntinlupa, and Cavite to the South Luzon Expressway. This was developed in 2011 under the government's Public-Private-Partnership program. In 2018, MCX served about 11.8 million vehicles and helped travelers in reducing travel time to about 17.7 million manhours, while reducing fuel costs to about ₱393 million. The average daily traffic increased from 29,000 vehicles to 32,000 vehicles in 2017 and 2018, respectively.



165 MILLION
LRT-1 RIDERSHIP



11.8 MILLION
VEHICLES SERVED BY MCX

A part of the AC Infrastructure ecosystem is AF Payments, Inc. which has a contactless payment platform called beep™ that can be used in both LRT-1, MCX, plus LRT-2 and MRT-1. In 2018, the total number of beep™ transactions amounted to about 202 million and 146 million for stored value and single journey tickets transactions, respectively. The beep™ card is also accepted in various retail establishments and restaurants like FamilyMart,

Wendy's, Binalot, and toll gates in the North Luzon Expressway, and Cavite Expressway. Beginning 2018, it can also be used in select Point-to-Point (P2P) bus rides which have resulted in 9.5 million bus fare transactions paid using this platform. An app was also launched in the same year to help users closely monitor their transactions and balances.



MCX helps travellers reduce travel time and fuel costs.

Venturing beyond its portfolio of Public-Private-Partnerships, AC Infrastructure entered the logistics industry in March 2018 through Entrego, which acts as a fulfillment center for businesses. The company capitalizes on e-commerce, logistics technology, and its dynamic workforce, resulting in a rapid increase of its client base from 1 to 34 clients by end of the year.

AC Infrastructure supports economic development, human well-being, and adoption of clean and sound technologies. Moving forward, AC Infrastructure will put more efforts to track their commitment on reducing carbon emissions.

On real estate, Ayala Land continues to create resilient communities, residences, workplaces, hotels and resorts while putting emphasis on providing green spaces. During project development, they conduct due diligence for geohazards in the area. They also allot areas for green spaces that allow rainwater absorption, to help prevent flooding, and that promote social interaction. To improve biodiversity, they only plant endemic species. As of 2018, they allotted approximately 300 hectares of green space in 13 estates.

The company also gives priority to enhancing mobility, giving special attention to pedestrian connectivity and access to public transit in their masterplan and designs.



Ayala Land ensures green spaces are provided in its estates.

For example, Ayala Land enhanced the streetscape and pedestrian experience in the Makati Central Business District by introducing seven additional urban patios with elevated speed tables for safer crossing. They also provided seating areas with natural tree cover. Moreover, Ayala Land increased its Point-to-Point (P2P) bus routes to 20 from nine of last year, touching base in 11 Ayala Malls and two estates as terminals. This gives convenience to passengers travelling to and from Ayala Land properties.

Ayala Land continues to provide affordable and socialized housing through BellaVita, which caters to starting families, civil servants, private sector workers, entrepreneurs, and Overseas Filipino workers who seek to own their first homes. BellaVita offers convenience and safety to its homeowners as its properties are strategically located near public transport hubs and commercial destinations, and with 24/7 security. As of 2018, BellaVita is present in 10 provinces across the country and has launched 17,890 units since 2010.

The company also launched its dormitory project, The Flats, which targets the growing market of BPO employees and young workers who require affordable living arrangements in prime locations. As of 2018, there are already about 2,200 beds in The Flats located in Makati and Bonifacio Global City.

AYALA LAND'S AFFORDABLE AND SOCIALIZED DWELLINGS

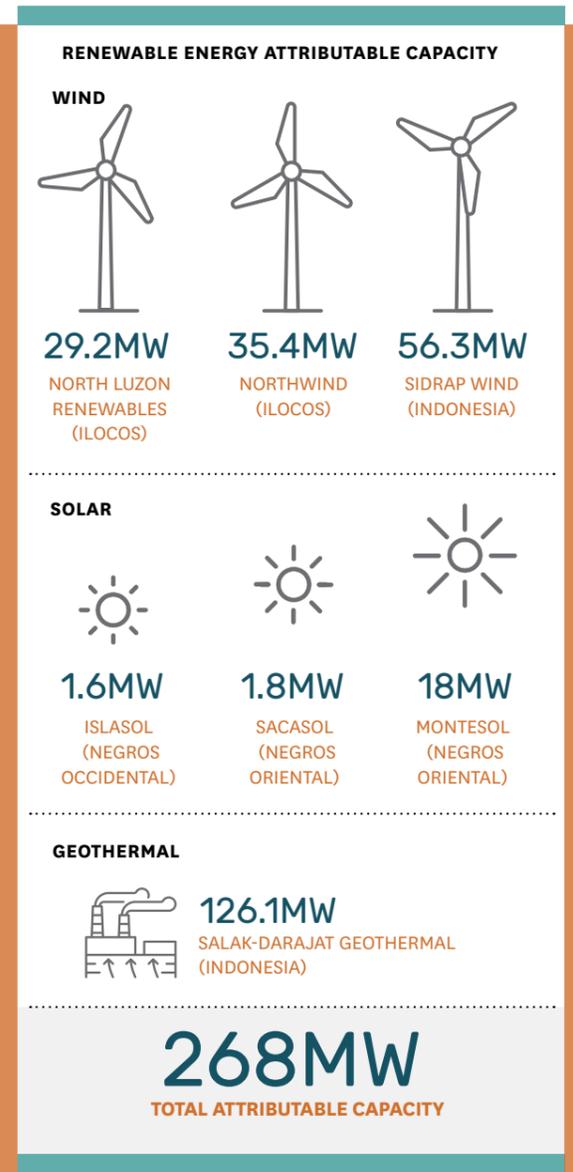
 **17,890**
BELLAVITA UNITS

 **2,228**
BEDS AVAILABLE AT THE FLATS

Ayala Land's strategies in developing communities is in line with their core and stretch targets of enhancing sustainable dwellings and providing universal access to green, inclusive, and safe spaces. Ayala Land will be placing more mechanism in the long term to achieve their targets on socialized and affordable housing and integrating SMEs in their value chain.

RESPONSIBLE GROWTH AND INNOVATION JOURNEY

7  AC Energy, the power generation arm of Ayala, is one of the fastest growing power companies in the Philippines and in the Southeast Asian region. Locally, it remains to have



an attributable capacity of 1,349MW and 86MW in thermal and renewable energy assets, respectively. Whereas, its renewable energy ventures in Indonesia has combined attributable capacity of 182MW.

Considering the need of the Filipinos for affordable and reliable energy sources, AC Energy, through its thermal assets generated 6,240GWh and 6,142GWh of electricity in 2018 and 2017, respectively. This significantly contributed to address the country's energy demand for the past two years.

The company is continuously investing in renewable energy and had a significant result on this space in 2018. Locally, AC Energy increased the renewable energy it generated to 601GWh in 2018 from 410GWh in 2017. The 2018 energy generated was significantly improved with the additional reporting from Islasol and Sacasol solar farms. These resulted in the avoidance of about 342,000 tonnes of CO2e and about 196,000 tonnes of CO2e in 2018 and 2017, respectively.

AC Energy further sets its sights to grow its renewable energy portfolio. In 2018, the company gained traction on its offshore renewable energy ventures and made investments in Vietnam and Australia. The Sidrap Wind Farm in Indonesia also began operations in March 2018.

AC Energy is on track to attain its target of increasing its renewable energy portfolio to 5GW by 2030.

9  AC Industrials is the Ayala group's emerging industrial technology arm, housing IMI and AC Automotive. It 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.

IMI, the manufacturing arm of AC Industrials, delivers emerging technologies for automotive, smart energy, and connectivity solutions in 21 plants across the globe. In 2018, IMI manufactured 31.4 million units of automotive industry products, 746 million unit of smart energy solutions, and

56 million units of connectivity technologies. This corresponds to a total of US\$443 million in manufacturing value and contributes to IMI's core target.



IMI uses advance technology in its production line.

On the demand side, the distribution and retail group, AC Automotive, will be promoting low emission vehicles to the market. The automotive group will also ensure that each brand offering carries a make which is not fully dependent on a combustion engine powertrain, as defined in their business goals.

The final components in the responsible growth and innovation journey are targets of Ayala Corporation on SDG 12 and SDG 13. Currently, there are group-wide initiatives in place and Ayala will continue to scale up and achieve the targets set for 2030.

The Ayala group monitors the hazardous and non-hazardous waste it generates. At the minimum, all Ayala companies engage with a third party DENR-accredited service provider on transport, treatment, storage, and disposal of hazardous waste. In 2018, the group generated a total of 2,134 tons of hazardous waste, a 19 percent increase from 2017.

The group generates non-hazardous wastes such as construction waste, coal ash, used automotive spare parts, residual, recyclable, food, and compostable wastes.

In 2018, Ayala Land consumed 450,000 tons of reinforced steel and cement through Makati Development Corporation. The development projects generated a total of 1.9 million tons of construction waste, a five percent decrease from their results in 2017. This is primarily because most of the projects are still in land development phase and do not yet require cement and other construction materials.

Additionally, the operations of AC Energy's thermal plants, SLTEC and GMCP, yield a sizeable amount of coal ash as by-product. The two plants generated about 138,000 tons in 2018. To better manage ash disposal, 82 percent was sold to cement manufacturing companies for co-processing into cement clinker. The remaining 18 percent is disposed of into a DENR-approved disposal pit.

On the other hand, AC Automotive retrieves the used under warranty automotive spare parts and return them to the distributors. The same procedure is observed for automotive parts under insurance coverage. For those that are out of warranty, the customers are given the option to leave or take the parts and AC Automotive disposes them through formal bidding among accredited scrap traders.

The Ayala group generated about 51,000 tons of other non-hazardous waste, a 35 percent increase from 2017. The group continues to divert non-hazardous waste from landfill through recycling and upcycling initiatives. The business units remain conscious that they properly segregate and dispose of the waste they generate.

The increase on both hazardous and non-hazardous waste is due to the growth of our businesses and increase in reporting coverage.



Globe strengthens its Project 1 Phone initiative.

To involve the public in managing waste, Globe continues to run its Project 1 Phone which focuses on recovering and recycling electronic waste particularly mobile phones and other portable devices. Globe encourages the public to donate used gadgets, electronics, and other digital accessories at bins located in their stores and other select areas. Globe turns over the collected waste

to DENR-accredited electronics waste recyclers. The DENR advocates the responsible disposal of the electronic waste because they typically contain hazardous elements like lead, cadmium, and arsenic which contaminate soil and underground water sources. Proceeds of this project helped rebuild school classrooms in Aklan which were damaged by typhoon Haiyan in 2013. In 2018, Globe's Project 1 Phone recycled about 288,000 kilograms of electronic waste.

On the other hand, IMI promotes resource management and enforces its Reduce-Reuse-Recycle program. IMI is diligently segregating waste at the source, reusing materials and by-products which have further value, and monitoring chemical disposal. IMI's Philippine sites diverted 98.1 percent of its waste from landfills while IMI Japan reached 100 percent diversion. IMI's global sites are in the process of setting up disclosure mechanism for their waste management systems. IMI's performance in these areas are aligned with their core target of promoting responsible consumption in contribution to SDG 12.

The Ayala group demonstrates sustainable management and efficient use of natural resources through these initiatives. Moving forward, Ayala Corporation will lead a holistic process to set an ambitious material footprint.

Finally, Ayala monitors its carbon footprint using the GHG Protocol corporate reporting standards which enables the organization to see its overall GHG emissions across three scopes and come up with mitigation strategies. Our direct carbon footprint that comes from fuel combustion

| GHG EMISSION | |
|--|-------------------|
| Direct (Scope 1) Energy Emissions | |
| Thermal power generation | 1.6M tonnes CO2e |
| Generator set | |
| Company-owned vehicles | |
| Indirect (Scope 2) Energy Emissions | 0.43M tonnes CO2e |
| Electricity consumption of facilities | |
| Other (Scope 3) Indirect Emissions | 2.6M tonnes CO2e |
| Outsourced vehicles | |
| Electricity consumption of tenants | |
| Desludging of septic tanks | |
| Armored Cars | |

of our power generation units, generators, and company owned cars comprise our Scope 1 emissions. Our group-wide Scope 1 emission decreased by about 12 percent from about 1.8 million tonnes CO2e in 2017 to about 1.6 million tonnes CO2e in 2018. This can be attributed to the reduced operations of SLTEC due to the shut down of its second power generation unit beginning the third quarter of 2018. Its turbine rotor caused high vibrations after a forced outage due to grid failure.

Meanwhile, our Scope 2 that comes from our electricity usage in our offices and facilities increased by about 25 percent from about 360,000 tonnes CO2e in 2017 to about 430,000 tonnes CO2e in 2018. This is due to the additional reporting of our new acquisitions and improvements of some of our business units in their disclosure system.



Project Kasibulan encourages employees across the Ayala group to volunteer and positively contribute to the environment by planting trees.

Lastly, our emissions under Scope 3 include our outsourced operations and third-party transactions which decreased by four percent from about 2.7 million tonnes CO2e in 2017 to about 2.6 million tonnes CO2e in 2018 due to lesser procurement of coal by SLTEC as a result of its shutdown.

Ayala Corporation embarked on a group-wide, nation-wide forest and biodiversity conservation program called “Project Kasibulan” in 2016. The island of Mindoro, as the initial site, is considered a global biodiversity hotspot due to the presence of many endemic species and is threatened with high levels of human intervention. Because a lot of communities rely heavily on the forest for their resources coupled with land conversion for plantations and roads and weak monitoring strategies, deforestation is one of the major activities that contribute to forest loss and forest degradation.

Biodiversity protection and maintenance of important ecosystem services are critical activities to help prevent the further loss of the island’s forests. But these solutions must not put aside the issue on economic needs of communities that drive deforestation and environmental degradation. An example of this would be in the form of a Payment for Ecosystem Services (PES) scheme that can derive economic gains from alternative and biodiversity-friendly processes of using natural resources. Payments for Ecosystem Services, which is practiced globally, is one process that translates external environmental values and figures that initially may have no worth in the economy into credible financial incentives to decrease unsustainable use of natural resources. A policy known as Reducing Emissions from Deforestation and Degradation plus (REDD+), which came from the United Nations Framework



Ayala aims to help Mindoro through its Project Kasibulan.

| PROJECT KASIBULAN | | |
|----------------------|-------------------------|----------------------------|
| NUMBER OF VOLUNTEERS | TOTAL SEEDLINGS PLANTED | APPROX. AREA PLANTED IN HA |
| 2016 | | |
| 10 | 234 | 0.15 |
| 20 | 500 | 0.31 |
| 33 | 800 | 0.5 |
| 2017 | | |
| 28 | 750 | 0.47 |
| 49 | 1214 | 0.76 |
| 2018 | | |
| 15 | 353 | 0.22 |
| 31 | 868 | 0.54 |
| TOTAL | | |
| 186 | 4,719 | 2.95 |

TREES PLANTED

- Narra (*Pterocarpus indicus*)
- Kalumpit (*Terminalia microcarpa*)
- Agoho (*Casuarina equisetifolia*)
- Auri (*Acacia auriculiformis*)
- Rain Tree (*Samanea saman*)
- Bitao (*Calophyllum blancoi*)

96%

SURVIVAL RATE OF SEEDLINGS

Convention on Climate Change, is a PES process that includes areas of avoided deforestation as a credible source of emissions reductions units within the post-Kyoto international climate policy regime. Ayala Corporation’s Project Kasibulan adopts the PES mechanism as a long-term sustainable program for carbon offsets and contributes to climate change mitigation which will lead to the island’s increased climate resilience and economic growth, which in turn will create a safe space for operations of the company, the people of Mindoro, and the unique biodiversity in the island.

Project Kasibulan in Mindoro has started to gather the necessary requirements for the PES mechanism. This includes a full GHG emission baseline assessment, forest carbon stock inventory and baseline assessment, socio-economic baseline assessment, opportunity cost analysis, tenure and resource use rights assessment, and financial and economic assessment. The results of these assessments will complement into a roadmap business plan called Project Design Document

or PDD that will give a blueprint to a sustainable future for the people of Mindoro. While the PES study in Mindoro is ongoing, Ayala continues Project Kasibulan activities in North Luzon Renewables, in Pagudpud, Ilocos Norte. Employees from across the group are encouraged to volunteer and as of 2018, 186 employees from different Ayala companies were able to plant 4,719 seedlings, covering 2.95 hectares.

Going beyond tree planting, the project accounts for the survival of the seedlings and ensures they reach maturity. To date, 96 percent of the seedlings planted survived the harsh elements and are now in sapling stages. This rate of seedling survival is attributed to the proper planting techniques used and the positive relationship with the surrounding communities who support the project by caring for the seedlings once the volunteers have returned.

Another initiative in the same pursuit is Ayala Land’s progressive program to become carbon neutral by 2022. Since its announcement in 2017, the company has protected and enhanced about 560 hectares of carbon forests that will help mitigate the company’s greenhouse gas emissions. Carbon forests are patches of land in their own estates that can store more carbon than they emit. In 2018, Ayala Land was able to store 82,090 tonnes CO2e.



Another strategy by Ayala Land is to purchase electricity from renewable sources. As of 2018, 32 of its malls and offices have sourced clean energy - mainly geothermal - through its own retail energy suppliers. Overall, about 328 million kWh of Ayala Land’s electricity consumption are from renewable sources which avoided carbon dioxide emission of about 102,000 tonnes.

Globe takes an effort to improve the cost-efficiency and lower the carbon footprint of its cell sites by implementing green solutions such as DC generator sets and methanol fuel cells. These solutions replaced diesel generators, consumes less fuel and has longer service periods. In 2018, Globe deployed 6,314 green solutions from 3,350 in

2017. This resulted to a reduction in GHG emission of 503 tonnes carbon. Equally important is the effort of Manila Water in mounting solar panels on the rooftops of several water and used water treatment facilities. In 2018, they generated about 177,000kWh of renewable energy that saved them about ₱1.4 million and avoided an estimated 126 tonnes of carbon dioxide emissions.

To support businesses in responding to climate change, BPI disbursed about ₱126 billion in total funding for projects identified as directly contributing to the global goals through its Structured Financial Division (SFD) loans and Sustainable Energy Financing (SEF) loans since 2008. SFD disburses loans for large renewable energy projects and financed a total of ₱1 billion in 2018. On the other hand, SEF provides loans for the construction of green buildings, climate proofing, and procurement of technologies for energy efficiency. In 2018, SEF gave focus in promoting compliance to the mandatory Green Building Code and about ₱7.6 billion worth of climate resilience loans were disbursed. Meanwhile, ₱1.7 billion and ₱87 million were disbursed for the installation and leasing of energy efficient equipment, respectively. Moreover, a total of ₱367 million was loaned for SMEs and mid-market level renewable energy projects. Through the loans provided by SFD and SEF, an additional estimated 9.6 million tonnes of carbon dioxide is avoided annually.

Ayala strengthens resilience and adaptive capacity to climate-related hazards and natural disasters by shifting to renewables, supporting sustainable energy, and through its group-wide initiatives on climate change mitigation and adaptation. The long-term outcomes of these programs will contribute to the abatement of global warming and biodiversity conservation for the preservation of life.



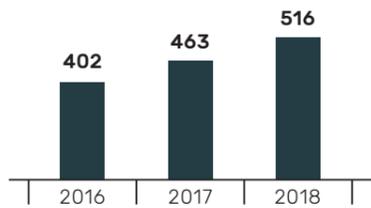
The Ayala group is geared towards improving lives and will continue to forge ahead in achieving the 2030 targets set across the three journeys, to significantly contribute to the UN SDGs.

HIGHLIGHTING RESULTS FROM OUR 360° SUSTAINABILITY REPORTING FRAMEWORK

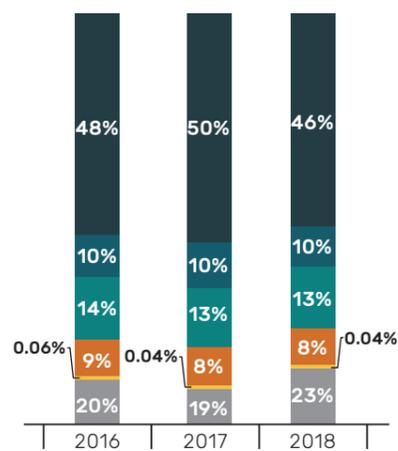
As a responsible business, we look at our wider economic, environmental, social, and governance impact with the guidance of our 360° Sustainability Reporting Framework and by the 10 Principles of United Nations Global Compact (UNGC). Please refer to page 77 for more discussion on this framework.

Ayala enables economic growth through the continuous flow of our financial value from our businesses to our key stakeholders. In 2018, the economic value generated by the Ayala group increased by 12 percent from ₱462.7 billion in 2017 to ₱516 billion in 2018. This growth was primarily driven by the strong performance of Ayala Land, Globe, and IMI.

GROUP-WIDE ECONOMIC VALUE GENERATION IN BILLION PESOS



GROUP-WIDE ECONOMIC VALUE DISTRIBUTION



LEGEND

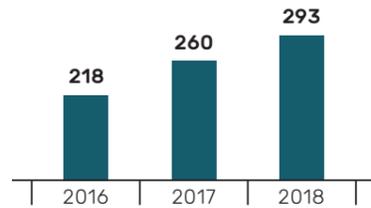
- Payments to Suppliers
- Payments to Providers of Capital
- Payments to Communities
- Payments to Employees
- Payments to Government
- Economic Value Retained

Of the total revenue generated, 46 percent, 13 percent, eight percent, and 10 percent were distributed to suppliers to cover operating costs, to providers of capital, to government, and to employees, respectively, while the remaining 23 percent was retained. Of the payments to suppliers, about 61 percent were spent on local vendors. We also invested in communities in the amount of ₱227 million. The total value distributed to key stakeholders increased by six percent from ₱378 billion in 2017 to ₱399 billion in 2018.

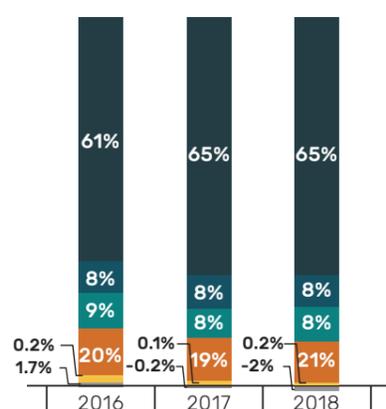
At the parent company level, we have generated a total economic value of ₱293 billion in 2018, a 13 percent increase from ₱259.7 billion in 2017 which represents the equity earnings contributions from our companies.

In parallel, Ayala Corporation distributed ₱300 billion or about 100 percent of its revenue in 2018, a 15 percent increase from ₱260 million in 2017.

PARENT COMPANY ECONOMIC VALUE GENERATION IN BILLION PESOS



PARENT COMPANY ECONOMIC VALUE DISTRIBUTION IN BILLION PESOS



Manila Water conducts pipe laying activities to better serve its customers.

In dealing with suppliers, Ayala exercises due diligence to ensure that our supply chain is free from forced labor, child labor, and other unethical practices. Our business units have their respective supply chain policies. Suppliers undergo an accreditation process to provide assurance on their legitimacy, technical competence, financial capability, and service quality. IMI, Manila Water, and Ayala Land include social and environmental factors in their accreditation process.

For example, IMI ensures that its 3TG⁸ metal raw materials are not sourced from smelters related to rebel groups in Congo and adjoining countries where human rights are abused. IMI collects information about its smelters in accordance with the conflict minerals reporting requirements of the Responsible Business Alliance, a global industrial coalition of electronics companies which promotes sustainable material sourcing. Moreover, IMI discloses this information to their customers for compliance and transparency. IMI conducts on-site audits of their key suppliers and in 2018, the company assessed five Philippine-based and one China-based suppliers with no major non-compliance findings. In 2019, IMI targets to audit nine major suppliers as they continue to adhere to responsible procurement standards.

Meanwhile, the number of our indirect hires across our supply chain increased by two percent, from approximately 67,000 in 2017 to about 69,000 in 2018.

Also, we are cognizant that our economic advances will be reversed if we fail to address climate-related challenges today. We continue to highlight the role that businesses play to help prevent global warming and develop business solutions to mitigate its harmful effects.

8 - 3TG metals refers to Tin, Tungsten, Tantalum, and Gold

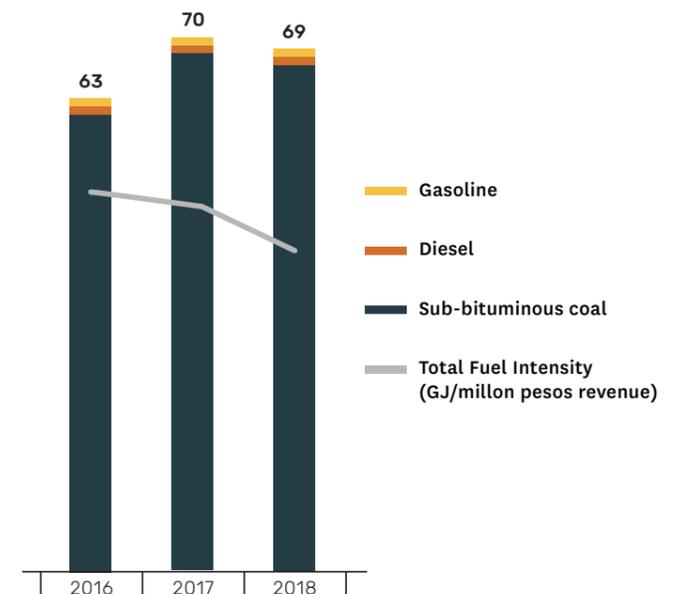
For example, BPI continues to deliver insurance solutions to protect its clients' assets from exposure to climate-related risk. Total amount insured for catastrophes or natural hazards decreased by 11 percent from ₱3.5 trillion in 2017 to ₱3.1 trillion in 2018.

To further contribute in the mitigation of climate change, Ayala recognizes its role in environmental stewardship. We monitor our group-wide consumption and use of natural resources to manage our environmental impact.

Energy in the form of fuel and electricity is a key component of our business operations. Our group-wide fuel consumption decreased minimally from 70 million in 2017 to 69 million gigajoules in 2018, which is attributable to the turbine technical issues that caused the shutdown of SLTEC's second power generation unit beginning the third quarter of the year. Please refer to page 95 for other information.

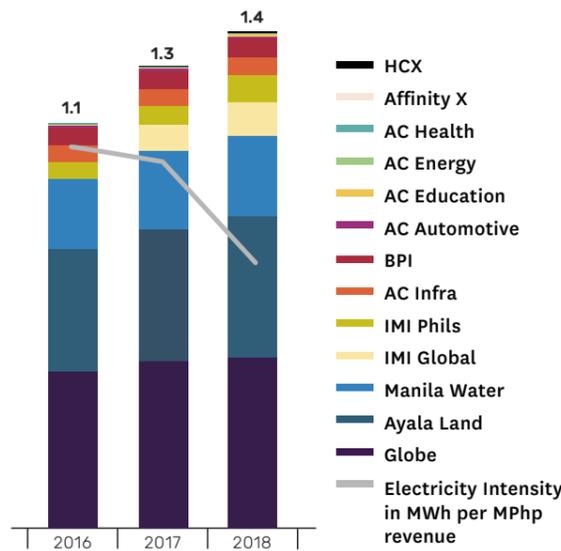
The group-wide fuel intensity decreased by 14 percent from 180 to 155 gigajoules per million pesos revenue. A lower intensity means less fuel is consumed per revenue earned by the group, and this is driven by Globe's green solutions.

GROUP-WIDE ENERGY CONSUMPTION FROM FUEL COMBUSTION IN MILLION GIGAJOULES



Meanwhile, our total electricity consumption increased by seven percent from 1.3 billion in 2017 to 1.4 billion kilowatt-hours in 2018, due to the increase in Ayala Land's scope from 425 to 546 properties and projects, and additional reporting from IMI's Serbia and Japan sites.

GROUP-WIDE ELECTRICITY CONSUMPTION IN MILLION KWH



Our business units implement various energy-saving initiatives in their operations. Manila Water saved 2.4 million kWh of electricity through its Water Supply Network Efficiency Project. This project branches out into two sub-projects: The Demand Based Network Management which ensures that water supply pumps provide the right pressure at the right time, and the Lights-Out program, which promotes high reliability and improved efficiency of operations through fully-automated unmanned pumping stations.

To continue, LPMC implements energy-saving initiatives in their train depots and stations, including gradual replacement of fluorescent lamps into LED and split-type air conditioning units to inverter-type ones.

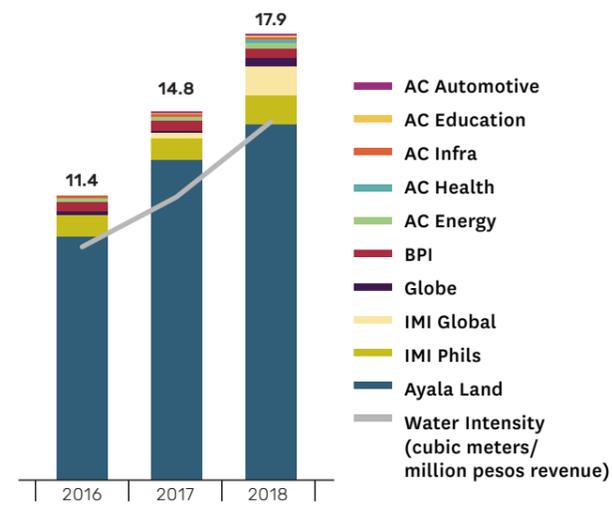
Globe also has an Energy Management Program on their seven highest energy consuming facilities. This includes setting of targets, identifying opportunities and action plans, and implementing the said action plans, along with continuous monitoring and review of consumption.

Across our group, we observe simple energy-saving actions such as setting of timers, and regular maintenance of air-conditioners. These initiatives helped us lower our electricity intensity in 2018 by six percent from 2.9 to 2.7MWh per million peso revenue. This means that we used less electricity for every peso we earned.

Our group-wide water consumption increased by 21 percent from 14.8 million in 2017 to 17.9 million cubic meters in 2018. This is primarily driven by the increase in MDC's construction projects from 174 to 248 which requires concrete batching plants to use a substantial amount of water.

The water intensity increased by six percent from 33.5 in 2017 to 35.5 cubic meters per million pesos revenue in 2018. This suggests that group consumed more water for every peso of revenue made.

GROUP-WIDE WATER CONSUMPTION IN MILLION CUBIC METERS



Similar to electricity, we implement various water conservation practices at a group-wide level. Ayala Land conserves water by using automatic irrigation systems and efficient fixtures. Additionally, LPMC repaired leakages in its train washing plants, installed smart washers for efficient water use, and started collecting rainwater for cleaning.

IMI's water conservation practices start with the regular maintenance of its deionized water system, treatment of excess water for reuse, and harvesting rainwater for domestic use.

Further, Manila Water recognizes the importance of watersheds with 89 percent of its raw water coming from surface water sources such as river run-offs and wetlands. In 2018, Manila Water abstracted about 865 million cubic meters of water from natural sources, a three percent increase from 857 million in the previous year. Hence, Manila Water continuously implements watershed management activities to improve the quality of raw water they source. Since 2006, the company helps in the protection, rehabilitation, and enhancement of watersheds critical to MWSS East Service Area. Further, Manila Water provides funding to support the protection of 6,600 hectares of Ipo Watershed and rehabilitation of 2,660 hectares of the La Mesa Watershed.

Manila Water also helps in enriching open canopy forests in La Mesa by planting 40,000 additional broad-leaf forest tree seedlings in 100 hectares of land in 2018. They also continue to maintain 340 hectares of areas planted on in 2016 and 2017. The company also pursued planting 500 trees in Nabaoy Watershed, which lies in proximity to Boracay Water service area. One of their units, Clark Water, signed a Memorandum of Agreement for Adopt-a-Watershed to plant 400 bamboo shoots in two hectares of land to reduce erosion along the riverbeds.

MANILA WATER'S WATERSHED MANAGEMENT

40,000
TREES PLANTED IN LA MESA WATERSHED

500
TREES PLANTED IN NABAQY WATERSHED

Ayala also recognizes that the growth of our businesses has certain effects to wildlife. To measure our impact, some of our business units conducted biodiversity studies and continue to monitor the effects to trees and animals. Ayala Land conducted an inventory of the tree species in 12 of its 26 estates, where about 68,900 trees are native. Ayala Land also noted that estates in commercial business districts have the lowest number of native trees, while emerging estates already contain about 74 percent native trees and moving forward, Ayala

Land targets to host 84 percent native trees in their estates that are under planning and construction.

Ayala Land is also intent in preserving Philippine flora and fauna. In Lio, El Nido and Anvaya, Bataan, 52 IUCN⁹ red list species were identified through Ayala Land's biodiversity studies. Among these include the critically endangered Hawk's Bill Turtle, the endangered Balabac Mouse Deer, and the endemic bird species Red Headed Flame Back. AC Energy also conducted biodiversity studies within its wind farms namely: North Luzon Renewables (NLR) in Caparispisan, Pagudpud, and Northwind in Bangui, both in Ilocos Norte.

NLR's study recorded 69 species of birds, 33 of which are endemic to the Philippines, and four species were classified as vulnerable. They also identified 17 tree species, four of which are tagged as threatened. Ten species of bats were found to exist within the windfarm with two of the species being endemic to the country. Additionally, there are species of rodents and snakes in the area. They also identified the presence of a near-threatened monkey species, the Philippine long-tailed macaque. These findings show that NLR is an important wildlife habitat in the Northern Luzon region. Given the results of these studies, NLR is set to implement a program for the conservation of the species.



The Ayala group protects threatened species in its domains.

Similarly, Northwind's biodiversity study revealed 60 species of birds, 12 of which are endemic, plus three species of turtle. The study also looked at turbine-related fatalities of bats and birds, yielding an average mortality rate of 5.59 per day. Northwind is currently exploring possibilities to reduce bat and bird mortality.

SPECIES RECORDED BY THE NORTH LUZON RENEWABLES



69 SPECIES OF BIRDS

33 of which can only be found in the Philippines
4 species are classified as vulnerable by IUCN:

- North Philippine Dwarf-kingfisher (*Ceyx melanurus*)
- Philippine Duck (*Anas luzonica*)
- Philippine Collared-Dove (*Streptopelia dussumieri*)
- Java Sparrow (*Lonchura oryzivora*)



17 SPECIES OF TREES

Agoho (*Casuarina equisetifolia*) has the highest density
4 species are classified as vulnerable by IUCN:

- Antipolo (*Artocarpus blancoi*)
- Catmon (*Dilinea philippinensis*)
- Narra (*Pterocarpus indicus*)
- Molave (*Vitex parviflora*)



10 SPECIES OF BATS

2 species are endemic in the Philippines

- Greater musky fruit bat (*Ptenochirus jagori*)
- Philippine forest horseshoe bat (*Rhinolopus inopus*)



5 SPECIES OF RODENTS



4 SPECIES OF SNAKES



1 SPECIES OF CATS



1 SPECIES OF MONKEY

In the Ayala group, we consider communities as partners and we engage them through several corporate social responsibility efforts in support of livelihood, education, health, and disaster relief.

IMI Philippines conducts various livelihood skills training programs for communities within Laguna. In 2018, IMI trained more than 100 participants on flower arrangement techniques, candle-making, rugs and potholder weaving, and perfume making.



Livelihood programs are provided to support partner communities.

AC Health launched the Lifesaving Moms project, which taught mothers basic disaster preparedness and trained them on cardio pulmonary resuscitation. Over a thousand participants joined the event which was held in four communities in Diliman and Fairview, Quezon City and in San Pedro and Biñan, Laguna.



Partner communities are trained of first aid and safety.

AC Energy's NLR helped its neighbor communities during the typhoon season through its disaster relief effort. NLR donated assorted relief goods, rice, medicines and hygiene kits to communities affected by the Habagat monsoon rains in August 2018. About a month after, NLR also served as a designated evacuation center for coastal communities of Barangay Caparispisan during the Typhoon Mankhut. NLR delivered 20,000 liters of diesel to the Pagudpud local government to assist in relief, recovery, and repair efforts after the storm.

TEACHING SAFETY TO THE YOUNG

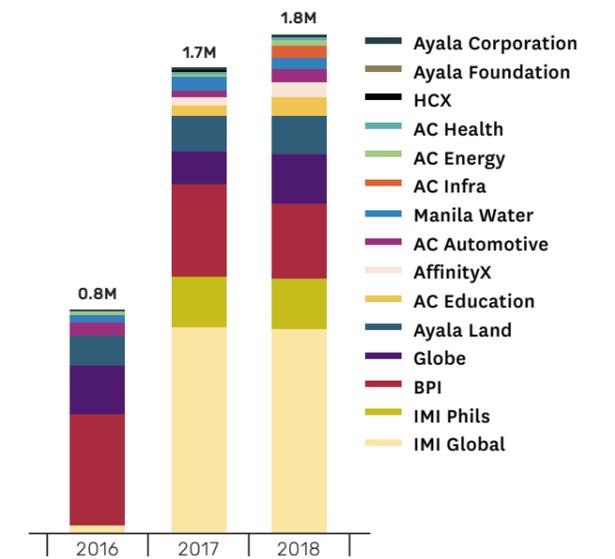
To extend learnings on safety to the wider community, Volkswagen pursues child safety through its Junior Driving Course and Steps to Safety Program. The Junior Driving course is a learning program designed for children age four to eight where professional driving instructors give lessons on road safety and correct passenger and pedestrian behavior. In parallel, the Steps to Safety program focuses on proper pedestrian behavior learning using a virtual reality game application that simulates walking through a busy road network. In 2018, there were 1,056 children and 650 parents who participated in the said events.



Ayala gives prime importance to employee learning and development, in addition to providing equal pay for equal work of value as discussed in pages 86 to 87. We provide opportunities for internal and external trainings, conventions, seminars, specific industry trainings, intra-departmental activities, and group-wide learning events.

In 2018, the Ayala group provided a total of more than 1.8 million training hours, an eight percent increase from the 1.7 million total training hours of the previous year. Consequently, the Ayala group average training hours per employee improved by two percent from 30.8 to 31.5 average training hours per employee.

GROUP WIDE TRAINING HOURS



31.5

AVERAGE TRAINING HOURS PER EMPLOYEE

Ayala also supports employees in their pursuit of post-graduate degrees by providing financial loans. We also provide financial allocations for review classes and certification programs that are needed by the employees for their designated role.

At Ayala, we are changing the way we learn. We recently launched an innovative learning experience platform that will democratize learning for employees within the Ayala group. With this online learning tool, Ayala employees can benefit from topics of interest or need, anywhere, and at their own pace. The platform also facilitates the sharing of industry and functional expertise across the Ayala group, with the help of internal subject matter experts and learning champions who create and share content and modules online. Learning and development is now shared across the conglomerate. Hence, employees can learn from different industry experts, and interact with others for a richer learning experience and networking opportunities.

We also assessed our performance as an employer by keeping our employees sustainably engaged. We measure this through a third-party survey that we administer every two years. The previous survey conducted in 2017 in partnership with Willis Towers Watson yielded positive results with 96 percent participation rate and an overall sustainable engagement score of 88 percent which is a point above the Philippine norm and two points above the global high performing norm. More discussion on this can be found in our 2017 Integrated Report. Another round of engagement survey will be conducted in 2019.

The high results we garnered in the previous survey provided us an insight on areas of empowerment, operating efficiency, stress, balance, and workload. Despite our high results, we acknowledge that there is still room for improvement and we continue to develop programs to further engage our employees. In 2018, a series of follow-through focus group discussions were conducted to further understand how the organization can improve.

We provide opportunities for employees to take part in leisure and sports activities and to exercise work-life balance. The group holds an annual sports competition called JZA Cup and encourages employees to be part of various teams to compete in year-long tournaments. Every four years, the Ayala group holds the Ayala Olympics where it gathers its workforce for a day of friendly competition.



Ayala citizens are given avenues for sports through the JZA Cup and Ayala Olympics.

To ensure the health and well-being of our employees, we provide medical and dental care packages as part of their benefits. The Ayala group also conducts an annual vaccination program, offering quality vaccines at affordable prices for employees and their households. We also track the instances of illnesses and make necessary upgrades or changes to create a safer and healthier working environment. We also promote wellness by providing programs such as blood-donation drives and health and safety lectures.

As part of our commitment to keep our employees safe, Ayala ensures that well-trained security personnel are assigned in our vicinities. Moreover, our work areas follow occupational safety standards and are regularly monitored to control hazards and prevent incidents. Our labor intensive business units further monitor their safe man hours and incidents. As of 2018, safe man hours reached a total of about 257 million.

Globe leveled up its safety measures by developing its own mobile app called GEAR or Globe Emergency and Accident Reporting for its internal use. This automates the reporting for property damages, vehicle accidents, and workplace incidents. Ayala Corporation is continuously improving its own app for employee monitoring in times of disaster and emergency situations, called the Ayala Sign-in System for Immediate Support and Tracking or ASSIST. The app features geotagging capability to know the status of all registered personnel across the Ayala group. Users also receive alerts and important advisories via SMS and app notification. It also features pre-determined safe zones all over the country, and emergency hotlines, and contains a function to report and read incidents.

As Ayala ensures a safe and conducive environment for our workforce, we also put value on establishing a culture of preparedness. This is vital with the Philippines being in the Pacific Ring of Fire, and Pacific Typhoon Belt as discussed under Business Risk Resiliency on pages 64 to 65. Ayala conducts multiple drills to practice the employees on how to act during times of disasters. Ayala also holds pocket sessions, full lectures, summits, and symposiums on disaster risk reduction and management. These sessions aim to strengthen the role and awareness of the private sector in disaster preparedness.

In Ayala Corporation, the Incident Response Team, composed of employees was organized, and was trained on safety procedures was organized. New hires get a basic safety discussion and a personalized Go-bag upon onboarding.



The use of Go-bags are practiced by employees even during drills.

Beyond physical safety, we also give high regard to workplace ethics and uphold a culture of professionalism within our ranks. We acknowledge the right of our employees to engage in collective bargaining agreements which provide a venue for employee members and management to have a sound conversation regarding issues and concerns. In 2018, business units with CBA members held productive discussions with CBA officers. Moreover, certain business units conduct town halls to further discuss relevant items that may impact our employees.

Related to this, Ayala continues to strengthen its grievance mechanism, ensuring that it is aligned with the Labor Code requirements and is duly followed when the need arises. The defined grievance process includes discussions between the person raising a complaint and representatives of the company until disputes are settled and concerns are addressed.

Talent turnover was up slightly by three percent in 2018. Movements were driven by migration, career advancement, and further studies. Ayala addresses this concern through a proactive approach and by offering career opportunities through mobility programs within the group.

Ayala also provides opportunities for innovation in employee engagement, learning and development, and recruitment. Nevertheless, the attrition rate

was compensated by the four percent increase in hiring rate as presented on page 86.

On involuntary turnover, Ayala extends opportunities to retirees by engaging them as consultants for various initiatives like mentoring young leaders, being resource persons for learning programs, among others. When applicable, their medical insurance benefit is extended when they formally reach the set retirement age.

We also strictly monitor incidents on forced labor, child labor, anti-corruption, equal opportunity, and anti-discrimination across the group. In 2018, no labor cases were reported for the group. For our policies, please visit www.ayala.com.ph.

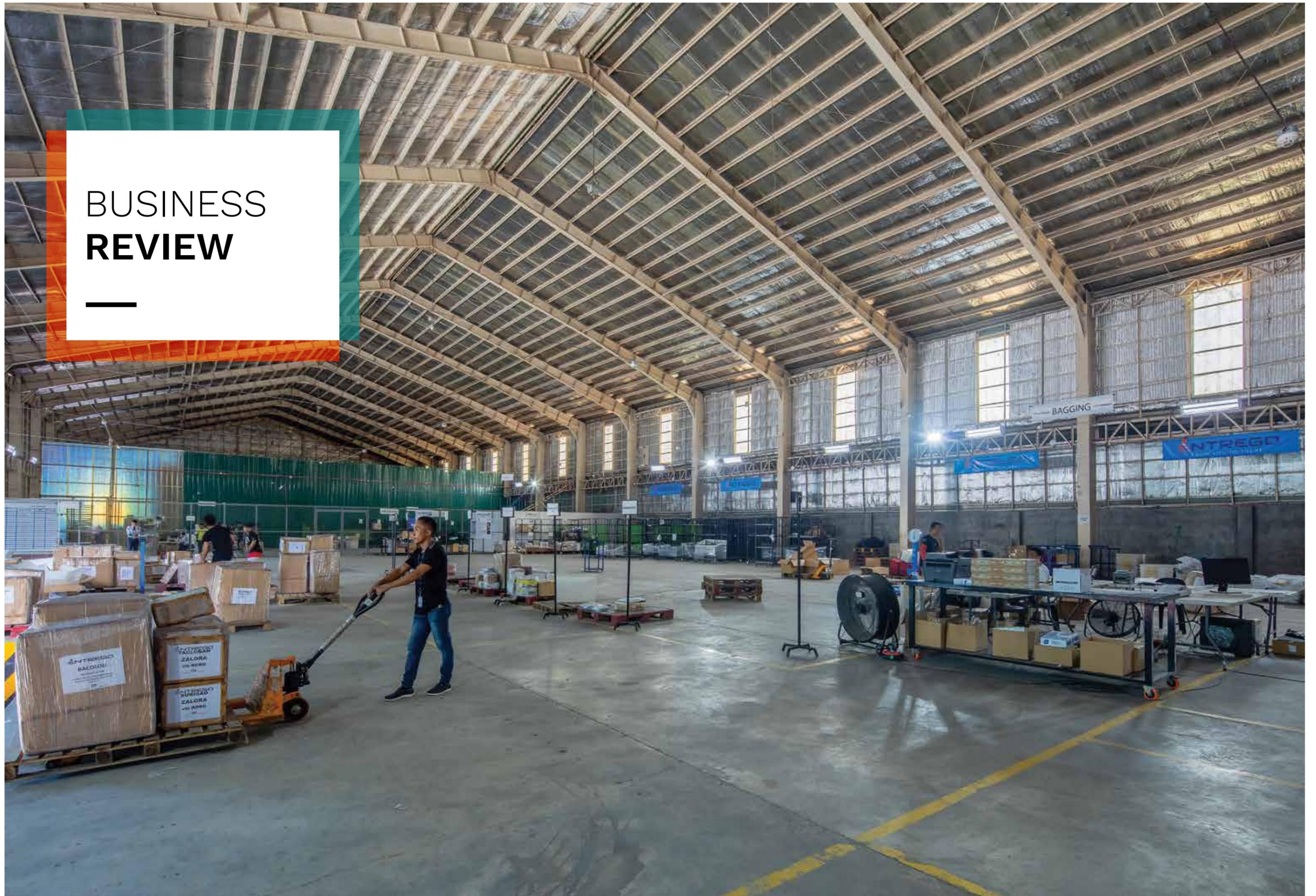
UPHOLDING CHILDREN'S RIGHTS IN THE WORKPLACE

Looking beyond the current workforce, Ayala recognizes the importance of protecting the rights of children and providing them opportunities to be responsible future citizens. Our wide reach as a conglomerate gives us the potential to have positive impact on children to play a vital role in the future of the nation. We started the conversation in 2018 through a week-long seminar conducted by Price Waterhouse Coopers and UNICEF. This event was attended by leaders from different business units across the group. Moreover, Ayala achieved a higher than average score in the Corporate Sector & Children's Rights Benchmark by the Global Child Forum. Ayala was measured across three impact areas: Workplace, Marketplace, and Community/Environment wherein scores for each area showed that the company received higher results compared to the average of all companies measured.



All these strategies and initiatives are part of the paradigm shift we embrace as we are driven by our purpose of addressing societal challenges, creating shared value, and most of all, improving lives.

BUSINESS REVIEW



AYALA LAND

"We marked the 30th year of Ayala Land by doing what we do best: engaging our stakeholders in co-creating sustainable communities that enrich the lives of more people."

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



Ayala Land pays special attention to improving the overall experience of its residents and locators, ensuring pedestrian mobility and transit connectivity as well as sufficient green space to provide areas for leisure, environmental sustainability, as well as disaster resilience.

WHO WE ARE

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

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

With 11,624 hectares of landbank, 26 estates, and a presence in 57 growth centers across the country, Ayala Land offers a balanced and complementary mix of residential developments, shopping centers, offices, hotels and resorts, and other businesses. Construction and property management services are led by its subsidiaries, Makati Development Corporation and Ayala Property Management Corporation, respectively.

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

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

OUTLOOK

Buoyed by a positive macroeconomic outlook that will benefit the whole property development sector, Ayala Land remains optimistic about achieving its 2020-40 bottomline target. Furthermore, it is encouraged by the progress of its property development and commercial leasing businesses. Ayala Land recognizes the continued strength of its property development business, which it believes will continue to be the key growth driver of its earnings.

Ayala Land will continue to execute on its strategies as it looks ahead to 2019, endeavoring to reach a wider market and provide growth not only for its shareholders but also for the communities it serves.

Ayala Land will grow its footprint nationwide by continuing to build more estates in identified growth centers across the country. It will continue to launch products attuned to market demand and aspire to continually achieve a healthy mix between horizontal and vertical developments while maintaining our margins within acceptable thresholds. Lastly, it will continue to build its leasable assets in order to increase its recurring income and achieve a more balanced portfolio.

BUSINESS REVIEW

The year 2018 saw another robust growth for Ayala Land, with revenues reaching ₱163.75 billion and net income of ₱29.24 billion, growing 17 percent and 16 percent, respectively.

ESTATE DEVELOPMENT

In 2018, we launched Parklinks, a 35-hectare estate along the Pasig-Quezon City stretch of Circumferential Road 5, also known as Carlos P. Garcia Avenue. It is the greenest urban estate in east Metro Manila, with 50 percent of the development dedicated to green and open spaces. The new estate will provide residential towers, offices, and a lifestyle mall with a sports complex on the uppermost level. Developed in partnership with Eton Properties Philippines of the LT Group, Parklinks is the biggest mixed-use development in the C-5 area.

In November of 2018, we launched Habini Bay in Misamis Oriental. Envisioned to be a center of trade and commerce in Northern Mindanao, Habini Bay will be Ayala Land's gateway development to spur progress and growth in the region. Offering a magnificent view of Macajalar Bay, it will have an industrial park as its main component to provide employment to the region, commercial lots for businesses to thrive, residential developments, and the Don Bosco Technical College to support education in the region. Habini Bay will also be the new location of the Laguindingan municipal government.

PROPERTY DEVELOPMENT

Our property development business has steadily matched the various lifestyle and business needs of

our stakeholders. Strong demand from both local and overseas Filipinos fueled a 16 percent increase in sales reservations in 2018, reaching ₱141.9 billion.

Residential

Driven by new bookings and project completions, revenues from the sale of Ayala Land residential lots and units and from MCT's operations increased 18 percent to reach ₱94.6 billion.

Office for Sale

Higher bookings from One Vertis Plaza and The Stiles East Enterprise Plaza in Circuit Makati as well as higher completion progress of Park Triangle Corporate Plaza in BGC and Alveo Financial Tower in Makati CBD lifted the sale of office spaces in 2018 by 16 percent to ₱11 billion.

In 2018, we also launched two new office-for sale-projects, Ayala Land Premier's One Vertis Plaza located in Vertis North Quezon City and Alveo's Tryne Enterprise Plaza in Arca South, Taguig.

Commercial and Industrial Lots

Revenues from the sale of commercial and industrial lots grew 10 percent to ₱7.7 billion, driven by commercial lot sales in the Visayas-Mindanao estates and in Evo City, Cavite, as well as the industrial lot sales in Alvia, Pampanga and in Cavite Technopark.

COMMERCIAL LEASING

Our malls, offices, and hotels and resorts bring more diverse leasing options to our clients. Total revenues from commercial leasing rose 17 percent in 2018, amounting to ₱34.9 billion.

Malls

Greenbelt and Glorietta malls in Makati City and the improved performance of newly opened malls in Quezon City such as UP Town Center, Ayala Malls Cloverleaf, and Vertis North as well as in Pasig City, namely Ayala Malls Feliz and The 30th boosted the segment's revenues by 13 percent to ₱19.9 billion from ₱17.7 billion the previous year.

Offices

Ayala Land Offices generated revenues of ₱8.6 billion, 29 percent higher than the previous year's ₱6.7 billion on account of new office buildings and rental escalations. Occupancy rates remain healthy with 96 percent occupancy at stable offices and 84 percent at new buildings.

Hotels and Resorts

Full-year operations of Seda Vertis North, Seda Capitol Central Bacolod, and the recently renovated Apulit Island Resort in El Nido, Palawan coupled with the improved performance of our bed and breakfast hotels raised revenues from our hotels and resorts by 14 percent, to reach ₱6.4 billion from previous year's ₱5.6 billion.

OTHER LEASING FORMATS

The Flats

Ayala Land's first co-living development, The Flats Amorsolo, opened its doors to tenants in September 2018. It offers a total of 196 multiple occupancy rooms and communal spaces where tenants can interact, relax, and be more productive with free WiFi access, an outdoor seating area, and a roof deck lounge.

Clock In

Clock In is our product offering in the co-working and serviced offices category. In 2018, it launched three new sites in Vertis North Quezon City, 30th Corporate Center in Pasig, and Ayala North Exchange in Makati. These sites will be fully operational by 2019.

Standard Factory Buildings

We also started to offer standard factory buildings and warehouses inside industrials parks, to capture the growing opportunities in the manufacturing and logistics industries. As of end-2018, we have 137,000 square meters of SFB and warehouse GLA across various locations such as the Laguna Technopark,

Cavite Technopark, the Tutuban complex in Manila, and the Lepanto Ceramics facility in Laguna.

Services

The company's upward trajectory is supported by our service businesses, composed of Makati Development Corporation, Ayala Property Management Corporation; power services companies such as Direct Power Services, Ecozone Power Management, and Philippine Integrated Energy Solutions; and airline services for our hotels and resorts, AirSWIFT. Total revenues of this segment rose five percent to ₱76.7 billion from ₱72.8 billion in the previous year.

Makati Development Corporation

Ayala Land's construction arm, Makati Development Corporation, generated record-high revenues of ₱71 billion, a 4.6 percent growth from the previous year's ₱67 billion, due to a healthy project portfolio and new awards in 2018. Its consolidated net income after tax reached ₱3.9 billion. It managed 434 projects during the year, with 73 in reconstruction, 221 in construction, and 140 in post-construction.

Ayala Property Management Company

By end-2018, APMC took on 53 additional projects, resulting in a total of 242 accounts consisting of 362 buildings and projects, including 22 estates.

AirSWIFT

In 2018, AirSWIFT ferried a total of 270,000 passengers, growing 50 percent year-on-year since 2016. Total revenues reached ₱1.4 billion, up 45 percent from 2017.

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 Corporation, and manages completed properties through its own property management company, Ayala Property Management Corporation, 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.

- 11,624 hectares landbank
- 560 hectares carbon forests
- 52 IUCN species protected

COMMUNITIES

It provides spaces that are site resilient, pedestrian-friendly, public transport-connected, and eco-efficient, uplifting living standards for Filipinos.

- 300.95 hectares of permeable green space
- 2 estates added in 2018
- 26 total estates
- 20 P2P transport routes in Ayala developments

PROPERTY BUYERS, RESIDENTS, SHOPPERS, MALL LOCATORS, OFFICE TENANTS, TOURISTS, AND GENERAL PUBLIC

It provides homes and venues for business and leisure that support the community and spur economic growth.

- 18,382 completed and turned-over residential units
- 3 malls opened in 2018, adding 149,000 sqm GLA
- 4 offices opened, adding 91,000 sqm GLA
- 390 hotels and resorts keys added

EMPLOYEES, CONSTRUCTION WORKERS, SUPPLIERS, SERVICE PROVIDERS, AND CONSULTANTS

The company contributes to local employment, skills development, and career growth.

- 90 percent OCS Score in 2017
- 5,358 total workforce
- 54,369 total support staff
- 134,638 total training hours

INVESTORS, ANALYSTS, CREDITORS

It provides consistent growth in shareholder returns, ensures long-term value for investors, and fulfills credit obligations.

- 16 percent net income growth
- 16.5 percent ROE
- 0.72 net D/E ratio
- 4.8 percent average cost of debt

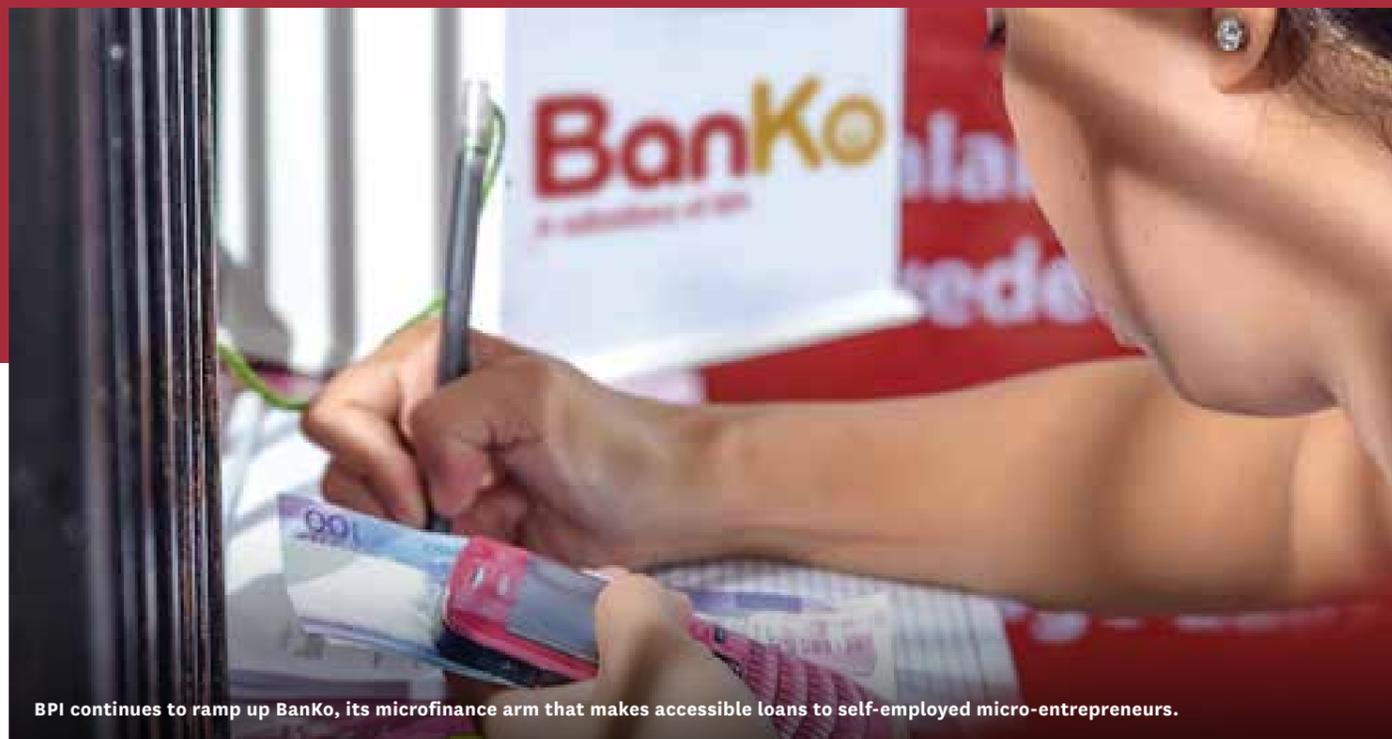
STRATEGY

| STRATEGY | DESCRIPTION | 2018 PERFORMANCE | 2019 PRIORITIES |
|---|--|---|---|
| Increase recurring income contribution to achieve a more balanced portfolio | Expand the GLA of shopping centers and offices and increase hotel and resort rooms. | <ul style="list-style-type: none"> • Malls: Opened three new malls and added 142,000 sqm of GLA for a total of 1.90 million sqm • Offices: opened four new offices and added 91,000 sqm of GLA for a total of 1.11 million sqm • Hotels and resorts: opened 390 new rooms for a total of 2,973* rooms <p><i>*Includes 301 reopened rooms of Seda Ayala Center Cebu</i></p> | Deliver on target pipeline by completing GLA under construction. |
| Launch an optimal mix of horizontal and vertical projects for sale | Balance amount of launches depending on market demand and price products competitively to ensure product margins | Launched 48 residential and office for sale projects in 2018 amounting to ₱139 billion worth of products | Launch products attuned to market demand, and aspire to continually achieve a healthy mix between horizontal and vertical developments while maintaining margins within acceptable thresholds |

BANK OF THE PHILIPPINE ISLANDS

“The combination of well-timed equity and debt capital raisings and strong core business results will allow us to digitalize the bank with the objective of being a leader in financial inclusion.”

Cezar P. Consing, President and CEO, Bank of the Philippine Islands



BPI continues to ramp up BanKo, its microfinance arm that makes accessible loans to self-employed micro-entrepreneurs.

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 7.9 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

1,056 branches and branch-lite units as well as 3,034 ATMs and Cash Accept Machines nationwide. Its physical distribution network is complemented by upgrading its digital platforms, BPI Online accessed through www.bpi.com.ph and BPI Mobile for retail customers, and BizLink, its electronic cash management platform for businesses. BPI has banking locations and representative offices in Hong Kong and London, and maintains over 130 remittance tie-ups and correspondent banking relationships with over 50 partner banks and financial institutions globally.

MARKET OUTLOOK

The Philippine economy is expected to grow by at

least 6.5 percent in 2019 given the following drivers: recovery of household consumption triggered by lower inflation, sustained improvement in investment spending, and additional boost provided by election spending.

The National Government has carried out efforts to address food supply constraints, allowing food prices to stabilize starting in late 2018. Meanwhile, the BSP raised its policy rate by 175 basis points in 2018 to manage liquidity and tame inflation. As a result of these measures together with the recent decline in global oil prices, inflation is expected to decelerate and return to BSP's 2-4 percent target in 2019. Household consumption may recover under this scenario.

Given the expectations that economic growth will remain strong and inflation will slow down in 2019, the BSP may have little reason to adjust its policy rate throughout 2019. Instead, the BSP will likely prioritize the reduction of the reserve requirement ratio on the deposits of universal and commercial banks as part of its financial reforms. The additional liquidity released by the RRR cut may lead to a moderate decline in benchmark interest rates which will support lending and economic activities, but may be offset by upward pressure coming from the borrowing activities of the government.

In recent years, investment spending has improved significantly with the country's capital formation-to-GDP ratio (27 percent) now at par with the regional average. Combined capital expenditures by the government and private sector continued to surge in 2018 given the need to expand the economy's productive capacity in order to meet rising consumer demand. Government spending in infrastructure increased by 40 percent in 2018 as part of the government's commitment to boost growth through the "Build, Build, Build" program. Even though borrowing costs are now higher because of the rate hikes by BSP in 2018, capital spending is still expected to grow substantially in 2019 as pressure from consumer demand may reinforce the need to increase productivity through investment in fixed assets.

A manageable widening of the trade deficit as a result of capital spending is expected to translate to a modest depreciation of the Philippine peso with

additional pressure from global trade disputes and financial market volatility in developed economies.

BUSINESS REVIEW

In 2018, BPI realized net profits of ₱23.1 billion, ₱661 million, or three percent higher than last year. This increase was achieved through a ₱7.5 billion increase in total revenues, partly reduced by increases in operating expenses and loss provisions of ₱5.1 billion and ₱1.1 billion, respectively. The bank's comprehensive income ended at ₱21.9 billion, 2.4 percent lower than the same period last year, on account of the lower market valuation of the bank's investment securities.

In the execution of its key growth strategies, the bank maintained its strength in the corporate segment and accelerated its penetration in the high-growth, high-margin business areas of small to medium enterprises, consumer, and microfinance. This resulted in total revenues of ₱78.5 billion, a 10.6 percent increase from last year, as propelled by the improvement in the bank's core intermediation business.

Net interest income grew 16.2 percent to ₱55.8 billion from the previous year's ₱48 billion, the result of a nine percent expansion in average asset base and a 21-basis point increase in net interest margin. The bank was able to capture favorable loan repricing, set against the rising interest rate environment of 2018.

BPI also continued to optimize gains from its non-trading income, shifting from the one-off trading gains recorded in previous years. Its transaction-based service charges, credit card and rental businesses were the top drivers of this year's higher fee income. However, lower trust and investment management fees, corporate finance fees, and securities trading income tempered the overall non-interest income results, ending at ₱22.7 billion.

In January 2018, the bank adopted the expected credit loss models required under the Philippine Financial Reporting Standards (PFRS 9) as the basis for the provisioning for loan losses. Reporting under this new regulation, the bank's impairment losses increased ₱1.1 billion, or 29.7 percent, to ₱4.9 billion.

Considering continuous investments to transition into a strong digitalized bank and a widening financial inclusion scope, the cost-to-income ratio increased to 55.5 percent, slightly higher than the previous year's 54.3 percent.

Operating expenses ended at ₱43.6 billion, up 13.2 percent from last year. Compensation and fringe benefits increased ₱1.4 billion or 10.2 percent, due to increased headcount. Other operating expenses was likewise higher by ₱1.8 billion or 13.9 percent, on higher volume-driven transaction costs, regulatory costs, marketing costs, management and other professional fees. Occupancy and equipment-related expenses also increased 15.9 percent, driven mainly by significant spending on technology and increased rent, depreciation, and amortization for the microfinance branch network.

The bank's securities holdings totaled ₱337.5 billion, up 10.2 percent year-on-year. About 85 percent of the securities portfolio was in Hold-to-Collect, and thus less exposed to market volatility.

Loans, net of allowance for loan losses, amounted to ₱1.4 trillion, 12.7 percent higher than a year ago. The bank made headway in the loans space via (1) improved turnaround times for key products and services, (2) launch of the Business Banking segment

to focus on servicing the unique financial needs of the bank's SME clients, and (3) the growth in microfinance loans, boasting a portfolio of ₱2.1 billion to the self-employed micro entrepreneurs segment.

In terms of asset quality, BPI also adopted BSP Circular No. 941 which amended regulations on past due and non-performing loans. Under this new reporting classification, the bank ended the year with an NPL ratio of 1.85 percent and NPL reserve cover of 88.3 percent. The bank's total loss coverage, including allowances for contingent liabilities, stood at 91.3 percent.

Total deposits ended flat to last year at ₱1.6 trillion. Current and savings (CASA) deposits grew ₱27.1 billion or 2.4 percent, while time deposits decreased ₱3.5 billion, or 0.8 percent. The bank's CASA ratio stood at 71.9 percent while the loan-to-deposit ratio was at 85.4 percent.

In 2018, BPI tapped the equity and debt capital markets with landmark issuances, starting with the ₱50 billion stock rights offering in May 2018. This was followed by the issuance of US\$600 million in senior unsecured bonds in August 2018, and the issuance of ₱25 billion in peso fixed rate bonds in December 2018. All told, these strengthened the bank's capital position, led to a more diverse

funding profile for BPI, and the proceeds of which will support the bank's near to medium-term growth objectives and expansion plans.

Reflecting the impact of the dilution from the SRO, the bank posted a return on equity of 10.2 percent and return on assets of 1.2 percent, lower than the previous year's 12.7 percent and 1.3 percent, respectively.

BPI's capital funds increased 37.5 percent to ₱248.5 billion from 2017's ₱180.7 billion. This was due to this year's SRO, which also boosted

the bank's capital adequacy ratio and common equity tier 1 ratio to 16.1 percent, and 15.2 percent, respectively, levels well above regulatory limits. BPI's market capitalization remained one of the largest in the industry, at ₱423.2 billion. As of December 31, 2018, the bank's share price closed at ₱94.00, representing a 1.7x multiple to book value.

The bank paid regular cash dividends of ₱1.80 per share. As of the end of 2018, book value per share was ₱55.20, and earnings per share was ₱5.35.

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

BPI's environmental management systems ensure that it uses resources efficiently and minimizes its impact on 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 clients' assets through its life and nonlife 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.

CLIENTS AND COMMUNITIES

BPI reached underserved segments and helped them grow and protect their assets.

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.

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.

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.

STRATEGY

| STRATEGY | DESCRIPTION | 2018 PERFORMANCE | 2019 PRIORITIES |
|--|--|--|---|
| Achieve asset growth in high-margin businesses | Continued focus on SME, consumer, and microfinance lending | SME Loans: ₱70 billion Consumer Loans: ₱250 billion Microfinance Loans: ₱2 billion | SME Loans: > +20 percent Consumer Loans: +15-19 percent Microfinance Loans: +50 percent |
| Grow Current and Savings Accounts | Grow deposits and improve CASA ratio | Deposit growth rate: +1.5 percent CASA ratio: 71.9 percent | Deposit growth rate: +10 percent CASA ratio: > = 70 percent |
| Moderate branch expansion | Strategically expand branch network | New bank branches: 17 New Banko branches: 97 | New bank branches: 10-15 New Banko branches: 100 |
| Increase digital platform users | Increase users of online banking platforms for retail and business clients | Online/Mobile Banking: 1.8 million users Bizlink: 21,900 corporate clients | Online/Mobile Banking: +25 percent Bizlink: +10 percent |

GLOBE TELECOM

“Despite the dynamic industry and regulatory environment, Globe reinforced its leadership in mobile, setting new financial and operating benchmarks. We successfully met our minimum broadband coverage commitment to the government as we empower the nation digitally. More than ever, we remain committed in delivering first world internet connectivity and making the Philippines an admired nation.”

Ernest L. Cu, President and CEO, Globe Telecom



Globe's fintech platform Mynt operates GCash, the leading mobile wallet in the Philippines, and Fuse, a micro-lending company that extends small loans to Filipinos.

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 and internet companies 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 7,700 employees, and over 1.2 million retailers, distributors, suppliers and business partners nationwide, Globe serves more than 77.1 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. Aside from providing financial support, this partnership has created various synergies and has enabled the sharing of best practices in the areas of purchasing, technical operations, and marketing, among others. Globe 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 768 roaming partners in 237 calling destinations worldwide.

MARKET OUTLOOK

The Philippines has always rated high in adoption of mobile and digital technologies. Mobile penetration stands at 124 percent, and internet penetration is growing. With the prevalence of affordable prepaid and postpaid data plans, demand for data continues to increase, driving 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.

While visiting social media sites remains the top activity for Filipinos online, watching videos and playing games also rank highly. In addition, more Filipinos are now using the internet to avail of transport network vehicle services, order food, or use navigation apps using their smartphones. At home, smart televisions and gaming consoles are enabling the consumption of bandwidth-intensive multimedia content such as high definition videos and network gaming. More customers are now taking advantage of free multi-media content and paid video streaming services which are 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 and corporate assets.

On the regulatory front, the government, in its bid to improve telecommunications services for all Filipinos, announced last November the selection of a new mobile player, the Mislattel Consortium, which disclosed that it will launch commercial operations by 2021.

Related to the incumbent players support of the government's initiative to improve connectivity in the country, Globe has established GTowers, an independent tower company, to potentially aid the new third player and other smaller players in their network rollouts. Lastly, on the regulatory front, the government is reviewing existing laws and policies and align these to international norms. This has led to the lowering of interconnection rates, new laws on mobile number portability, and a new rule governing prepaid load expiry.

BUSINESS REVIEW

Globe closed 2018 with consolidated service revenues of ₱140.2 billion, up 10 percent from a year ago, driven by the sustained data revenue growth across all business segments, consisting of mobile data, home broadband, and corporate data. Including the impact of PFRS 15¹, total consolidated service revenues for the period stood at ₱132.9 billion.

Mobile revenues grew nine percent year-on-year to ₱106.9 billion in 2018 on the back of continued mobile data revenue growth as more customers embraced the digital lifestyle. Mobile subscriber base totaled 74.1 million as of end-December 2018, which has become the new baseline given the impact of the regulatory requirement which extends prepaid load² validity to one year regardless of amount.

¹Globe adopted two new accounting standards, namely Philippine Financial Reporting Standard (PFRS) 15, Revenue from Contracts with Customers, and PFRS 9, Financial Instruments: Recognition and Measurement in 2018. Post-PFRS considered the new accounting standard on Revenues from Contracts with Customers (PFRS 15) and Financial Instruments: Recognition and Measurement (PFRS 9). Pre-PFRS financials are before impact of these standards, which are comparable with last year.

²Under the new pronouncement based on the National Telecommunications Commission (NTC), Department of Information and Communications Technology (DICT), and Department of Trade and Industry (DTI) Joint Memorandum Circular No. 05-12-2017 all prepaid load will now carry a one-year expiration period regardless of amount. In compliance to this new regulation, effective January 6, 2018, Globe implemented a one year expiration period for prepaid load worth 300 pesos and above. Then in July 5, 2018, Globe expanded the implementation to all Globe prepaid load, including those with denominations below 300 pesos.

From a product perspective, mobile data continued to be the top contributor to Globe's mobile business, accounting for 51 percent of gross mobile service revenues during the year. Full-year mobile data revenues surged 28 percent to ₱55.3 billion year-on-year. This was propelled by the sustained higher prepaid top-ups, with more consumer spending on mobile data, thus driving the mobile data traffic growth from 600 petabytes to 956 petabytes year-on-year. Meanwhile, mobile voice and SMS revenues declined six percent to ₱30.3 billion and eight percent to ₱21.3 billion, respectively.

Globe's home broadband business ended the year with ₱18.5 billion in revenues, jumping 19 percent from a year ago. This was mainly driven by the sustained expansion of its customer base, boosted by the rising demand for faster internet connectivity, which has risen to 1.6 million subscribers from 1.3 million a year ago. The revenue growth and customer uptake was boosted by Home broadband's compelling new bundles and packages coupled with the growing popularity of the Home Prepaid Wi-Fi product. Post-PFRS 15 adjustments, home broadband revenues reached ₱18.6 billion in 2018.

Revenues from corporate data business expanded 15 percent to ₱11.8 billion, driven by the strong demand for domestic and international leased line services, sustained circuit base expansion, and the increasing demand for cloud-based services, and managed/modern business solutions. Post-PFRS 15 adjustments, corporate data revenues during the year ended lower by ₱20 million versus the pre-PFRS revenues.

Globe spent about US\$821 million in capital expenditure in 2018 to address the robust data traffic growth and support its increasing customer base with the ramped-up LTE rollout. About 77 percent of the total capex was for data-related services, all geared to meet the customer demand for more bandwidth-intensive content.

On a post-PFRS basis, EBITDA registered at ₱65.1 billion, with an EBITDA margin of 49 percent. Net income for the period amounted to ₱18.6 billion.

Globe paid out ₱12.1 billion in common cash dividends in 2018, representing 89 percent of 2017 core net income. This was in line with Globe's dividend policy of distributing 75 percent to 90 percent of prior year's core net income. In November 2018, its Board of Directors approved to change the dividend policy to 60 percent to 75 percent of prior year's core net income, to be applied in the 2019 dividend declaration.

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 of 2.03:1 from 1.98:1 in 2017, while net debt to equity ratio was at 1.71:1 as of end-December 2018 from 1.81:1 last year.

| STRATEGY | | | |
|--------------------------------|--|---|---|
| STRATEGY | DESCRIPTION | 2018 PERFORMANCE | 2019 PRIORITIES |
| 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. | <ul style="list-style-type: none"> Invested US\$821 million CAPEX to address robust data traffic growth and support increasing customer base with the ramped-up LTE rollout 1,500 locations with free public WiFi services nationwide 956 petabytes in mobile data traffic Successfully met our minimum NTC broadband coverage commitment | <ul style="list-style-type: none"> Bring internet services to more Filipino households through wireless home broadband and constantly improve overall network experience Launch of 5G offer for the home |
| Obsess About The Customers | To be the leader of the Filipino digital lifestyle by providing world-class technologies for entertainment, education, engagement and rewards designed to address customers needs. | <ul style="list-style-type: none"> Connected 1.6 million homes by end-2018 74.1 mobile subscribers as of end-2018 Increasing popularity of Home Prepaid Wi-Fi 38.3 Net Promoter Score as of end of 2018 | <ul style="list-style-type: none"> Continue to forge partnerships and create innovative content-driven experiences for customers Constantly improve how we communicate to our customers through digital sales and care channels |
| Digitally Transform Businesses | To empower the local economy in its digital transformation by helping business flourish through the right technology, infrastructure, solutions, and know-how. | <ul style="list-style-type: none"> Enabled micro, small, medium and large enterprises with relevant business solutions GCash has 15 million registered users, and 50,000 merchants accepting QR payments | To empower the local economy in its digital transformation by helping business flourish through the right technology, infrastructure, solutions and know-how |
| Put People First | To create a high-performing organization through a purpose-driven workforce with a culture of empowerment, collaboration, and innovation | <ul style="list-style-type: none"> 7,716 regular employees (54 percent male and 46 percent female) 91 percent engagement score Employee volunteers comprised 52.8 percent of total employee base | To create a high-performing organization through a purpose-driven workforce with a culture of empowerment, collaboration, and innovation |

| OUR CAPITALS | HOW WE CREATE VALUE | THE VALUE WE CREATE |
|--|--|---|
| <p>FINANCIAL Driven by continued mobile data revenue growth, strong consolidated service revenues and earnings; continued investment in network expansion to monetize rising data traffic.</p> <p>MANUFACTURED Fast-tracking telco infrastructure build and diversifying systems to enable customers' multiple touchpoints and superior experience.</p> <p>INTELLECTUAL Engaging with local and global partners to provide best-in-class network service, IT enablement and content offers.</p> <p>HUMAN Developing a people-centered organization.</p> <p>SOCIAL AND RELATIONSHIP Putting customer-centricity and nation-building at the core of business decisions.</p> | <p>BUILD THE NETWORK OF CHOICE To be an admired nation by providing leading-edge network technology and mobile coverage to about 95 percent of cities and municipalities in the Philippines by end of 2018.</p> <p>FOCUS ON THE CUSTOMER To be the leader of the Filipino digital lifestyle by providing world-class technologies for entertainment, education, engagement and rewards designed to address customers' needs.</p> <p>DIGITALLY TRANSFORM BUSINESSES To empower the local economy in its digital transformation by helping business flourish through the right technology, infrastructure, solutions and know-how.</p> <p>PUT PEOPLE FIRST To create a high-performing organization through a purpose-driven workforce with a culture of empowerment, collaboration, and innovation.</p> | <p>SHAREHOLDERS We commit to a sustainable, consistent and competitive dividend distribution.</p> <p>EMPLOYEES We empower our employees to champion our purpose to create a Globe of Good.</p> <p>CUSTOMERS We enable our customers with the power of choice as they embrace a digital lifestyle and we enable micro, small, medium and large enterprises with relevant business solutions.</p> <p>BUSINESS PARTNERS AND SUPPLIERS We provide opportunities to our suppliers and business partners within our supply chain.</p> |

MANILA WATER

“We will remain focused on fulfilling our mission: to provide an exceptional customer experience in the provision of sustainable solutions vital to health and life. To do so, we must become more resilient in the face of challenges, drawing strength from our core which is our culture and people.”

Ferdinand M. dela Cruz, President and CEO, Manila Water



In 2018, Manila Water secured 13 new businesses covering water concession, bulk water, and septage management contracts, including two overseas investments.

WHO WE ARE

Manila Water is an operator and business builder of water, used water, and related assets across the Philippines and in Southeast Asia. The company has over two decades of experience and expertise which is channeled to provide access to water and sanitation services in a way that considers key impacts on the environment and advocates responsible practices at every stage of its operations.

Manila Water's portfolio includes the Manila Concession which is the original concession business, providing water and used water services to over six million people in the eastern part of Metro Manila. Manila Water's vehicle for domestic businesses outside the East Zone is Manila Water Philippine Ventures, with operations in key cities across the country. Internationally, Manila Water Asia Pacific was established to take advantage of new opportunities and partnerships in the ASEAN

region. Lastly, Manila Water Total Solutions serves as an incubator of new business opportunities across the water value chain, driven by design and technological innovation.

MARKET OUTLOOK

Water is critical to sustainable development—and it is one of the basic resources which needs to be protected in this age of climate change. Communities today continue to increase in population and density, with more regions transforming into highly urbanized areas. On the pressures of market uncertainties, growing competition for existing water sources and tougher regulation – and the importance of inclusive access to clean water and adequate sanitation services becomes more evident. These growing concerns, specifically on maintaining this delicate balance between water security and environmental sustainability, will have long-term effects on the quality of life of millions of people.

Manila Water recognizes that these realities pose significant risks to the company's sustainability thrusts and has taken steps to proactively address these issues. The company creates shared value through efficiencies and innovation in its operations. These initiatives embody Manila Water's commitment to the United Nations Sustainable Development Goals on Clean Water and Sanitation.

In line with this commitment, Manila Water acknowledges the need to improve access to water and sanitation services beyond Metro Manila. In the Philippines, only 85.8 percent of the rural population uses at least basic drinking water services as compared to 96.4 percent in the urban areas. This is also evident in access to basic sanitation services, with only 71.9 percent of the rural population having access compared to 78.9 percent in urban areas. The same disparity is also evident in most of the ASEAN nations; even more acute in the cases of Indonesia, Vietnam, Cambodia and Myanmar.

Against this backdrop of environmental, social and institutional challenges, Manila Water remains focused on fulfilling its mission and pursuing growth opportunities in the water and environmental services space. To achieve these objectives, the company has defined its Ripple Strategy – a path to sustainable growth in the Manila Concession; expanding outward domestically, in the region, and on to the rest of the world. From being a leading domestic water service provider, Manila Water aspires to be an inclusive, sustainable, multinational, multi-service water and environmental company.

BUSINESS REVIEW

Manila Water posted a consolidated net income growth of six percent, reaching ₱6.5 billion in 2018. Meanwhile, its consolidated revenues grew by seven percent to nearly ₱20 billion in 2018 driven largely by the Manila Concession, with higher revenue levels likewise posted by domestic subsidiaries Estate Water and Laguna Water.

Manila Concession

Manila Concession's revenues grew by eight percent to ₱16,234 million, driven by three percent growth in billed volume to 503.3 million cubic meters. This was brought about by the three percent increase in billed connections to 986,756, and an improvement in the average effective tariff primarily due to the implementation of the 2.8 percent consumer price

index adjustment effective January 1, 2018. The year also marked the successful completion of the fifth Rate Rebasing exercise between the company and the Metropolitan Waterworks and Sewerage System last September 27. The approval of the five-year business plan will result in the development and execution of several key water source projects identified by the MWSS to meet the mid-term water supply requirements of the concession area. Together with the business plan, a new set of tariffs was also approved and became effective on October 16, 2018. To mitigate the impact of the tariff increase, the Manila Concession will stagger its implementation over a five-year period from 2018 to 2022. Contingent to final approval of the mid-term water source, the total increase across the approved period is between ₱6.22 to ₱6.50 per cubic meter.

In the Manila Concession, the primary water source is the Umiray-Angat-Ipo-La Mesa water resource system, and it will have additional water supply by abstracting 100 million liters per day of raw water from Laguna Lake through the Rizal Province Water Supply Improvement Project (“Cardona Water Treatment Plant”). Ninety-five percent of the first phase of the Cardona Water Treatment Plant was completed in 2018. The project is expected to start its water delivery in the first quarter of 2019, benefitting approximately 800,000 people in three key municipalities in the province of Rizal, namely Taytay, Angono, and Binangonan. As part of the business contingency plan in periods of low water supply, the company will reactivate decommissioned deep wells that can provide additional 100 mld. Given the critical need for additional water sources to help achieve water security, Manila Water has conducted feasibility studies for the development of medium-term water sources to support the water security masterplan of the Manila Concession. MWSS also plans to construct additional dams for its concessionaires in the coming years to meet the water requirements of increasing number of customers.

Manila Water Philippine Ventures

As more parts of the Philippines transform into bustling urban centers, essential services like water and sanitation develop local economies and improve quality of living. More than a vehicle for expansion in the Philippines, MWPV is leveraging upon its track record for managing public services in its new acquisitions and partnerships across the country, enabling these areas to flourish into sustainable, dynamic regions.

On a consolidated Manila Water Philippine Ventures level, despite the decline in billed volume of the operating subsidiaries, its revenues grew steadily at seven percent to ₱3.4 billion in 2018 due to increase in average effective tariff of Boracay Water and Laguna Water by seven percent and 13 percent, respectively; as well as ₱136 million contribution from new entities such as Obando Water, Bulacan Water, Aqua Centro, and Calasiao Water.

Clark Water posted gains in new connections to 2,061 amid a three percent drop in billed volume to 14.1 mcm with slowdown of key accounts. Its capex slowed down to ₱53 million due to its pending Rate Rebasing. Meanwhile, due to a four percent increase in new connections, reduced non-revenue water to 16.7 percent and the full rollout of its sanitation service, Laguna Water improves its profitability potential for 2019. However, it was challenged by a capex slowdown to ₱561 million due to permitting delays. Further, Boracay island's closure affected Boracay Island Water Company's 2018 billed volume by 29 percent dropping to 3.9 mcm. Its capex focused on deteriorated non-revenue water due to clearing activities during the closure, thus improving to 13.8 percent during the period. Estate Water posted billed volume growth of 25 percent to 5.7 mcm from the previous year. Its capex slowed down by three percent to ₱490 million due to execution challenges. Its takeover of 60 new gated communities (over 10,000 connections) in 2018 boosts 2019 billed volume potential.

MWPV cemented its presence in the country through 11 new projects closed in 2018 amounting to roughly ₱7.5 billion in capital expenditures. The coverage areas of the projects are in the following provinces: Calbayog, Samar; San Jose, Nueva Ecija; Lambunao and Calinog, Iloilo; Ilagan, Isabela; San Fabian, Pangasinan; Tanauan, Batangas; Bulakan, Bulacan; Pagsanjan, Laguna; Sta. Barbara, Pangasinan; and Balagtas, Bulacan.

Manila Water Asia Pacific

Trailblazing in ASEAN markets is MWAP's strategy towards diversification of the business outside Philippine boundaries, while bringing its expertise in environmental responsibility to its partners and affiliates. On a consolidated MWAP level, its equity share in net income of associates rose by 53 percent to ₱699 million from the combined income of Thu Duc, Kenh Dong and Saigon Water, together with the additional contribution coming from new acquisitions – East Water in Thailand and PT Sarana Tirta Ungaran in Indonesia. MWAP's consolidated net income ended at ₱278 million, 16 percent lower than the previous year.

The year 2018 marked MWAP's first strategic entry into Thailand, bolstering MWAP's ongoing expansion into Southeast Asia. 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 which serves PDAM Kabupaten Semarang and industrial customers in Bawen, Ungaran – area of Semarang Regency.

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 2,118 competent employees. It also partnered with 401 material suppliers, 113 contractors, 77 consulting firms, and 58 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 25.86 million customers in the Philippines, Vietnam and Thailand and continues to expand locally and regionally. It ensures equitable and reliable supply of clean and safe water. 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, Waste-to-Energy, 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.

ENGINEERING, PROCUREMENT, CONSTRUCTION MANAGEMENT AND TECHNICAL CONSULTANCY

Manila Water International Solutions was reorganized in 2018 to provide engineering, procurement, construction management and technical consultancy in the water and used water sectors.

THE VALUE WE CREATE

INVESTORS AND SHAREHOLDERS

Profitability and growth through water and environmental investments.

- Consolidated revenue of ₱19.84 billion
- Consolidated net income of ₱6.52 billion
- ₱9.98 billion in consolidated 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.

- 1,160.33 million cubic meters of water supplied to customers
- 5,445,227 five-gallon bottles of purified water sold
- 2,494,379 500-ml bottles of purified water sold
- 62.35 million cubic meters of used water treated

Closed 11 deals in various water districts and municipalities in the Philippines and two deals in Southeast Asia to provide water and used water services.

EMPLOYEES

Opportunities for career growth and development.

- Above average engaged employees (compared to Philippine norm)
- Average of 21 training hours per employee

ENVIRONMENT

Protection of watersheds and water sources

Restoration of quality of water bodies.

- Protection of 9,259 hectares of watersheds
- Planted 41,500 tree seedlings in La Mesa Watershed, Nabaoy Watershed and Laguna
- Diverted 9,101 tons of BOD organic pollution load from water bodies
- 57,338 tons of carbon dioxide avoided due to used water treatment

STRATEGY

| STRATEGY | DESCRIPTION | 2018 PERFORMANCE | 2019 PRIORITIES |
|---|---|--|--|
| Advocate for water security and sustainability | Ensure the completion of the water system projects and interim water sources; support the MWSS in the development and completion of medium-term/long-term water sources | Construction of the 100 mld capacity Cardona Water Treatment Plant in its final stages and expected to deliver its first water in 1Q2019 | Operationalize by 1Q2019 the Cardona Water Treatment Plant with an initial capacity of 50 mld, serving the municipalities of Binangonan and Angono |
| Expand the capacity and coverage of Used Water services across the Enterprise | Ensure completion of Used Water system and sanitation projects; Utilization of existing used water treatment plants | Treated 62.4 mcm of Used Water enterprise-wide (11 percent increase against 2017) | Increase utilization of Used Water Treatment plants through expansion of Used Water network coverage to more communities |
| Expansion of business footprint in ASEAN and beyond | Enable new business development to focus on business expansion through strategic mergers and acquisitions | Acquired 18.72 percent stake in East Water, Thailand; Acquired 20 percent stake in PT Sarana Tirta Ungaran, Indonesia | Close new projects in ASEAN and adjacent regions where feasible. |

AC ENERGY

“In 2018, AC Energy doubled its renewables capacity to 500MW as it entered the Vietnam market. AC Energy aims to scale up renewables to over 5000MW by 2025 as we expand across the region.”

John Eric T. Francia, President and CEO, AC Energy



AC Energy is focusing on renewables with a target to reach 5GW of capacity from renewable sources by 2025.

WHO WE ARE

AC Energy successfully developed over 1.8 GW of attributable energy portfolio in the Philippines, Indonesia and Vietnam with 16 assets in operations and under construction.

From a strong local base, AC Energy is expanding rapidly around the region through strategic partnerships and greenfield initiatives. AC Energy aims to exceed 5GW of attributable capacity in renewables by 2025.

In 2018, AC Energy doubled its renewables capacity to 500MW as it entered the Vietnam market. The company generated 2,800GW hours of attributable energy, of which 48 percent was from renewable sources.

MARKET OUTLOOK

The Asia Pacific region continues to exhibit robust

growth in the power sector, and renewables is increasingly playing a larger role.

Vietnam, in particular, is facing undersupply situation due to its rapid industrialization and urbanization. It is in that critical crossroads wherein its power demand has been rising steadily while its reserve capacity is interminably declining. In order to ramp up new power investments in this market, its government is committed to scale up renewables and is highly supportive to the feed-in-tariff system as an incentive for this technology option. The market has responded positively and several solar and wind projects are underway.

For Australia, it is at daybreak of transformation because an “all of the above solution” no longer fits. Therefore, fuel mix and policy tools need to change on its pathway toward a cleaner energy future. This market is decommissioning its coal plants

and replacing them with renewable energy (RE) capacities – which is a well-suited option because it can count on its abundant renewable sources plus it has the geographical advantages for high capacity factor on RE installations. The Australian government’s push for the integration of renewables into the power grid also provides stimulus to prospective stream of investments into this segment of its energy sector.

The Philippines itself is projected to be reaching supply-demand equilibrium in 2022, and around that time, it will be in need of new capacity additions – including multiple gigawatts of RE installations to comply with the prescription of the Renewable Portfolio Standards. Transmission upgrades are also underway to add capacity and strengthen the grid. This is critical to enable the scaling up of renewables and help the government achieve its goal of generating 30 percent of energy output from renewables by 2030.

BUSINESS REVIEW

AC Energy’s consolidated net earnings expanded 16 percent to ₱4.1 billion on the back of higher equity in net income across both its thermal and renewable platforms.

Equity in net earnings from AC Energy’s investee companies surged 37 percent to ₱3.6 billion due to the strong performance and higher equity stake in GNPow Mariveles and the fresh contribution of its first greenfield offshore project, the 75MW Sidrap wind farm in South Sulawesi, Indonesia. The full-year contribution of SD Geothermal also provided a boost.

Development Platforms

To reach its goal of 5GW of renewable energy capacity by 2025, with renewables contributing at least 50 percent of total energy output, AC Energy has successfully shifted to a full-fledged energy company with development and operations capabilities.

In 2018, AC Energy expanded its footprint in the region through strategic partnerships with developers and operating companies. AC Energy has identified the Philippines, Vietnam, Indonesia, and Australia as key markets in its expansion strategy.

The 330MWp Ninh Thuan solar farm in Vietnam, a joint venture between AC Energy and the BIM

Group, is progressing as planned with commercial operations expected to commence early in the second quarter of 2019. Once completed, it will be one of the largest solar farms in Southeast Asia, benefiting Ninh Thuan province with income generation and job creation.

AC Energy broke ground on its second solar platform in Vietnam in the last quarter of 2018. The 80MWp solar farms located in the provinces of Khanh Hoa and Dak Lak, which is in partnership with AMI Renewables Energy, are also expected to be commissioned by early April and mid-March 2019, respectively. In addition to solar, AC Energy is also venturing into wind projects in Vietnam. It signed a memorandum of understanding in June with Quang Binh Province to jointly develop a wind power project with AMI Renewables.

Following its acquisition of local development platform Bronzoak in 2017, it continues to forge partnerships to establish similar platforms in the region. In May, AC Energy entered the Australian renewables market through a joint venture with international renewable energy developer UPC Renewables. It invested US\$30 million for a 50 percent ownership in UPC’s Australian business. With Australia’s energy sector gradually decommissioning its coal assets, AC Energy sees the opportunity for large-scale renewables. The platform is developing the 1,000MW Robbins Island and Jims Plain projects in North West Tasmania and the 700MW New England Solar Farm located near Uralla in New South Wales. In addition, it has a further development portfolio of another 3,000MW located in NSW, Tasmania, and Victoria.

Strengthening its commitment to ramp up its renewables, AC Energy announced its partnership with Singapore-based developer The Blue Circle in November, acquiring approximately 25 percent ownership as well as co-investment rights in its projects. AC Energy and The Blue Circle will jointly develop, construct, own, and operate a pipeline of around 1,500MW of wind projects across Southeast Asia, including 700MW in Vietnam.

To support expansion of its renewable portfolio, AC Energy made its debut in the capital market with the issuance of US\$410 million in Green Bond issuance. The bonds received certification under the Climate Bonds Standard from the Climate Bonds Initiative and was the first publicly syndicated US dollar Green Bonds in Southeast Asia. AC Energy’s Green

Bond Framework sets out well-defined guidelines for use of proceeds for renewable energy projects, with comprehensive monitoring and reporting commitments.

Operating assets

AC Energy's onshore wind platforms, North Luzon Renewables and NorthWind Power, contributed to the higher equity earnings given a better wind regime in 2018.

In September, AC Energy announced the partial sell-down to AboitizPower of its thermal platform, which includes the GNPowder Mariveles and GNPowder Dinginin assets in Bataan. The deal, valued at US\$579.2 million, represents approximately 35 percent of AC Energy's attributable thermal capacity. This is part of its strategy to actively recycle capital to enable the expansion of AC Energy's domestic and offshore renewable energy businesses.

Construction of GNPowder Kauswagan is nearing completion and is expected to be in full commercial operation by 2019 to provide baseload supply to support the growing power demand of the Mindanao grid. The 4x135MW Kauswagan plant is strategically located in Lanao del Norte as an effective gateway to the Mindanao-Visayas transmission interconnection.

In 2018, AC Energy generated 2,800GWh of attributable energy, of which 48 percent was from renewable sources. It also continues to grow its retail business, with over 100MW of customer contracts signed.

Sustainability

As AC Energy continues to build a balanced portfolio of assets, it recognizes the importance of working with communities to create development programs that benefit its stakeholders. Its programs cover the key areas of environment, livelihood, health and sanitation, and education.

AC Energy's flagship program is a conservation estate in Pagudpud, Ilocos Norte, which aims to preserve and enhance the ecological character of the area through initiatives that include reforestation and agro-forestry. As part of this program, AC Energy and North Luzon Renewables, the operating company of an 81MW wind farm in Pagudpud, Ilocos Norte, launched a five-year agro-forestry program in 2018 with a series of lectures and workshops with farmers that reside within the boundaries of the wind farm.

AC Energy has also partnered with host communities on a solid waste management program which includes a materials recovery facility in NorthWind and Montesol.

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. AC Energy is transitioning into a regional player with investment, development and operations capabilities. The company also capitalizes on project financing by lenders and banks.

To exceed 5GW attributable capacity target, asset recycling is important for AC Energy. Achieving the target will require as much as US\$2 billion in equity, some of which will come from the sell-down of AC Energy's thermal power plant stakes at the opportune time.

NATURAL

Its business, which utilizes wind, solar and thermal energy sources, operates in a responsible manner to minimize its impact on the environment.

HUMAN

AC Energy is driven by competent and motivated employees equipped with diversified skills that it continually supports for their professional development and for them to cope with the fast-evolving business environment.

The successful integration of BronzeOak and AC Energy brought opportunities for sharing of expertise in project development.

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.

SOCIAL AND RELATIONSHIP

Linkages with different local and regional stakeholders allow AC Energy to expand its operations in the Southeast Asian region. The company continues to maintain good relationships with the communities where it operates.

HOW WE CREATE VALUE

DEVELOPMENT PLATFORM

AC Energy continued to expand its international footprint through strategic partnerships with developers and operating companies. AC Energy has identified the Philippines, Vietnam, Indonesia, and Australia as key markets in its expansion strategy.

COMMERCIAL GENERATION

AC Energy produces energy from both renewable and thermal sources within the Philippines and in Southeast Asia. In the Philippines, AC Energy generates power and transmits to the National Grid Corporation for distribution. AC Energy's Indonesia assets (Sidrap Wind Farm in South Sulawesi, and Salak and Darajat Geothermal Plants in West Java, Indonesia) generate power and transmit to Perusahaan Listrik Negara, the government-owned and sole energy distributor in Indonesia.

RETAIL ELECTRICITY

AC Energy has committed itself to become a key player in the retail electricity supply market by offering innovative products to end-users in the contestable customer market. Through AC Energy, these customers now have the opportunity to take control of their electricity bills and choose energy suppliers that provide the lowest rates and best customer service. The company helps clients analyze how to maximize savings and increase business profitability.

THE VALUE WE CREATE

INVESTORS AND SHAREHOLDERS

AC Energy's net earnings expanded 16 percent to ₱4.1 billion in 2018, largely driven by its domestic thermal and renewable assets as well as higher contribution from its Indonesia investments. Equity earnings from AC Energy's investee companies reached ₱3.6 billion, 37 percent higher from the previous year.

CUSTOMERS

It contributes to the country's energy requirements through affordable electricity. In 2018, AC Energy generated a total net of 6,841.2GWh, higher by four percent from the previous year.

THE ENVIRONMENT

AC Energy generated 2,800GW hours of attributable energy, of which 48 percent was from renewable sources. To support its strategy to scale up its renewable portfolio, AC Energy raised US\$300 million in green bond in January 2019, the first publicly syndicated US dollar Green Bonds in Southeast Asia to be certified by the Climate Bonds Initiative.

AC Energy strives to achieve a balanced portfolio by partially selling down its thermal assets, and is committed to increasing its renewable energy portfolio to 5GW.

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 percent in the biennial Employee Engagement Survey of the Ayala group in 2017. Its results are higher than the Philippine national norm.

COMMUNITIES

AC Energy's community programs are classified under the key result areas of environment, livelihood, health and sanitation, and education. Its flagship program is a conservation estate in Bangui and Pagudpud, Ilocos Norte, which aims to preserve and enhance the ecological character of the area in partnership with the adjacent community.

STRATEGY

| STRATEGY | DESCRIPTION | 2018 PERFORMANCE | 2019 PRIORITIES |
|--|--|--|---|
| Scale up to over 1GW for each priority market | Scale up to over 1GW for each priority market | The Sidrap wind farm, the first utility-scale wind facility in Indonesia, started commercial operations in February 2018 Successfully entered Vietnam and developed 410MW of solar; Invested in two development platforms in SE Asia and Australia" | Expand in high growth regional markets: 1. Philippines, Vietnam & Australia 2. New scaleable markets - frontier markets where partners have existing exposure |
| Leverage both internal development capabilities and strategic partners | Leverage both internal development capabilities and strategic partners | Invested in development platforms with AMI Renewables of Vietnam, UPC Renewables Australia and The Blue Circle of Singapore | |
| Active recycling of capital | Employ active capital recycling initiatives to sustain growth | Entered into a share purchase agreement for the partial divestment of AA Thermal, AC Energy's thermal platform in the Philippines | Reinvest capital to enable the expansion of domestic and international renewable energy businesses |

AC INDUSTRIALS

“We continue to execute on our long-term strategy with a geographical footprint that now touches all of the world’s major markets. First, we ensure that our current operating businesses are focused and primed for future growth within their defined markets. In parallel, we have also acquired several technologies and intellectual properties crucial to the evolving mobility, connectivity, and smart energy markets, positioning us to grow into a globally relevant player in these sectors.”

Arthur R. Tan, President and CEO, AC Industrials



AC Industrials continues to build its portfolio and now houses platforms in global manufacturing, proprietary enabling technologies, and high value products for end markets.

WHO WE ARE

Established in 2016, AC Industrial Technology Holdings is the Ayala group’s fast-growing industrial technologies arm. AC Industrials invests in and manages 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., one of the Philippines’ electronics manufacturing services pioneers and now a globally leading manufacturing and technology solutions partner, and AC Automotive, the country’s largest multi-brand vehicle distribution and dealership group.

AC Industrials operates in 11 countries around the world, with the capacity to tap markets in North America, Europe, and Asia.

Through AC Industrials, Ayala targets boosting 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 industrial technology spectrum was marked by significant uncertainty in 2018, both globally and in Ayala’s home market. This was highlighted

by the United States-China trade conflict, which resulted in sizable consequences for businesses who operate within, across from, and between the world’s two largest economies. Meanwhile, the universal surge in digitalization and connectivity needs resulted in an exploding demand for the raw or processed materials required in the devices and services increasingly indispensable today. These forces, among many others, introduced further uncertainty into the already volatile global manufacturing supply chain.

On the Philippine front, the local automotive market declined 15 percent in 2018 after growing at a compounded annual rate of 16 percent over the prior seven years. The implementation of a new excise tax regime delivered a significant jolt to the system. Demand was tempered across the industry spectrum as buyers accelerated purchases to the previous year and market players implemented aggressive pricing strategies to adjust.

While these headwinds are expected to persist at least into 2019, the longer-term disruption of the mobility space remains in full force. The convergence of autonomy, connectivity, electrification, and sharing will profoundly shift the sources of profitability in the industry over the next 10 to 15 years. Furthermore, as a highly complex segment, mobility’s evolution is set to create adjoining opportunities for disruptive value creation in adjacent industries such as smart energy. These global transformations will eventually reach the mass market level even in emerging countries such as the Philippines, and otherwise leading domestic players will have to be prepared to manage – or better, fully leverage – their impact.

BUSINESS REVIEW

In 2018, AC Industrials withstood these headwinds to post ₱578 million in net income, a contraction of 53 percent versus 2017. Notwithstanding this backdrop, the Ayala group’s most global business unit continued to make significant advancements toward its vision of being a relevant player in the worldwide mobility, connectivity, and smart energy sectors.

During the year, AC Industrials operationalized several new business units across its three verticals of global manufacturing, enabling technologies, and vehicle distribution and retail. First, it acquired a controlling stake in Merlin

Solar Technologies, a Silicon Valley-based startup with pioneering photovoltaic technology, enabling potentially innovative applications in the demanding transportation, roofing, and portables environments. Second, its VIA Optronics entered into a joint venture with Japan’s Toppan Printing to develop and manufacture next-generation metal mesh touch sensors, strengthening the group’s portfolio of offerings in this space for multiple markets. Finally, AC Industrials closed the year by securing distributorship rights to the SAIC Maxus and Kia Motors brands, with operationalization of the latter – a globally leading brand well-recognized by the Filipino automotive market – already underway.

The group’s larger and more mature businesses were especially impacted by macroeconomic headwinds. IMI reported a net income of US\$45.5 million, up 34 percent versus 2017 boosted by non-operating items such as net gains from the sale of a China entity and reversal of contingent consideration related to the STI acquisition, but partially offset by impairment provisions on some offshore investments. Absent one-offs, IMI recorded profits of US\$25.8 million in 2018. Nevertheless, IMI, which ranked the 18th largest electronics manufacturing services firm in the world during the year, posted a 24 percent increase in revenues to US\$1.35 billion. Its subsidiaries Via and STI collectively recorded 61 percent revenue growth while the at-scale manufacturing service businesses grew 16 percent from the previous year. IMI punctuated this expansion with the inauguration of its 21st manufacturing site in Nis, Serbia, in October 2018.

Domestically, AC Automotive weathered both intensifying competition and the overall market’s decline to post net revenues and net income of



AC Industrials now counts Kia as its newest brand under the AC Motors portfolio.

₱21.8 billion and ₱164 million, respectively. The group attained an industry-wide market share of over four percent on the back of 16,199 automobiles distributed and sold across its Honda, Isuzu, and Volkswagen brands. The Honda and Isuzu dealership groups retained overarching leadership within their respective brands, holding network shares of 38 percent and 35 percent, respectively. In parallel, Volkswagen refreshed its product lineup with five all-new models carrying specifications and price points tailored to better compete in the Philippine market. Finally, the KTM business continued its steady growth trajectory, distributing over 2,300 motorcycles across the country and manufacturing over 6,400 units in its factory's first full year.

Even as AC Industrials and its foundational businesses navigated the macro-driven complexities of 2018, the group also continued to incubate its new, enabling technologies-focused units. Post acquisition, Merlin Solar began readying its proprietary technology for commercial applications in the transport, roofing, and portables segments. MT Technologies, in its first full year under AC Industrials, focused on internal restructuring and boosting its overall suite of capabilities, in line with priming itself for greater competitiveness in the global Tier 1 automotive manufacturing spectrum.



AC Industrials continues to pursue its long-term strategy of building an integrated and synergistic portfolio of mobility-driver businesses.

Both units also prioritized the buildup of their respective revenue pipelines, positioning them for increased stability and growth heading into 2019.

AC Industrials continues to pursue its long-term strategy of building an integrated and synergistic portfolio of mobility-driven businesses. With the rapidly transforming mobility industry as its strategic center, the group is also consequently well-positioned to expand selectively into adjacent and equally evolving sectors. Looking ahead, AC Industrials will increasingly focus on enabling synergies and scale as its larger businesses reinvent themselves and its newer businesses expand.

| STRATEGY | | | |
|---------------------|--|---|--|
| STRATEGY | DESCRIPTION | 2018 PERFORMANCE | 2019 PRIORITIES |
| Large businesses | Strengthen and support growth of IMI and our Honda and Isuzu businesses | <ul style="list-style-type: none"> IMI grew revenues to US\$1.35 billion, another all-time high Honda and Isuzu network share declined slightly to 38 percent and 35 percent respectively, but maintained lead amid overall market decline | <ul style="list-style-type: none"> Support expansion of IMI via internal and external initiatives Drive optimization & transformation of Honda and Isuzu, along with overall automotive group |
| Emerging businesses | Scale existing businesses acquired in recent years; continue to add key pieces that pioneer or deepen AC Industrials' presence in priority sectors | <ul style="list-style-type: none"> Deployed over ₱1.6 billion in capital for acquisition and operations of MT Technologies and Merlin Solar VIA optronics established VTS joint venture, acquiring metal mesh sensor technology Secured rights to distribute the SAIC Maxus and Kia brands Launched five all-new models for Volkswagen Solidified both export and domestic markets for KTM; producing over 6,400 units out of Laguna factory | <ul style="list-style-type: none"> Continue to build revenue pipelines for MT and Merlin Solar; stabilize and establish internal organization and structures Reestablish Kia in the Philippines and launch the SAIC Maxus brand Open new export markets for KTM |

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 us to create and distribute products, services, and solutions to its customers. AC Industrials has 28 plants around the world with 130+ 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 92 automotive dealerships covering five vehicle brands.

INTELLECTUAL

It dispatches an emerging suite of proprietary technologies and intellectual property for the benefit of customers and partners.

HUMAN

It has a strong base of over 19,200 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 for 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 DISTRIBUTION AND RETAIL

It partners with multiple OEM brands to competitively source and distribute a broad, complementary, and integrated selection of vehicles for its customers.

THE VALUE WE CREATE

INVESTORS AND SHAREHOLDERS

It provides growing shareholder returns that are diversified by the sectoral and geographic scope of its portfolio.

- 2018 group net income of ₱578 million
- 2018 IMI revenues of US\$1.35 billion, net income of US\$46 million
- 2018 AC Auto revenues of ₱22 billion, net income of ₱164 million

EMPLOYEES

Its global employee base is able to build meaningful, long-term careers that 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.

- 31 million units of products for automotive industry
- 746 million units of products for smart energy applications
- 56 million units of products for connectivity applications
- 21,278 vehicles distributed and sold, with majority share within the brands it distributes

GOVERNMENT AND POLICYMAKERS

It champions the development of quality manufacturing in the markets it operates in, in support of government thrusts to promote the sector as a pillar of national development. It lives this out by prioritizing, investing and locating in its home country of the Philippines, utilizing key frameworks and programs like the Motor Vehicle Development Program, the latest Investment Priorities Plan, and the Philippine Economic Zone Authority.

AC INFRASTRUCTURE

“AC Infra is looking to meet the infrastructure needs to support an increasingly digital economy, while continuing to develop projects that will address current and future challenges in moving people and goods across the archipelago.”

Jose Rene Gregory D. Almendras, President and CEO, AC Infrastructure



Since assuming operations and maintenance functions of LRT1 in 2015, Light Rail Manila Corporation has invested over ₱10 billion to upgrade the system, resulting in a more comfortable and reliable riding experience.

WHO WE ARE

AC Infra invests in developing both traditional large-scale infrastructure and in technology-based soft infrastructure solutions to meet the country's urgent need for efficient, reliable, safe, and sustainable modes of transportation to move people, goods, and services.

Our portfolio of projects in the rail, toll road, and cashless payment solutions all operate under its respective government concession and serve the commuting and motoring public who live and work in Metro Manila and nearby provinces. In 2018, AC Infra ventured into the logistics and fulfillment solutions space with its investment in Entrego, which it intends to expand in the coming years to support a rapidly growing digital economy.

Our ability to steward and lead projects from its development, implementation, operations and maintenance is our key advantage. As a wholly-owned subsidiary of Ayala Corporation, AC Infra builds on Ayala's reputation and track record of excellence in developing and sustainably managing large-scale projects.

MARKET OUTLOOK

Inclusive infrastructure remains an urgent need to enable the Philippines to further its economic gains and to improve its competitiveness globally and in the ASEAN region.

In the 2017 Transport Infrastructure Roadmap Study for Mega Manila released by the Japan International Cooperation Agency (JICA), it is estimated that the Philippines loses approximately ₱3.5 billion daily due

to the traffic situation in Metro Manila. The study also predicts that Mega Manila will become one of the largest mega cities in the world by the year 2035, but also among the most congested.

With billions of pesos lost each day due to poor infrastructure and connectivity in urban and suburban areas, the need to invest in solutions to improve transportation and logistics remain a top priority. Emerging opportunities for Ayala, as well as the growth of many SMEs, are anchored on having a highly-efficient, reliable, seamless, and affordable platform to move goods across the archipelago.

BUSINESS REVIEW

AC Infra continues to seek opportunities and propose new projects to support the government's aggressive infrastructure push, while ensuring that its current portfolio of operating projects further improve on its service and performance.

AC Infra's view of infrastructure goes beyond the traditional definition as it looks for opportunities beyond the public sector. Infrastructure is likewise needed to support new and innovative business models and accelerate its growth.

Entrego Fulfillment Solutions

AC Infra entered the logistics and fulfillment solutions industry to capture the growing opportunities in e-commerce through its investment in Entrego, a 60-40 joint venture, respectively, with Brillant 1257 GmbH & Co., Vierte Verwaltungs Kg, an affiliate of ZALORA. Entrego was a carve-out of Zalora Philippines' in-house logistics platform following the Ayala group's acquisition of Zalora, one of the fastest largest e-commerce companies in the country. AC Infra's investment in this sector is part of its broader thrust to enhance the mobility of people, goods, and services across the country.

Entrego enables businesses to manage their B-to-C and B-to-B logistics and fulfillment needs by providing customized end-to-end solutions initially for courier express parcel delivery requirements of its clients. Its technology backbone enables real-time tracking of shipment, providing clients visibility throughout the delivery process. Entrego provides value-added services through reporting

and performance analytics that aid its clients in making valuable business and operational decisions. AC Infra has invested ₱250 million since Entrego started operations in 2018. This has allowed Entrego to expand its presence nationwide with 54 hubs covering 95 percent of the country. AC Infra has committed up to ₱580 million over the next few years to support its planned growth and expansion.

In 2019, Entrego will open its service offerings in domestic freight forwarding as well as contract logistics and warehousing. It has begun plans to build a multi-use fulfillment facility south of Metro Manila, which is expected to be operational by 2020.

Light Rail Manila Corporation

Since assuming operations and maintenance functions in 2015, Light Rail Manila Corporation has invested over ₱10 billion to upgrade the LRT 1 system resulting in a more comfortable and reliable riding experience.

The number of Light Rail Vehicles increased to 112 units as of end-2018 from an initial 77 units in September 2015. With more trains and more trips, peak-hour cycle time improved by three percent in 2018. Average daily ridership grew to 458,000 passengers per day in 2018, a five percent increase from 2017's daily average. LRMCA recorded its highest single-day ridership on December 9, 2018 with 613,127 passengers—the highest in the history of LRT 1.

MCXI

Average annual daily traffic at the Muntinlupa-Cavite Expressway for 2018 was 32,300 vehicles, 11 percent higher year-on-year. This increase was in line with the projected growth in vehicular traffic and is expected to grow steadily in the coming years.

AF Payments, Inc.

An average of 600,000 commuters use the beep™ card daily in various beep-enabled mass and public transportation services, which consist of all three Metro Manila rail lines (LRT 1, LRT 2 and MRT 3), 15 bus operators with 279 units, and three e-jeepney and e-tricycle operators with 50 units as of end 2018.

The beep™ payment platform expanded its network of transportation partners outside Metro Manila. The beep™ card was rolled-out in Cebu with its partner,

Topline Marina, a commuter ferry servicing the Cebu-Mactan channel; and in Mindanao with General Santos-based Husky Buses for its 29 buses travelling the General Santos-Cotabato route.

Partnerships with Chinabank, coins.ph app, and the introduction of stand-alone loading kiosks provided more convenient loading options for beep™ card users, bringing the total network of beep’s top-up locations to almost 350 physical locations on top of its app-based and over-the-air loading facilities.

Proposals Submitted to the Philippine Government

AC Infra, through consortiums it is part of, continues to pursue strategic opportunities to work with government on projects that address critical infrastructure gaps in the Philippines.

NAIA Rehabilitation

The Department of Transportation and the Manila International Airport Authority have granted to the “NAIA Consortium” the Original Proponent Status for its proposal to rehabilitate, upgrade, expand, operate, and maintain the Ninoy Aquino International Airport for 15 years. The consortium aims to expand NAIA’s capacity to close current gaps and to meet the anticipated growth in passenger traffic from the Philippines and the Asia-Pacific region.

The ₱102 billion proposal involves upgrading, expanding, and interconnecting the existing terminals of NAIA, upgrading airside facilities for efficient airline operations, developing commercial facilities to enhance the passenger experience, and elevating the status of NAIA as the country’s premier international gateway.

National Identification Infrastructure

A consortium composed of AC Infra, Unisys Philippines Ltd., and Aboitiz InfraCapital submitted an unsolicited proposal to the Philippine Statistics Authority in August 2018 to help government accelerate the implementation of the National ID law.

The consortium seeks to provide the PSA with a future-proof, digital national identification

infrastructure to equip the country and its citizens for the future and to enable all Filipinos to participate in the digital economy. The proposed system shall be the foundation for a robust, secure and efficient ecosystem to enable Filipino citizens to easily access government and financial services within the digital economy, while preventing fraud.

| STRATEGY | | | |
|---|--|--|---|
| STRATEGY | DESCRIPTION | 2018 PERFORMANCE | 2019 PRIORITIES |
| Ensure high levels of efficiency for operating companies under government concessions | Ensure high levels of efficiency for operating companies under government concessions Deliver consistent level of service and continue to exceed key performance indicators for operating toll, rail, and payment companies | MCX Tollway, Inc. • Average annual daily traffic at 32,992 vehicles, a 19.5 percent increase from 2017 AADT | • Annual average daily traffic to reach 35,000 |
| | | Light Rail Manila Corporation • Number of functioning Light Rail Vehicles (LRVs) increased to 112 as of end 2018 from an initial 77 • Improved peak-hour cycle time by three percent in 2018 • 458,000 average daily ridership for 2018 compared to 435,000 in 2017 | • Replacement of system-wide CCTVs • Commence upgrade of radio system • Improve passenger experience and feedback |
| | | AF Payments Inc. • Expanded network as of end 2018: 15 bus operators with 279 units; 3 jeepney and e-tricycle operators with 50 units • Expanded into Visayas and Mindanao | • Expand to 1000 beep-enabled bus and jeepney units by end-2019 |
| Propose strategic projects to government | Selectively pursue government projects to address the country’s urgent infrastructure needs | Secured Original Proponent Status for the NAIA rehabilitation project Submitted unsolicited proposal for the national ID system to the Philippine Statistics Authority | Secure NEDA Board approval and undertake Swiss Challenge |
| Expand portfolio of “soft infrastructure” business | Identify opportunities and develop a pipeline of “soft infrastructure” projects to support the growth of new and disruptive business models | Set-up organization and commenced commercial operations for Entrego | Launch Entrego’s C2C platform Expand client base for freight forwarding |

| OUR CAPITALS | HOW WE CREATE VALUE | THE VALUE WE CREATE |
|--|---|--|
| <p>FINANCIAL A strong balance sheet and strategic capex investments funded by Ayala</p> <p>MANUFACTURED Continued improvement in the operating efficiencies of LRT-1, MCX, and beep™</p> <p>INTELLECTUAL Experience and track record in putting together PPP project proposals for toll road, rail, and airport infrastructure</p> <p>HUMAN A team with a diverse and complementary set of skills that can steward projects from inception to development to operations</p> <p>SOCIAL AND RELATIONSHIP Wide spectrum of local and foreign project partners with complementary knowledge and expertise. Supportive partnerships with public sector stakeholders.</p> | <p>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.</p> <p>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.</p> <p>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.</p> | <p>CUSTOMERS Travel time is reduced for motorists and train passengers. In 2018, MCX served an average of 32,992 motorists daily, saving 8-10 minutes of their travel time</p> <p>LRT 1’s average daily ridership increased to 458,000 in 2018 compared to 435,000 in 2017 due to extended operating hours and improved headways</p> <p>Expanded non-rail network as of end 2018: 15 bus operators with 279 units; three jeepney and e-tricycle operators with 50 units; entry into Visayas and Mindanao</p> <p>Entrego reached more than 28,000 barangays across the country</p> <p>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</p> <p>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</p> |

AC HEALTH

“At AC Health, we are driven by our vision and advocacy of improving healthcare for all. We are excited about continuing our expansion in retail health and investing in new innovative models that offer better healthcare for more Filipinos.”

Paolo Maximo F. Borrromeo, President and CEO, AC Health



FamilyDOC is now the largest chain of primary care clinics in the country, with a total of 54 clinics at the end of 2018.

WHO WE ARE

AC Health is the portfolio company of Ayala for its healthcare business. AC Health builds, invests, and connects various healthcare businesses to develop an integrated ecosystem for a seamless healthcare experience. AC Health aims to address the unmet need for accessible, affordable, and quality healthcare. Its vision is to build an integrated healthcare ecosystem, providing products and services across the continuum of care.

AC Health's retail health portfolio includes Generika Drugstore, the pioneer in the retail sale of generic medicines and FamilyDOC, the country's largest chain of retail primary care clinics.

AC Health launched its own technology arm, Vigos Health Technologies, which builds and invests in various healthtech products and services. Vigos developed an electronic medical record system called Vigos EMR and a corporate health mobile solutions platform, Vigos Care. Vigos also invests in health technology startups, such as MedGrocer, an FDA-licensed ePharmacy, and AIDE, a digital home health platform.

At the end of 2018, Generika Drugstore had over 816 branches nationwide, while FamilyDOC had 54 clinics, located in the Greater Metro Manila Area, including Cavite and Laguna, and in the cities of Parañaque, Las Piñas, Pasig, Taguig, Quezon City, Marikina, Caloocan, and Valenzuela.

As a portfolio company, AC Health's goal is to build strong business partnerships, and to work in collaboration with different sectors of the healthcare industry, including the private sector, the government, and the academe.

AC Health's competitive advantage is in its strong retail health footprint, that enables it to provide last-mile access to consumers. It is also focused on ensuring integration and creating synergies among its healthcare companies, and across the broader Ayala group. It utilizes innovative products, services, and business models, including health technology solutions, to address the needs of its patients and customers for quality, affordable, and accessible healthcare.

MARKET OUTLOOK

The year 2018 was eventful for the Philippine healthcare industry, as several landmark healthcare bills gained traction, including the Universal Healthcare (UHC) Bill and the Cancer Control Bill. Both were eventually signed into law in February 2019.

Under the UHC Act, primary care facilities will play an integral role. The UHC explicitly aims to increase primary care coverage for Filipinos. The private sector has the opportunity to play a strong role in UHC, specifically in creating service delivery networks that augment the public healthcare system. Recognizing this, there is a renewed interest in the industry in building healthcare facilities. FamilyDOC is well-positioned to become one of the first accredited primary care providers, considering its reach and scale as the largest retail primary care chain in the country.

The UHC Act also expands PhilHealth benefits to include medicines, and mandates availability of generic equivalents for essential medicines in all pharmacies. This is expected to bolster the continued growth of the generics medicine space, where Generika continues to demonstrate strong growth, outpacing the industry.

There continues to be much activity in the hospital space, with interest from both local and foreign players. The local landscape continues to be

fragmented, with few hospital networks of scale. The challenge will be in finding hospital partners that share AC Health's vision, and would integrate well into its retail health ecosystem. Apart from general hospitals, there is also an opportunity to set up specialty centers, particularly in oncology, where there is huge gap in screening, treatment, and diagnosis due to lack of facilities, and issues on quality and affordability.

Globally and locally, people are seeking value-for-money, thus, businesses are keen to focus on value-based models. Affordable models such as Generika and FamilyDOC, continue to gain a strong following among the middle class who are looking for quality yet affordable options for healthcare. Meanwhile, health technology products and services will continue to disrupt the industry, with more companies utilizing data analytics.

Overall, healthcare continues to be an area of growth, and we anticipate continued demand for quality, affordable, and accessible healthcare.

BUSINESS REVIEW

AC Health continues to establish its presence as a key player in the Philippine healthcare industry, through its rapid expansion in retail health and health technology, with future planned investments into hospitals and specialty care. It has also differentiated itself in the industry with its advocacy of improving healthcare for all through its healthcare ecosystem.

Generika Drugstore, which celebrated its 15th year in 2018, grew its network to 816 stores nationwide, after opening 96 new stores in 2018. Apart from store expansion, Generika also aims to broaden its portfolio of medicines, introducing new medicines under its Actimed and Nutrawell house brand lines.

FamilyDOC is now the largest chain of primary care clinics in the country, with a total of 54 clinics at the end of 2018. It has expanded to central, northern and southern Greater Metro Manila, with clinics opened in Caloocan, Valenzuela, Marikina, Quezon City, and Laguna. Apart from its original 3-in-1 format combining a clinic, a diagnostic facility,

and a pharmacy, it now offers specialized diagnostics such as 2D echo and obstetric and gynecological sonography, in response to the needs of its patients. Since its establishment in December 2015, FamilyDOC has served over 240,000 unique patients. It now employs over a hundred doctors, who are undergoing an accredited in-house Family Medicine Residency Program, which is the largest in the country. In addition, it has almost 300 allied health professionals in the FamilyDOC system.

In 2018, AC Health established its in-house technology arm, Vigos Health Technologies. Vigos now houses technology product development and AC Health's start-up tech company investments. Vigos piloted Vigos Care, a corporate mobile health solutions platform that enables management of personal and corporate health records. Vigos also invested in Tikehau, a Singapore-based health fund, and in AIDE, a digital home health platform.

Vigos aims to offer its VigosEMR and VigosCare health app to more healthcare providers and corporate clients. It also continues to seek out high potential health technology startups that could be integrated into the AC Health ecosystem.

In 2019, AC Health will continue to focus on expanding its retail health footprint. It aims to expand its pharmacy network nationwide organically, through Generika, and inorganically, through investments into other regional pharmacy chains. In primary care, FamilyDOC aims to expand to 80 clinics in the Greater Metro Manila Area, including opening new store formats in central Manila. Furthermore, AC Health is exploring innovative specialty care center formats, specifically in oncology. It is also looking to expand into general hospitals in order to complete the continuum of care from its retail health network to more specialized tertiary care.

| STRATEGY | | | |
|---------------------------------------|---|--|---|
| STRATEGY | DESCRIPTION | 2018 PERFORMANCE | 2019 PRIORITIES |
| Expand Retail Pharmacy Network | Expand pharmacy network to over 1,000 stores nationwide by 2020 | Generika ended 2018 with 66 net new stores, total of 816 stores | <ul style="list-style-type: none"> Over 900 stores by end 2019 Expand Actimed and Nutrawell house brand medicine lines Invest in strong regional retail pharmacy players |
| Build FamilyDOC Clinic Network | Build the largest network of retail primary care clinics | Total of 54 clinics | <ul style="list-style-type: none"> Total of 80 clinics Explore new clinic formats in Metro Manila |
| Invest in Health Technology Solutions | Invest in healthcare technology solutions to improve efficiency, integration, and reach <ul style="list-style-type: none"> Build portfolio of in-house health technology solutions Invest in high potential health technology | <ul style="list-style-type: none"> Launched Vigos Health Technologies under AC Health Invested in Tikehau Fund and AIDE App Launched Vigos Care App | <ul style="list-style-type: none"> Launch Vigos products at Ayala Group Expand portfolio of health technology solutions |
| Build Healthcare Portfolio | Build a healthcare ecosystem across the continuum of care | <ul style="list-style-type: none"> Built relationships with like-minded partners in the pharmacy, hospitals, and specialty space | <ul style="list-style-type: none"> Expand pharmacy portfolio Invest in hospitals and specialty care |

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 816 branches nationwide, and growth of FamilyDOC to 54 clinics, by end of 2018.

INTELLECTUAL

Various intellectual capitals grouped in three categories:

- Products and services: Certificates of Product Registration for medicines, and medical service and training protocols
- Brands: AC Health, FamilyDOC, and Generika
- Technology and analytics: ePharmacy (MedGrocer), Electronic Medical Record and clinic information system (Vigos EMR), corporate health management platform (Vigos Care), and home health platform (AIDE)

HUMAN

Pool of medical, non-medical, and health IT professionals, which includes 20 employees from AC Health, 1026 employees from Generika, 890 employees from FamilyDOC, 57 employees from MedGrocer, and 28 employees from AIDE.

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 through its technology arm, Vigos. Vigos develops digital solutions, such as an Electronic Medical Record and clinic information system (Vigos EMR), and a corporate health management platform, (Vigos Care). Vigos also invests in startup tech companies, such as MedGrocer, an FDA licensed e-pharmacy, and AIDE, a home health platform. AC Health is also investing in specialty centers and hospitals.

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 such as pharmacies, clinics, hospitals, specialty centers, and health technology, with a strong emphasis on building a retail health network.

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 percent savings as compared to branded counterparts, Generika is also active in promoting health and wellness at the community level and offers additional in-store services like free blood pressure check, a medicine guide, and scheduled free consultations.

FamilyDOC has served a total of over 240,000 unique patients as of end-2018. It is also active in advocating primary care and preventive health and wellness through its community events, such as the Kalusugan Caravan. FamilyDOC also offers services targeted to specific patients, including those who have chronic diseases, such as Diabetes. It also sells Unli Konsulta Card, an institutional product aimed at providing healthcare access to cooperatives, and small and medium enterprises.

Meanwhile, MedGrocer was able to serve 6,300 unique patients through its medicine delivery service, and 460,000 employees through its corporate clinic management platform. Vigos' newest investment, AIDE, was able to provide quality home healthcare services to its over 250,000 subscribers.

AC EDUCATION

“AC Education remains committed to reinventing education to significantly improve access to compelling career opportunities. Student outcomes and employability continue to be our top priorities as we scale up, both organically and through M&A.”

Alfredo I. Ayala, President and CEO, AC Education



AC Education's Professional Employment Program is designed to immerse graduating students in a professional working environment to increase their chances of immediate employment.

WHO WE ARE

AC Education is the holding company for Ayala's investments in education. Our vision is to empower Filipino families by delivering affordable, quality education that enables significantly improved employability for our high school and college graduates. We achieve this through proprietary student value-add programs, systematic teacher training, professional management operations, and strong industry partnerships.

The Affordable Private Education Center Schools or APEC Schools began in 2013 with one school site and 130 students. Since then, it has scaled up to become the largest chain of stand-alone affordable, private high schools with 23 branches across Mega Manila

and over 18,000 students. APEC offers Junior High School and Senior High School with an innovative and progressive approach to both learning and employability, at an affordable price point.

In 2015, AC Education invested in University of Nueva Caceres, which provides basic and higher education to approximately 8,500 students at its campus in Naga City, Camarines Sur. Founded 70 years ago, UNC is the oldest university in the Bicol region.

In 2018, the National Teachers College became part of AC Education. Founded 90 years ago, NTC is the pioneering private institution for teacher education in the country. It has approximately 12,000 students in basic and higher education, combined.

MARKET OUTLOOK

The Philippine education industry continues to be highly regulated and fragmented. According to the Commission on Higher Education, in school-year 2017-2018, there were 2,353 higher education institutions in operation serving almost three million students, with 71 percent of the HEIs privately owned, serving almost 1.6 million students.

The past year marked two positive developments for the sector. Firstly, it was the year when senior high schools graduated their first batch of grade 12 students and subsequently, all tertiary education institutions welcomed their first freshman cohort since 2015.

Secondly, the government allotted ₱16 billion for the Tertiary Education Subsidy to help about 300,000 students. In December 2018, CHED, the Unified Student Financial Assistance System for Tertiary Education, and leaders of private tertiary education institutions, signed a Memorandum of Agreement to implement the subsidy. This is a welcome development, as it provides a yearly subsidy of ₱40,000 to ₱60,000 that may be used by students to cover costs for tuition and school fees, supplies, lodging, and other related expenses at private schools.

BUSINESS REVIEW

APEC Schools continues to grow its presence in Metro Manila, Rizal, Cavite, and Batangas. Its student population grew 12 percent to over 18,000 students in 2018. It also graduated its first grade 12 cohort of 1,999 students in June. Affordable and quality remain to be the key thrusts of APEC. In senior high school, for example, out of pocket costs remained accessible at ₱10,000 per year, on top of the government voucher. For this amount, each student experiences APEC's innovative and progressive learning curriculum, which includes English immersion, IT literacy, and employability skills. Of APEC's approximately 800 students who applied to schools with selective college entrance tests (e.g., Ateneo, FEU Tech, La Salle, PLM, PUP,

UP, UST), 53 percent of students intending to pursue tertiary education passed their selective college entrance tests. On the other hand, of those students who opted to pursue work immediately after senior high school, 92 percent received job offers within 120 days at an average monthly salary of over ₱15,500 which is competitive with the starting salary of college graduates.

UNC grew its enrollment by six percent to approximately 8,500 student enrollees in school year 2018-19 despite the lack of sophomore and junior students due to the K-12 transition. UNC offers K-12 and university education, with the latter offering degrees in arts and sciences, business and accountancy, computer studies, criminology, education, engineering and architecture, graduate studies, law, and nursing.

Student outcomes remain to be the core of UNC education. In 2018, the university's graduates performed well in the board exams, particularly in engineering and architecture, where UNC continued to be one of the top performing schools in Bicol.

The Professional Employment Program, a program designed to place graduating students in a working professional environment to enhance their potential for immediate employment, continues to help UNC students achieve starting salaries significantly higher than the norm. Seventy-five percent of those who finished PEP found work within 90 days and achieved a salary of more than ₱16,700, which is considerably higher than the average wage in Bicol.

AC Education also continues to expand its reach and platform through mergers and acquisitions. In April 2018, AC Education finalized its acquisition of the National Teachers College.

In addition, in October 2018, Ayala and House of Investments approved the merger of AC Education and iPeople, the holding company of the Yuchengco Group's education assets. The merger will create one of the leading education groups in the country,

¹Source: <https://ched.gov.ph/2018-higher-education-facts-and-figures/>

²Source: <https://news.mb.com.ph/2018/12/20/ched-signs-agreement-with-schools-on-tertiary-education-subsidy/>

³For first-time board exam takers

with approximately 60,000 students. The merger will bring together the seven educational institutions of iPeople and AC Education, including APEC, UNC, NTC, and Malayan Education System Inc., under one roof (including Mapua University, one of the country's leading engineering and technical

universities, a world-ranked QS-3 star university and the school with the most CHED Centers of Excellence in Engineering). The merger has received clearance from the Philippine Competition Commission and is awaiting approval of the Securities and Exchange Commission.

| STRATEGY | | | |
|-------------------|--|---|--|
| STRATEGY | DESCRIPTION | 2018 PERFORMANCE | 2019 PRIORITIES |
| Enrollment | Increase student population through strong academic and employment outcomes and by forging partnerships | <ul style="list-style-type: none"> APEC: over 18,000 students, up 12 percent UNC: ~8,500 students, up six percent NTC: ~12,000 students, up 21 percent | Continued growth in enrollment |
| Employability | Improve employability of graduates through the employer partner network | <ul style="list-style-type: none"> APEC: 92 percent of those looking for employment have job offers within 120 days UNC PEP: 75 percent are employed within 90 days | <p>All Institutions: Maintain/improve employability results (speed to employment and starting salaries)</p> <p>NTC: determine baseline employability scores + implement student value adds</p> |
| Academic efficacy | Improve learning outcomes as measured by performance in standard diagnostic, entrance, and licensure exams | <ul style="list-style-type: none"> APEC: Improvement in English (6.43 percent) and Math (11.65 percent) scores. 53 percent passing rate in selective schools UNC: Consistently surpassed national board passing rates in five out of its six colleges | <ul style="list-style-type: none"> APEC: Continuous improvement in English and Math scores; higher passing rate in selective schools UNC: Continue track record of surpassing national overall board passing rates. NTC: Introduce student value-adds to improve outcomes |

OUR CAPITALS

FINANCIAL

Capital from Ayala and its partners to support increase in capacity, transform facilities, integrate technology, and strengthen human capital

MANUFACTURED

Facilities, technologies 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
 NTC: One-hectare campus in Manila

INTELLECTUAL

Curriculum that is progressive, constructivist, learner-centered, collaborative, outcomes-based, integrated with technology, with strong English emphasis and employability, and aligned with regulatory requirements

In-house developed programs for student development

HUMAN

Faculty and staff who are competent, nurturing, forward-thinking, constantly learning, engaged, and motivated

SOCIAL AND RELATIONSHIP

Strengthened relationships and reputation with students, alumni and their families, partner schools, employees, neighboring communities, partner schools, private school associations, regulators, accreditors and other stakeholders

HOW WE CREATE VALUE

MARKETING, SALES AND EXPANSION

Increase student population by:

- 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
- Leveraging strong brands in Mega Manila and Bicol
- 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, including employer inputs into curriculum, internships and immersions

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

- APEC had about 18,000 high school students and approximately 2,000 graduates, for its first cohort of senior high school students
- UNC had about 8,200 students from basic to higher education; it had over 750 graduates in college
- NTC, which was acquired by AC Education in April 2018, surpassed enrollment records by having more than 12,000 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

AC VENTURES

“We made follow-on investments in our fintech, artificial intelligence, and e-commerce companies as well as commitments to ventures focused on the growing ASEAN technology sector. A number of our investments are showing impressive growth and financial traction and we plan to scale up our investment activities to seek technologies that will complement Ayala’s varied business interests.”

Jose Teodoro L. Limcaoco, President and CEO, AC Ventures



Zalora is bridging the online to offline experience by leveraging synergies with Ayala Malls.

WHO WE ARE

As Ayala continues to explore new opportunities and industries, it formed AC Ventures in 2017 to bring together its pockets of strategic investments. AC Ventures aims to be an enabler by investing in adjacent businesses that are complementary to Ayala’s existing business units and a pathfinder by investing in new sectors, emerging trends and innovative businesses. Through AC Ventures, Ayala intends to embrace disruptive technologies and business models as it endeavors to grow its existing businesses and explore new business verticals.

AC Ventures makes offshore investments through AG Holdings. Over the past several years, Ayala has been using AG Holdings to invest in real estate in the US and Asia. With the establishment of

AC Ventures, the mandate of AG Holdings has evolved into being the vehicle for AC Ventures’ international investments.

On the other hand, AC Ventures also makes direct strategic investments in local opportunities. It currently has a 43.9 percent stake in Zalora Philippines, the country’s 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, opening up new business opportunities to provide better products and

services that would be simpler and more accessible to a broader consumer market. Big data, artificial intelligence, edge computing and internet of things are some of the technology trends that could disrupt existing industries, including those where Ayala operates. AC Ventures aims to future-proof Ayala by peering into new technologies and business models and invest in relevant disruptive businesses.

According to a 2018 study by Google and Singapore sovereign fund Temasek, Southeast Asia’s digital economy is expected to triple in size to reach US\$240 billion by 2025 amid higher-than-expected growth in the e-commerce, ride hailing, online media, and online travel sectors. The region already has 350 million internet users across its six largest countries, namely Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam. This number is expected to grow further as more consumers connect to the Internet via their smartphones.

The internet economy in the Philippines (US\$5 billion in 2018, 30 percent CAGR 2015-2018) remains to be in its infancy stage. Despite having the second largest internet user base of 75 million users in Southeast Asia, the Philippines continues to be faced with challenges such as speed and affordability of internet access and the insufficient adoption of digital payment solutions. A recent Google Survey suggests that less than one in two internet users in Southeast Asia has adopted digital payment services, with adoption as low as one in five users in the Philippines. Thus, companies like Globe through its subsidiary Mynt, continue

to invest in fintech platforms to improve digital payment solutions and incentivize adoption among users.

BUSINESS REVIEW

During the year, AC Ventures overweighted its investments in adjacent businesses that are complementary to Ayala’s existing businesses, particularly in emerging trends and technologies.

AG Holdings

In 2018, AG Holdings’ investment in ARCH Funds realized valuation gains of US\$13.3 million.

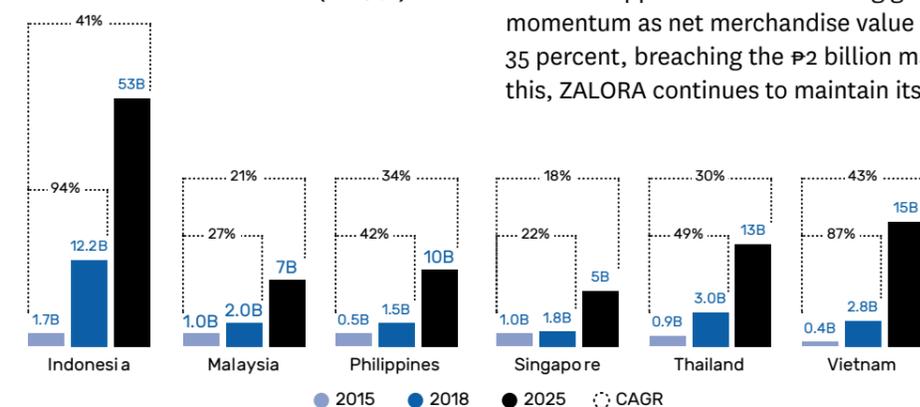
In addition to its real estate portfolio, AG Holdings invested in various funds that would serve as windows to disruptive technologies, evolving trends, and new markets. In 2018, AG Holdings executed a partnership agreement with IKHLAS Capital, an ASEAN-focused Private Equity Fund. This is in addition to AG Holdings’ existing investments 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.

AINA, AG Holdings’ North American subsidiary, continues to have exposure in the US real estate sector through investments made with the Sares Regis Group, a real estate management company with 18,750 apartment units under management across the US west coast.

Zalora

ZALORA capped 2018 with a strong growth momentum as net merchandise value grew 35 percent, breaching the ₱2 billion mark. Alongside this, ZALORA continues to maintain its customer

SEA e-COMMERCE MARKET SIZE (GMV, \$B)



Source: e-Economy SEA 2018, Google and Temasek

centric approach by bridging the online to offline experience through strengthened synergies with Ayala Malls, by continuously increasing the breadth of the offerings from both a product and brand standpoint, and by sustained customer engagement through partnerships. In parallel, the company has been relentlessly pursuing operational efficiency with the spin-off of its last mile logistics business to what is now known as Entrego.

Mynt

With the continued rapid adoption of smartphones and growing lifestyle embedded in technology, Mynt saw its active customer base grow threefold in 2018 driven by aggressive acquisition via digital social media platforms, widened network of partners and merchants – both offline and online – and enhanced value proposition across all customers. Through its operating subsidiaries, GCash and Fuse, reveals that more users are gravitating towards mobile payment for their financial interactions.

In the effort to advance financial inclusion for all, the GCash app launched its new features GCredit and GInvest, enabling users to have personal credit lines and investments as low as ₱50. Users can



Mynt sees more users are gravitating towards mobile payment for their financial interactions.

now also transfer funds from their mobile wallet to over 30 banks free of charge through partnership with Instapay. Inspired by innovation, Mynt is continuously exploring ways to provide financial solutions that are accessible and relevant to every Filipino consumer.

| STRATEGY | | | |
|--|--|---|--|
| STRATEGY | DESCRIPTION | 2018 PERFORMANCE | 2019 PRIORITIES |
| Enable new opportunities for the Ayala group | Invest in adjacent businesses complementary to the Ayala group | Increased equity stake in Wave Computing and made strategic investments in ANT Financial's Series C funding round, Arch Capital fund IV and Sares Regis Group's Multifamily Fund IV | Continue to look out for disruptive trends, explore new investment opportunities globally, and forge new strategic 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 |

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 talent 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, forges strategic 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 introduces 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 insights and alternative solutions to Ayala's traditional brick and mortar operations.

THE VALUE WE CREATE

AYALA GROUP

Explore innovative trends and business models that could improve cost-efficiency, customer engagement, data-driven insights

Introduce business model innovations and sustainable products and services for 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)

AYALA FOUNDATION

“In 2018, Ayala Foundation pushed for “compassion in action” through improved people and processes, as we continued to align, focus, and innovate in creating impact and value in partnership with the conglomerate to better serve our communities and ultimately the country.”

Ruel T. Maranan, President, Ayala Foundation



The lessons of national heroes were made accessible through the Diorama VR videos at the Ayala Museum.

WHO WE ARE

Ayala Foundation is the social development arm of the Ayala group. It develops, implements, and sustains programs in education, community leadership, suitable and 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 2018, its programs are directly implemented in 37 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 also accredited with the Department of Social Welfare and Development, and has secured from the Bureau of Internal Revenue a certificate of tax exemption for grants and donations.

MARKET OUTLOOK

Founded as Filipinas Foundation in 1961, Ayala

Foundation was among the first corporate foundations in the country. Today, corporate foundations are numerous, and work hand-in-hand with businesses to undertake community outreach and other corporate social responsibility activities.

The civil society sector in the Philippines has frequently been cited as one of the most well-developed and institutionalized in the world. CSOs are cited for their role in championing improvements in the delivery of social services, as well as advocating greater social and economic participation among the poor and underserved.

Based on 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 nonprofit sector is constantly under scrutiny, especially when it comes to the use of funds and other resources. This is why CSOs emphasize greater transparency and accountability, particularly in matters of corporate governance and financial disclosure.

As the social development arm of the Ayala group of companies, Ayala Foundation continues to align its initiatives with the needs of its stakeholders and focus on centerpiece programs to make an impact on the lives of the people it serves.

Ayala Foundation continued its journey to become an acknowledged expert in community development, introducing our #BetterTogether framework. As the trusted partner in empowering communities, it strengthened its presence as agents of inclusivity and inspiration through programs in social development as well as in arts and culture.

The Ayala group continues to deploy synergies across the various businesses to create greater impact on its social development initiatives. The group-wide corporate social responsibility initiative #BrigadangAyala mobilized nearly 5,569 volunteers from 64 business units and partner organizations. This reached 130 public elementary schools, 1,300 teachers, and 39,000 students.

This initiative led to the launch of Ayala Community for Social Impact, which harnesses the diverse

strengths, resources, capabilities, and talents of the group and engages Ayala businesses and communities for opportunities to address social problems.

Ayala Foundation continued to expand its footprint in various communities. Through the ProFuturo education program, it reached 31 schools in its first year and is set to expand to 94 elementary schools in the Mimaropa Region (Oriental and Occidental Mindoro, Marinduque, Romblon, and Palawan), providing at least 12,730 students access to engaging educational content through technology.

Technology being an important driver for education, CENTEX and Ayala Museum livestreamed an innovative science, technology, engineering, arts, and mathematics training for over 1,000 teachers from 10 sites nationwide. Dubbed Inspire Every Day: Teachers' Edition, this served as an initial step in harnessing the power of technology to contribute to the improvement of education in the country.

Our community of young leaders continued to grow through Leadership Communities. We wrapped up the successful Bangsamoro Young Leaders Program in ARMM, and the LeadCom Bulig Bisaya in Carles and Estancia, Iloilo, and launched new partnerships in Anilao, Iloilo, and Butuan City. Sari-Saring Aralan, which serves out-of-school youth, was piloted in Tondo, Manila in partnership project with the Rotary Club of Manila.

In arts and culture, the priceless lessons of national heroes were made accessible through the Diorama VR videos of the Ayala Museum, which featured Dr. Jose Rizal, Andres Bonifacio, and Emilio Aguinaldo. In addition, Ayala Foundation's exhibit on Philippine jails "Bursting at the Seams" was recognized by the prestigious Living Cultural Destinations Awards as the best under the Soft Power Cultural Activation category.

| PROGRAM SPENDING 2018 (AUDITED) (IN MILLION PESOS) | | |
|---|-------|-------------|
| Education | 48.3 | 16 percent |
| Community Leadership | 22.5 | 7 percent |
| Suitable and Sustainable Livelihood | 24.2 | 8 percent |
| Arts and Culture | 124.6 | 40 percent |
| Special Projects | 47.3 | 15 percent |
| Corporate Support | 43.7 | 14 percent |
| | 310.7 | 100 percent |

| STRATEGY | | | |
|---|---|---|--|
| STRATEGY | DESCRIPTION | 2018 PERFORMANCE | 2019 PRIORITIES |
| Strengthen alignment with the Ayala group | Building and nurturing relationships with the Ayala group through program partnerships | Built on success of previous initiatives involving the Ayala group, while also establishing new ones <ul style="list-style-type: none"> Launched the Ayala Community for Social Impact in partnership with AC Synergy as an initiative to synergize CSR and development initiatives across the group Mobilized 5,699 volunteers from across the group and beyond for Brigadang Ayala 2018 Implemented various partnership projects with other Ayala business units | Continue strong alignment with the Ayala group, particularly Ayala CSI's footprint in volunteerism and CSR across the group |
| Focus on stronger community engagement | Implementing development programs that are relevant to the needs of communities | Strengthened the presence of key programs across the country <ul style="list-style-type: none"> Completed the Bangsamoro Young Leaders Program and launched Leadership Communities in three new sites Trained over 1,000 teachers from 10 sites for the Inspire Every Day Teachers' Edition Brought the ProFuturo education program to an initial 31 public schools, benefiting at least 12,730 students | Further strengthen community reach of key programs in education, community leadership, suitable and sustainable livelihood, and arts and culture |
| Make an impact on the country's development goals and in promoting 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"> Became the first Philippine cultural institution to win an international Leading Cultural Destinations Award for the exhibit "Bursting at the Seams" Increased appreciation for Philippine history through the Diorama VR videos Launched a campaign to promote love of country by distributing Philippine flags for public schools nationwide | Continue conversations on love of country and participation in nation-building through our programs |
| Improve the efficiency of internal processes and build a strong talent pool | Investing in the training and development of Ayala Foundation talents, supported by stronger and more efficient internal processes | <ul style="list-style-type: none"> Secured accreditations and certifications from BIR (certificate of tax exemption) and DSWD (for programs) for improved delivery of service Implemented a strategic employee engagement program, covering training, continued learning, and other activities Digitalize numerous process to improve efficiency | Strengthen Ayala Foundation citizens as advocates of community development, in support of expanded programs |
| Measure impact of initiatives using the social return of investment framework | Accounting for the impact of our various initiatives by measuring the extra-financial (social, environmental) benefits of our initiatives | <ul style="list-style-type: none"> Applied SROI principles in measuring our various program's impacts | Integrate SROI measurement into program planning and implementation, while also introducing it to the Ayala group |

| OUR CAPITALS | HOW WE CREATE VALUE | THE VALUE WE CREATE |
|---|--|---|
| <p>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.</p> <p>MANUFACTURED Ayala Museum and Filipinas Heritage Library have a significant art and library collections; permanent, changing, travelling, online exhibitions; and public programs on the rich history and artistic heritage of the nation, cultivating pride in being Filipino.</p> <p>INTELLECTUAL The foundation possesses expertise in community development, education, community leadership, research and publication, art curation, library and information services, preservation and dissemination of documentary heritage on the Philippines, and impact assessment using social return on investment as a framework.</p> <p>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.</p> <p>SOCIAL AND RELATIONSHIP Ayala Foundation nurtures strong partnerships with local government agencies, non-government organizations, and community groups, in line with its work on social development.</p> <p>NATURAL The Calauan property is utilized by farmers to produce ornamental plants for the requirements of MDC Greens, and vegetable to increase income streams.</p> | <p>SUSTAINABLE LIVELIHOOD Organizing community enterprises, and providing access to capacity, capital, technology and market link to low income families</p> <p>ARTS AND CULTURE Making Philippine history, culture, and art accessible and inspirational through art exhibitions, library and information services, public programs, and increasing brand and advocacy awareness and reach through traveling exhibitions</p> <p>COMMUNITY LEADERSHIP Investing in potential leaders of the country and communities through youth leadership training and supporting community projects.</p> <p>EDUCATION PROGRAMS Providing access to high quality education for the poor through teacher training in pedagogy, classroom management, and critical thinking; scholarships; center-based modeling of strategies; and ICT interventions</p> <p>EMPLOYEE ENGAGEMENT Providing opportunities for the Ayala group to exercise corporate citizenship and help the foundation's partner schools and communities through Brigadang Ayala, and Farmer for a Day</p> | <p>COMMUNITIES Livelihood projects implemented across the country helped the communities improve economic productivity and cultural preservation.</p> <p>Through Ayala Museum and Filipinas Heritage Library, the foundation also helped widen cultural appreciation, both locally and internationally.</p> <p>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.</p> <p>TEACHERS AND STUDENTS Ayala Foundation increases the proficiency of our teachers through coaching and mentoring, benefiting 34,600 students in 87 public schools. The foundation equipped schools with ICT facilities to improve learning of 12,730 students from 31 public schools. It also supported 558 scholars. Supported the early childhood formation of 58 economically disadvantaged children through giving child care help and values formation sessions.</p> <p>EMPLOYEES Employees from across the Ayala group are given opportunities for volunteerism in communities that it serves.</p> |



CORPORATE
GOVERNANCE

GOVERNANCE: ADAPTING TO THE EVOLVING NEEDS OF THE STAKEHOLDERS

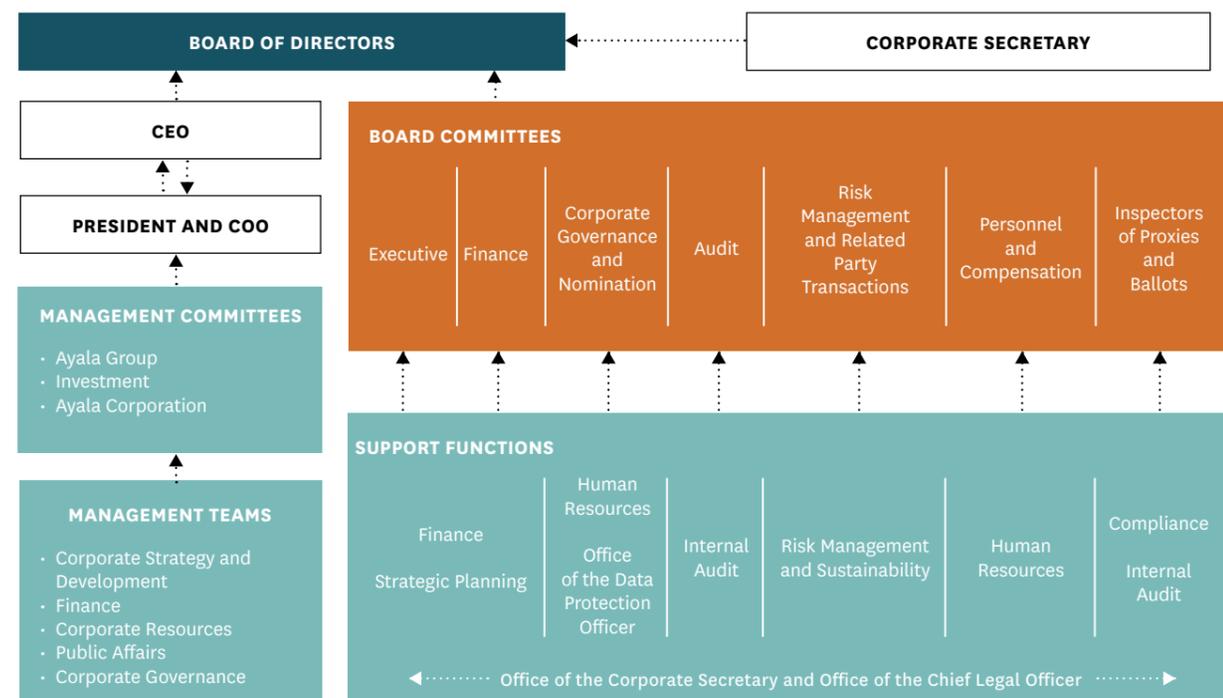
“It’s absolutely indispensable for companies to be nimble and adapt to all these technological shifts. These paradigm shifts have to take place not just at the management level – all of us who also sit on Boards and provide governance have to find a way of engaging that sort of thinking into the way we define our businesses.”

Jaime Augusto Zobel de Ayala at the Ayala Group 5th Corporate Governance and Risk Management Summit

Ayala believes good corporate governance is an important pillar of its operations and is vital to the achievement of its strategic goals. Ayala is fully committed to upholding the principles of good governance, including transparency, integrity, accountability, fairness and professionalism in all its activities.

The company’s Corporate Governance System takes into consideration the organizational structure as a whole; led by an effective Board and Board Committees; supported by empowered and accountable Management and Management Committees; guided by strong core values across all levels; with sound policies and effective controls.

KEY COMPONENTS OF AYALA’S GOVERNANCE SYSTEM (GRI 102-18)



Ayala is constantly reviewing, evaluating and improving its governance structures, systems, and procedures, to be able to meet the changing expectations of regulators, investors and other stakeholders. Setting up proper and adequate controls while complying with regulatory requirements and international standards allow 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 (SEC), supported by an attestation from the company’s Chief Executive Officer, Chief Compliance Officer, and Chief Audit Executive in 2018.

Ayala’s corporate governance practices have been consistently recognized in various awards, polls, and publications in the Philippines and in the ASEAN region.

In 2018, Institutional Investor, a leading New York-based business-to-business publisher focused on international finance, has released the results of its 2018 All-Asia Executive Team survey:

- Under industrial companies, Ayala ranked second best in Asia for corporate governance and third best for metrics on environment, social, and governance (ESG) and socially responsible investing (SRI).
- Under emerging markets, Ayala was among the “Most Honored Companies” after securing top-three appearances in at least two of the four main categories and ranked second for “Best IR

Company”. Its Chairman and Chief Executive Officer, Jaime Augusto Zobel de Ayala, ranked third for “Best CEO”. Under two new categories, Ayala ranked first for “Best Corporate Governance and Best ESG SRI Metrics”.

Similarly, on October 26, 2018, the Management Association of the Philippines (MAP) conferred the distinction of Management Man of the Year 2018 to Fernando Zobel de Ayala, President and Chief Operating Officer of Ayala. This award is bestowed on individuals from the business or government sectors who have attained distinction in the practice of management and have made valuable contributions to the country’s economic progress and in reshaping national values. MAP recognized his efforts for “helping steer the Ayala Group to being consistently ranked by the global investor community as among the best in the Philippines for management excellence, corporate governance, sustainability, and people management” and his invaluable contribution to re-shaping national values through his track record of integrity, professional competence, and strong leadership.

The efforts of Ayala and its subsidiaries in adhering to good governance were also recognized under the ASEAN Corporate Governance Scorecard (ACGS):

- On July 31, 2018, eight PLCs in the Ayala group were named among the Top Performing Companies under the 2017 ASEAN Corporate Governance Scorecard held at the Tower Club. Ayala along with Ayala Land, Globe and Manila Water scored 100 points and above, while BPI, Ayala Land subsidiaries Cebu Holdings, Inc. and Cebu



Eight PLCs in the Ayala group were named among the top performing companies under the 2017 ACGS. Also, Ayala ranked in the top Five in the Holding Firm sector category.



Ayala Corporate Secretary Atty. Solomon M. Hermosura received the ASEAN Corporate Governance Awards for Ayala at the 2nd ASEAN Corporate Governance Awards Ceremony held at the Kuala Lumpur Convention Centre. Three of the Ayala Companies; Ayala Land, Globe and Manila Water also ranked in the Top 50 ASEAN PLCs.

Property Ventures and Development Corp., and IMI scoring not less than 80 points. Ayala also ranked in the Top Five in the Holding Firm sector category.

- On November 21, 2018, four of the nine Philippine companies, namely, Ayala, Ayala Land, Globe and Manila Water, ranked among the Top 50 ASEAN PLCs and were feted at the 2nd ASEAN Corporate Governance Awards held at the Kuala Lumpur Convention Centre, Malaysia.

Maintaining good governance creates a strong foundation for our operations and allows us to retain the trust and confidence including protecting the interest of our partners and stakeholders. We continuously set higher standards for ourselves by reinforcing a strong sense of commitment across all levels of our organization and upholding a corporate tradition with a solid set of core values in all that we do.

BOARD STRUCTURE AND PROCESS

KEY ROLES AND RESPONSIBILITIES

As mandated by its Charter, the Board's 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. The Board always takes into consideration the best interest of the company, its shareholders, and other stakeholders when it exercises its powers and duties.

Ayala's Board of Directors leads the company's governance system by providing active management oversight, encouraging a culture of trust, openness, and constructive dissent, and ensuring individual accountability. It oversees the business affairs and is accountable to the shareholders for the long-term performance 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.

Annually, the Board leads the review of the company's vision and mission, revisits and approves the group's corporate strategy and performance objectives, and monitors its implementation. For the year, the Board reviewed and affirmed the appropriateness of Ayala's vision and mission statement.

The Board also 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 reviews and affirms the true and fair representation of the annual financial statements, as it did for the financial statements for fiscal year 2018.

BOARD COMPOSITION

The structure, size, and composition of the Board are regularly reviewed and monitored by the Corporate Governance and Nomination Committee.

There is enough diversity in thinking across our board of directors, characterized by a combination of knowledge, experience, and expertise to guide

management as it addresses issues, new challenges and market opportunities facing the company. There is also an appropriate mix of non-executive, independent 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: economics, finance, accounting, business, contract, commercial, and international law, including engagements in social and environmental activities.
- 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 pages 30 to 34.

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.

CHAIRMAN AND VICE CHAIRMAN (GRI 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.

Role of the Chairman and Vice Chairman

The Chairman leads and drives the effectiveness of the Board, both inside and outside the boardroom by promoting active engagement and open discussion among the directors. The Chairman also provides guidance to the senior management

through providing clear advice on strategy to steer the transformation of the business. In the absence of the Chairman, the Vice Chairman shall succeed the duties of the Chairman.

The responsibilities of the Chairman and the Board have been increasing due to the changing and evolving expectations in exercising good corporate governance practices, implementing effective risk management, and complying to relevant laws and regulations by the various stakeholders of the company.

LEAD INDEPENDENT DIRECTOR

As mandated by the Revised Corporate Governance Manual of the company, a Lead Independent Director shall be appointed if the Chairman of the Board is identified as not independent from Management, such as when the positions of the Chairman of the Board and the CEO are held by one person.

On April 21, 2017, Xavier P. Loinaz was appointed Lead Independent Director by the Board at its organizational meeting.

Role of the Lead Independent Director

The Lead Independent Director's role, among others, is to act as an intermediate between the Chairman of the Board and the other Directors, when needed; to convene and lead the periodic meetings of the non-executive and the independent directors (NEID) with the external auditor and heads of internal audit, compliance and risk management, as needed; and contribute to the performance evaluation of the Chairman of the Board.

NON-EXECUTIVE AND INDEPENDENT DIRECTORS

The Board is currently composed of seven members, including one lead independent director, two independent directors, and two non-executive directors who make up more than 70 percent of the Board's membership.

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 2018, 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.

In 2018, the non-executive and the independent directors had two meetings held on March 9, 2018 and December 6, 2018 without the presence of the executive directors. The meeting was chaired by the Lead Independent Director, Xavier P. Loinaz. Discussions during the meeting revolved around engagement of a third party to process reports from whistleblowers, managing government relations, unpaid receivables from the government sector, increasing dangers of social media, external auditors' performance, and the e-commerce landscape of the Philippines. Respective department heads were invited to discuss specific agenda items during the meeting. Additional information, documents, and materials are provided to the directors as and when required to enable them to make informed decisions.

Role of the Non-Executive and Independent Directors

The role of the NEID is to exercise independent judgment, ensure the continuing soundness, effectiveness and adequacy of the company's control environment, and act in the best interest of the company, the stockholders and the stakeholders considering transparency, accountability and fairness in all activities.

BOARD PERFORMANCE (GRI 102-28)

In fulfilling its duties and responsibilities, the Board devotes ample time and attention to their duties and attend the meetings. As fixed in the Articles of Incorporation, the presence of at least two-thirds of the number of directors constitutes a quorum for the transaction of business. Each fiscal year, the Board meets at least six times, with the schedule of Board meetings determined before the start of each financial year.

To adequately plan the activities, at the start of the year, the calendar of activities for the Board and Committees are established and approved. This is monitored by the Corporate Secretary to ensure that the materials are adequate and made available at least five working days in advance of the scheduled meeting to allow the Board with enough time to prepare and make informed decisions. The Board agenda includes company's and group's operations and financial performance; reports on emerging risks and discussion on key risks covering business resiliency, information security and cyber among others; updates on social and sustainability, UN Sustainable Development Goals, business, technological developments and the regulatory environment; and reports of the different Board Committees. These reports provide the Board with critical information on key issues, current trends, challenges and opportunities in the business and developments that may have a significant impact on the Ayala group of companies.

The details on the emerging risks are shown in section "Risks and Opportunities" on pages 62 to 63 while the details on social and sustainability plans are shown in section "The Ayala Sustainability Blueprint. Bridging the Filipino to 2030" on pages 78 to 79.

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

The details of the Directors' attendance and number of Board meetings held in 2018 are shown on page 160. All the Board members were present during the 2018 Annual Stockholders' Meeting. The members of the management committees were also present during the meeting.

Performance Assessment

Annually, the Board undergoes a formal assessment process to review and evaluate the performance of the Board, its Committees, and its individual members. The purpose of the assessment is to measure the effectiveness of the company's governance practices and identify areas for improvement; and to adopt new methodologies

towards further strengthening the company's corporate governance standards. Once every three years, an independent consultant will be appointed to assist in the evaluation process of the Board.

In 2018, the self-assessment questionnaire was reviewed and revised to adopt best practices from the Institute of Corporate Directors (ICD) and align with the requirements of the ASEAN Corporate Governance Scorecard (ACGS).

Each of the directors was requested to complete a self-assessment form which includes criteria such as: (1) structure of the Board, (2) shareholder benefits, (3) fulfillment of the Board's key responsibilities, (4) oversight function, (5) effectiveness of the Board's processes and meetings, (6) quality of the Board-Management relationship, (7) corporate ethics, and (8) performance evaluation. The results of the self-assessment survey, including the comments of the directors, were compiled by the Chief Compliance Officer and reported during the June 22, 2018 Board meeting immediately following the completion of the survey. Matters identified by the independent directors warranting further review and discussion are taken up in the meetings of the NEIDs of the Company. Relevant Management Group heads are also instructed to ensure that concerns raised are monitored and addressed.

CORPORATE SECRETARY

As the Corporate Secretary, Atty. Solomon M. Hermosura supports the Board in the fulfillment of its responsibilities. Part of his responsibilities include assisting the Chairman in preparing the Board meeting agenda, maintaining Board minutes and records, facilitating the training of directors, and providing directors with updates on relevant statutory and regulatory changes. The appointment and removal of the Corporate Secretary is subject to the approval of the Board.

He is legally trained, knowledgeable on legal and regulatory requirements and has kept abreast on relevant developments by taking on a part time role in teaching graduating law students, attending executive development programs and participating as a speaker in various public fora.

TRAINING OF DIRECTORS (GRI 102-27)

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

It is the policy of the company that all directors attend at least a four-hour annual continuing training program on corporate governance. Also, all new directors must undergo at the minimum an eight-hour orientation program on the company's



Securities and Exchange Commission Chairman Emilio Aquino with Chairman and CEO Jaime Augusto Zobel de Ayala and President and COO Fernando Zobel de Ayala at the 2018 Ayala Corporate Governance and Risk Management Summit.

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. Each year, the Chief Compliance Officer ensures all directors undergo the necessary trainings.

As a group-wide initiative, a Corporate Governance and Risk Management Summit has been held annually since 2014. The summit serves as a venue for collaboration, promotes the importance of strengthening our corporate governance structures, and acts as a continuing education program for the Board, CEOs, and senior management. On September 10, 2018, the group held its summit with the theme of “Into the Future”. It aims to provide an overview of the changing role of the corporate governance policies and practices, adapting to evolving ways of doing business, and imparting the importance of the role of the Board in ensuring good corporate governance practices in the company.

Also, as part of the group’s efforts to provide the board, senior leadership and executives with an understanding of the current business trends in relation to risk and sustainability, the group held its first Integrated Risk Management and Sustainability Summit. More details of the summit can be found in section Risk and Opportunities on page 70.

In 2018, all directors and senior management met the SEC requirement to undertake corporate



Ayala co-sponsored Corporate Governance Conference on Sustainability with Institute of Corporate Directors.

governance (CG) training. This is through the participation in the Corporate Governance and Risk Management Summit administered by the ICD and attendance in other CG trainings administered by either the ICD or SGV & Co., both accredited training providers of the SEC.

For the past five years, Ayala has partnered with ICD and continuously supported its advocacy to promote professional directorship in line with global principles. For the year, Ayala has sponsored ICD’s programs such as the Distinguished Corporate Governance Speaker Series and the Corporate Governance Conference on Sustainability.

DIRECTOR COMPENSATION

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

Non-Executive and Independent Directors Remuneration

On April 21, 2017, upon the recommendation of the Committee, the Board approved a resolution fixing the current remuneration of NEIDs. 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. The existing remuneration framework for the NEIDs adopted by the company consists of a fix retainer fee and attendance fees.

Ayala’s CEO and COO, Jaime Augusto Zobel de Ayala and Fernando Zobel de Ayala respectively, are executive directors and do not receive remuneration for attending Board meetings nor the fix retainer fee for Board of Directors.

Only NEIDs who are not officers of the company receive director fees. Fee structure is as follows:

| FEE STRUCTURE | RETAINER FEE | FOR BOARD | FOR ALL COMMITTEES |
|-------------------------------|----------------------|-----------------------------------|-----------------------------------|
| Committee Chairman and Member | P3 million per annum | P0.2 million per meeting attended | P0.1 million per meeting attended |

In 2018, the following NEIDs received gross remuneration as follows:

| NON-EXECUTIVE AND INDEPENDENT DIRECTORS | RETAINER FEE | MEETINGS’ ATTENDANCE FEES | GROSS REMUNERATION |
|---|--------------------|---------------------------|--------------------|
| Xavier P. Loinaz | P3,000,000 | P2,000,000 | P5,000,000 |
| Delfin L. Lazaro | P3,000,000 | P2,200,000 | P5,200,000 |
| Ramon R. Del Rosario, Jr. | P3,000,000 | P2,400,000 | P5,400,000 |
| Keiichi Matsunaga | P3,000,000 | P2,400,000 | P5,400,000 |
| Antonio Jose U. Periquet | P3,000,000 | P2,700,000 | P5,700,000 |
| TOTAL | P15,000,000 | P11,700,000 | P26,700,000 |

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

BOARD COMMITTEES (GRI 102-22)

The Board Committees are established to provide focus on specific Board functions, assist the Board in the optimal performance of its roles and responsibilities and to aid in good governance. The rights and responsibilities of each Committee delegated by the Board are defined in the specific Committee Charters duly approved by the Board, all of which are available on the company’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 deliberated, reviewed and approved the following transactions in 2018:

1. Participation in the Stock Rights Offering of BPI;
2. Additional ₱1.6 billion Capital Allocation to AC Industrials;
3. Availment of a Term Loan Facility from Metropolitan Bank and Trust Company;
4. Amendment of the terms of the Term Loan Facility with Bank of Tokyo - Mitsubishi UFJ;
5. Amendment of the terms of the Revolving Credit Facility with Sumitomo Mitsui Banking Corporation/Mizuho Bank, Ltd.;

6. Issuance of Common Shares to Caisse De Dépôt Et Placement Du Québec;
7. Execution of Lease Agreement with Pilipinas Shell Petroleum Corporation;
8. Filing of Petition for the Periodic Toll Rate Adjustment of the Muntinlupa-Cavite Expressway;
9. Merger of AC Education, Inc. and iPeople, Inc.;
10. Appointment of New Treasurer;
11. MCX Payment-in-Kind Lease Agreements; and
12. Additional Capital Allocation to AC Infra.

Finance Committee

The Finance Committee oversees, reviews, and evaluates the financial affairs of the company. The Committee discussed, deliberated on and approved various transactions in 2018:

1. Renewal of two Term Loan Facilities with BPI;
2. Increase of the amount of Term Loan Facility with Union Bank of the Philippines;
3. Re-characterization of the ₱3.3 billion capital allocation to AC Education as unrestricted and the additional capital allocation to AC Industrials of up to ₱2.1 billion for additional investments;
4. Re-allocation of the unutilized funds for the Stock Rights Offering to the General Investment Fund;
5. Additional ₱12 billion Capital Allocation to AC Health;

6. Additional Capital Allocation to AC Infra;
7. Portfolio review of the Company, its affiliates and associates; and
8. Options for the Company's maturing bonds and its confidential credit rating.

The Finance Committee had seven meetings in 2018. Refer to the table below for details on attendance.

Corporate Governance and Nomination Committee (GRI 102-24)

The Corporate Governance and Nomination Committee is composed of three members, all

of whom are independent directors, including the chairman. As 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. The Committee also makes

BOARD AND BOARD COMMITTEE MEMBERSHIP STOCKHOLDERS, BOARD, BOARD COMMITTEE MEETINGS, AND DIRECTORS' ATTENDANCE FOR THE YEAR ENDED DECEMBER 31, 2018

| DETAILS | MEMBERSHIP AND ATTENDANCE | | | | | | | | | |
|--|---------------------------|-----------|----------------|-----------------|----------|----------|----------|----------|----------|----------|
| | STOCKHOLDERS & BOARD | | | BOARD COMMITTEE | | | | | | |
| MEETINGS | AS | BOD* | NEID | EC** | FC | CGNC | AC | RMRPTC | PCC | CIPB*** |
| NO. OF MEETINGS | 1 | 6 | 2 | | 7 | 2 | 4 | 4 | 2 | 2 |
| Jaime Augusto Zobel de Ayala, Executive Director | C 1/1 | C 6/6 | - | C | M 7/7 | - | - | - | - | - |
| Fernando Zobel de Ayala, Executive Director | - 1/1 | VC 5/6 | - | M | M 5/7 | - | - | - | - | - |
| Delfin L. Lazaro, Non-Executive Director | - 1/1 | M 6/6 | M 2/2 | - | C 6/7 | - | - | - | M 2/2 | - |
| Xavier P. Loinaz, Lead Independent Director | - 1/1 | M 6/6 | C 2/2 | - | - | M 2/2 | C 4/4 | - | - | - |
| Ramon R. Del Rosario, Jr., Independent Director | - 1/1 | M 5/6 | M 2/2 | - | - | C 2/2 | M 4/4 | M 4/4 | C 2/2 | - |
| Antonio Jose U. Periquet, Independent Director | - 1/1 | M 6/6 | M 2/2 | - | M 7/7 | M 2/2 | - | C 4/4 | - | - |
| Keiichi Matsunaga, Non-Executive Director | - 1/1 | M 6/6 | M 2/2 | M | - | - | M 4/4 | M 4/4 | M 2/2 | - |
| Solomon M. Hermosura (Not a member of the Board) | CS 1/1 | - | CS, CCO 2/2 | - | - | - | - | - | - | C 2/2 |
| Catherine H. Ang (Not a member of the Board) | O 1/1 | - | CAE 2/2 | - | - | - | - | - | - | M 2/2 |
| Josephine G. De Asis (Not a member of the Board) | O 1/1 | - | - | - | - | - | - | - | - | M 2/2 |

C - Chairman
VC - Vice Chairman
M - Member
O - Observer
CS - Corporate Secretary
CCO - Chief Compliance Officer
CAE - Chief Audit Executive

*In 2018 and during the incumbency of the director.

**The actions of the Executive Committee were taken via digital/electronic means.

***May not be members of the Board of Directors.

AS - Annual Stockholder
BOD - Board of Directors
NEID - Non-Executive and Independent Directors
EC - Executive Committee
FC - Finance Committee
CGNC - Corporate Governance and Nomination Committee
AC - Audit Committee
RMRPTC - Risk Management and Related Party Transactions Committee
PCC - Personnel and Compensation Committee
CIPB - Committee of Inspectors of Proxies and Ballots

sure that the Board is comprised of individuals whose background, skills, experience and personal characteristics will meet the needs of the company.

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 2018 were:

1. The review of the qualifications of all persons nominated to positions requiring appointment by the Board;
2. The approval of the final list of nominees for directors for election at the 2018 Annual Stockholders' Meeting after ensuring that all nominees to the Board have met all the qualifications and none of the disqualifications as set forth in the Corporation's By-Laws, Revised Manual of Corporate Governance and the rules of the SEC; and
3. The review of the qualifications of the new Treasurer and recommendation of his appointment for approval by the Board.

The Committee had two meetings in 2018, during which the Chairman and members were all present.

Audit Committee

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. 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 reviewed the company's consolidated financial statement and conducted 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 2018 reviews, the Committee assessed the company's systems of internal controls, risk management, and governance processes as 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 216 for the highlights of its 2018 activities.

The Committee had four meetings in 2018, during which the Chairman and members were all present.

Risk Management and Related Party Transactions Committee

The Risk Management and Related Party Transactions Committee is composed of three members, the majority of whom are independent directors, including the chairman. 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. Another responsibility of the Committee is to review all material RPTs for endorsement to the Board to ensure that these are at arm's length, the terms are fair, and they will inure to the best interest of the company and its subsidiaries or affiliates and the shareholders.

During the financial year, the Committee reviewed and confirmed that the company's risk management processes are effective. The Committee also reviewed and approved changes to policies relating to enterprise risk management, related party transactions and business continuity management, including crisis management policy, business continuity policy and IT disaster recovery policy, which are then reported to the full Board for ratification. 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 217 for the highlights of its 2018 activities.

The Committee had four meetings in 2018, during which the Chairman and members were all present.

Personnel and Compensation Committee

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

The Committee's accomplishments in 2018 were:

1. The approval of the 2017 performance bonus and merit increase of the employees of the company;
2. The approval of the 2018 Employee Stock Ownership Plan (ESOWN);
3. The approval of the 2017 Performance Bonus for the Chief Executive Officer and Chief Operating Officer; and
4. The approval of the 2018 Salary Adjustment for the Chief Executive Officer and Chief Operating Officer.

The Committee had two meetings in 2018, during which the Chairman and members were all present.

Committee of Inspectors of Proxies and Ballots

The Committee of Inspectors of Proxies and Ballots has the responsibility of ensuring that the validation process of the proxies and ballots is transparent, fair, and in accordance with applicable laws, regulations, and company policies.

The Committee's accomplishments in 2018 were:

1. The validation and tabulation of the proxy votes received for the 2018 Annual Stockholders' Meeting; and
2. The tabulation of the stockholders' votes for items taken up during the 2018 Annual Stockholders' Meeting.

The Committee had two meetings in 2018, during which the Chairman and the members were all present.

MANAGEMENT

ROLES AND RESPONSIBILITIES

Management is responsible to the Board of Directors for the operations of the company and its performance.

Furthermore, the management:

- Defines the company's business objectives and goals in concrete and specific terms;
- Executes the Board-approved strategies for achieving these targets;
- Informs the Board in a regular and timely manner about any issues concerning the company's strategy, risk management, and compliance; and
- Provides 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.

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 Key Result Area 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 2018. The basis for the grant is consistent outstanding performance record over a period of three years. The grant price is based on the rounded-off volume weighted average prices of the stock at the Philippine Stock Exchange over the last 10-day trading from April 5 to 19, 2018.

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

(GRI 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 218 to 222.

Investment Committee

The Investment Committee (IC) 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, it also ensures that risks are managed appropriately using a robust risk management process. Refer to pages 62 to 71 for Ayala's risk management discussion.

ACCOUNTABILITY AND AUDIT

External Auditors

The external auditors are directly accountable to the Audit Committee in helping ensure the integrity of the company's financial statements and financial reporting process. Their responsibility is to assess and provide an opinion on the conformity of the audited financial statements with Philippine Financial Reporting Standards and the overall quality of the financial reporting process. The Audit Committee oversees the work of the external auditors and ensures that they have unrestricted access to records, properties, and personnel to enable performance of the required audit.

SyCip, Gorres, Velayo and Co. (SGV & Co.) is the external auditor of the company for the year 2018, with Lucy L. Chan as the lead engagement partner. During the Annual Stockholders' Meeting last April 20, 2018, the shareholders re-appointed SGV & Co. as the company's external auditor.

The Audit Committee has the primary responsibility to recommend the appointment and removal of the external auditor. The Committee met with the external auditors without the presence of the management team to discuss any issues or concern.

To ensure that the external auditor maintains the highest level of independence from the company, both in fact and appearance, the Audit Committee had approved all audit, audit-related, and permitted non-audit services rendered by the external auditor. Non-audit services expressly prohibited by regulations of the SEC were awarded to other audit firms to ensure that the company's external auditor carries out its work in an objective manner.

Total fees billed by SGV & Co. for the years ended December 31, 2018 and 2017 amounted to ₱11.04 million and ₱11.09 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 2018 and 2017 are shown below:

| EXTERNAL AUDITOR FEES | AMOUNT IN MILLIONS OF PESOS | |
|------------------------------|-----------------------------|--------|
| | 2018 | 2017 |
| Audit and Audit-Related Fees | P10.92 | P10.97 |
| Non-Audit Fees | .12 | .12 |
| Grand Total | P11.04 | P11.09 |

Audit and Audit-Related Fees include the audit of Ayala's annual financial statements and the mid-year review of financial statements in connection with the statutory and regulatory filings or engagements for the years ended 2018 and 2017. These also include assurance services that are reasonably related to the performance of the audit or review of Ayala's financial statements pursuant to the regulatory requirements.

Non-Audit Fees include one-time, non-recurring special projects / consulting services.

There were no disagreements with the company's external auditor on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedures.

Internal Auditors

Internal Audit supports the Audit Committee in the effective discharge of its oversight role and responsibility. The Chief Audit Executive, Catherine H. Ang, reports functionally to the Audit Committee of the Board of Directors, and administratively to the President and Chief Operating Officer or his designate. The activities of Internal Audit are governed by a separate Internal Audit Charter approved by the Audit Committee and the Board.

Internal Audit adopts a risk-based audit approach in developing its annual work plan, which is reassessed quarterly to consider emerging risks. The Audit Committee reviews and approves the annual work plan and all deviations therefrom and ensures that internal audit examinations cover the evaluation of 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, including the effectiveness of the internal audit function. During the year, the Committee regularly met with the Chief Audit Executive without the presence of management to discuss any issues or concern.

To strengthen corporate governance, Ayala's Internal Audit adopted portfolio-based subsidiary oversight to standardize the implementation of good practices and ensure that critical issues are monitored and addressed across the Ayala group.

As of 2018, the audit team has an average of 13.4 years audit experience and an average of 8.5 years tenure in the Ayala group. The audit team has the following certifications and professional affiliations: certified public accountants, certified internal auditors, certified risk management assurance practitioner, certified foreign exchange professional, IT auditors, crisis communication planner; certified in ISO 9001, ISO 22301, ISO 27001, IT Infrastructure Library, COBIT 5 (F), and Global Innovation Management Institute Level 1; a member of the Financial Executives of the Philippines; and a fellow of the Institute of Corporate Directors. All the internal auditors are also members of

The Institute of Internal Auditors Philippines and adopt the International Professional Practices Framework promulgated by The Institute of Internal Auditors, Inc. The internal audit activities conform with the International Standards for the Professional Practice of Internal Auditing and are continuously evaluated through an independent Quality Assessment Review conducted every five years.

Ayala Group Internal Auditors' Network (AGIAN) continues to perform activities that strengthen synergy within the group. Regular meetings are held by the AGIAN Council and the four AGIAN Circles to discuss activities that will enable effective teamwork, increase collaboration, sharing of resources, and best practices within the group. In July 2018, AGIAN held its first teambuilding activity coupled by a planning session to formulate a two-year plan to ensure continuity of programs and activities. On December 3, 2018, AGIAN celebrated



AGIAN celebrates its 20th anniversary at the Center of Excellence in Public Elementary Education (CENTEX), Bauan, Batangas with the K to 6 students.

its 20th anniversary with the theme "AGIAN Gives Back. Together we can make a difference". The group, in coordination with Ayala Foundation, Inc. (AFI), hosted an outreach program at Center of Excellence in Public Elementary Education (CENTEX), Bauan, Batangas. CENTEX is the K to 6 Education Program of AFI for children from economically disadvantaged families that produces student achievers. As an effort to support the needs of the school, AGIAN turned over a sound system, gift checks, school kits and toys to all students.

The AGIAN quarterly technical sessions were held to provide the members with the knowledge, tools and required auditing skills to enable them to perform their responsibilities. In 2018, AGIAN also partnered with The Institute of Internal Auditors Philippines to accredit the quarterly AGIAN trainings for Continuing Professional Development for renewal of licenses and certifications. This is in addition to the continuing training and development programs, from specific job skills to long-term professional development provided by the respective companies of the group to their employees.

CHIEF COMPLIANCE OFFICER

As Ayala's Chief 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 Integrated Annual Corporate Governance Report that is duly signed under oath by the Chairman, Chief Executive Officer,

- or President, all independent directors, the Chief 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; and
- Performs other duties and responsibilities as may be provided for by the SEC.

On February 21, 2018, Atty. Solomon M. Hermosura participated as a panelist at the ECCP-EPBN Competition Forum 2018 addressing the latest challenges facing the Philippine businesses and operations on the implementation of the Philippine Competition Act. He also attended various fora on governance, legal, and compliance, including the ASEAN Law Association General Assembly on “The Power of One: Unlocking Opportunities in ASEAN Through Law”.

DISCLOSURE AND TRANSPARENCY (GRI 102-5) Accurate and Timely Disclosures

Providing quality, accurate, and timely disclosures to regulators and the investing public, including information on the results of its operations and

Ownership Structure

As of December 31, 2018, Ayala’s outstanding common shares were held as follows:

| | OUTSTANDING COMMON SHARES | % OWNERSHIP |
|---|---------------------------|---------------|
| Mermac, Inc. | 296.6 million | 47.04 |
| PCD Nominee Corporation (Non-Filipino)* | 162.7 million | 25.79 |
| PCD Nominee Corporation (Filipino)* | 85.9 million | 13.63 |
| Mitsubishi Corporation | 54.6 million | 8.65 |
| Others | 30.8 million | 4.89 |
| TOTAL | 630.6 million | 100.00 |

*Out of the 248.6 million common shares registered under the name of PCD Nominee Corporation, 61.4 million shares or 9.74% are for the account of Deutsche Bank Manila while 55.8 million shares or 8.85% are for the account of Hongkong Shanghai Banking Corporation.

| | OUTSTANDING COMMON SHARES | % FOREIGN OWNED |
|---------------------------------|---------------------------|-----------------|
| Common Shares | 630.6 million | - |
| Voting Preferred Shares | 200.0 million | - |
| TOTAL VOTING SHARES | 830.6 million | 31.59 |
| Preferred B Series 1 Shares | 20.0 million | - |
| Preferred B Series 2 Shares | 27.0 million | - |
| TOTAL OUTSTANDING SHARES | 877.6 million | 29.91 |

There were no cross or pyramid shareholdings.

financial performance is of utmost importance to the company. To ensure consistent implementation, Ayala created procedures for internal reporting to provide the investing public with prompt disclosures on significant and market sensitive information that may affect their decisions. Policies and procedures are also in place to make sure that the company constantly complies with disclosure requirements under the listing rules of the SEC, Philippine Stock Exchange (PSE), and Philippine Dealing and Exchange Corporation (PDEX).

Investors, analysts, media and the press were engaged by Ayala through conducting meetings and quarterly briefings, where the senior management discusses the results of the company’s operations with investment and financial analysts. More details on management’s discussion and analysis of financial condition and results of operations are available on pages 178 to 181.

All relevant disclosures were filed in a timely manner with the SEC, PSE, and PDEX. All the 2018 filings and relevant information were provided ahead of time. Details as follows:

2018 DISCLOSURES

In 2018, the company filed, among others, unstructured disclosures and clarifications of news articles involving the following:

Unstructured Disclosures

- Issuance of 8,810,000 Common Shares to Caisse De Dépôt Et Placement Du Québec
- 2018 ESOWN Grant
- Resignation and appointment of new treasurer
- Participation of directors and key officers in Corporate Governance Seminars
- Notice and Agenda of the 2018 Annual Stockholders’ Meeting
- Results of 2018 Annual Stockholders’ Meeting and Organizational Board of Directors’ Meeting
- Declaration of cash dividends to outstanding Common and Preferred Shares
- Acquisition and sale of Company shares by the directors, officers, and 10% owners
- Annual and Quarterly Press Statements on the Company’s financial and operating results
- Notice of Interest Payment for all outstanding Corporate Bonds
- Notice of Analysts’ Briefings
- Notice of Special Analysts’ Briefing on AC Energy
- Public Ownership Reports
- Top 100 Stockholders Reports
- Setting of 2019 Annual Stockholders’ Meeting
- AC Education acquires of National Teachers College
- AC Education merges with iPeople, Inc.
- AC Energy invests in renewable energy company The Blue Circle
- AC Energy launches second renewable energy platform in Vietnam with 80 MW of solar projects
- AC Energy and BIM Group scale up Vietnam solar project
- Aboitiz Power Corporation invests in AC Energy’s thermal platform company
- AC Health invests in Negros Grace Pharmacy, Inc.
- AC Health expands health technology portfolio through investment in AIDE app

- AC Industrials signs Distributorship Agreement with Kia Motors Corporation
- AC Industrials Technology Holdings Inc. as the official distributor of Maxus vehicles in the Philippines
- AC Industrials Technology Holdings acquires a controlling stake in Merlin Solar Technologies
- AC Infrastructure and Brilliant 1257 GmbH & Co. Vierte Verwaltungs Kg. (“Brilliant”) forms a holding company to invest in courier and freight forwarding services
- AC Infrastructure joins a consortium that submitted unsolicited proposal under the BOT Law to the Philippine Statistics Authority
- AC Infrastructure signs Investment Agreement with fulfillment solutions company
- AC Infrastructure joins NAIA consortium that submitted unsolicited proposal for the rehabilitation, upgrade, expansion, operation, and maintenance of the Ninoy Aquino International Airport

Clarification of News Articles

- Ayala to Build Big Vietnam Wind Project
- Ayala selling US\$1billion coal plants
- Ayala Group to acquire 65% of Columbian Autocar
- Super consortium shapes up
- Group taps Changi operator for airport plan
- Ayala set to acquire KIA Philippines, but PBA comeback not part of plan, says source
- Ayala to spend at least P200 billion in capex this year
- AC Energy partners with BIM Group to develop over 300 MW of solar power in Vietnam
- Super consortium in NAIA bid eyes Changi as partner
- Aboitiz ‘likely buyer’ of Ayala’s US\$1 billion coal plant assets

- On April 13, 2018, the Annual Report (SEC Form 17-A) together with the consolidated audited financial statements for 2017 were submitted to the SEC, within 120 days after year-end.
- On February 20, 2018, the Notice of the Annual Stockholders’ Meeting with a detailed explanation of the Agenda items was released to the SEC and PSE, 59 days ahead of the scheduled annual meeting on April 20, 2018.
- On March 16, 2018, the audited financial statements as contained in the Definitive Information Statement were submitted to the SEC and PSE, 35 days before the annual stockholders’ meeting.
- Interim or quarterly financial statements and results of operations were submitted to the regulators within 45 days from the end of the financial period.

This information, past annual reports, and this Integrated Report and the consolidated audited financial statements are disseminated to shareholders through the company’s website at www.ayala.com.ph and through media and analysts’ briefings.

Financial and Non-Financial Reports

The Board of Directors has a responsibility to the shareholders to ensure the integrity of the company’s consolidated financial statements and non-financial information disclosed in the company’s Integrated Report. The financial statements comply with the Philippine Financial Reporting Standards, with significant accounting judgments and estimates also disclosed. Non-financial performance was prepared in line with

the guiding principles and content elements of the Integrated Reporting <IR> framework and referred to the Global Reporting Initiative (GRI) Standards 2016 to report the sustainability performance.

Information on the company's financial instruments is guided by the company's risk management objectives and policies to permit better evaluation of financial performance and cash flows.

A more comprehensive disclosure on both financial and non-financial performance indicators are thoroughly discussed in the Integrated Report to help shareholders understand the company's various businesses and their impact on the company's overall value creation. Refer to pages 178 to 181 and 78 to 103 for the financial and non-financial performance indicators, respectively.

Related Party Transactions

In dealing with related party transactions (RPTs), Ayala is governed by its policy to ensure that the transactions are at arm's length, fair, and will inure to the best interest of the company and its subsidiaries or affiliates and the shareholders. The RPTs are transactions which 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 RMRPT 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 – P50 million or five percent of the total assets of either party, whichever is lower. Also, to promote good governance, it is the policy of the company to encourage its subsidiaries and affiliates to adopt their own policy on RPTs. These transactions are discussed and quantified in the Notes to the Consolidated Financial Statements under Related Party Transactions.

There were no RPTs classified as financial assistance to entities other than wholly-owned subsidiaries. There were also no cases of noncompliance with the laws, rules, and regulations pertaining to significant or material RPTs in the past three years.

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

To protect shareholders, Ayala defined a policy against insider trading of company securities and non-disclosure of material non-public information to any person until the information is disseminated to the public and three full trading days had lapsed from the disclosure thereof. The Policy ensures compliance with disclosure rules and prevention of the unlawful practice of using to one's own advantage confidential information one has access to.

Reporting of Transactions

Ayala has established and implemented guidelines for all directors, officers, employees and consultants on when to declare trades. All directors and officers from Managing Directors and above, and the Comptroller, Chief Audit Executive, Chief Risk Officer, Treasurer, Chief Compliance Officer, 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 Chief Compliance Officer.

A schedule showing the changes in shareholdings of the directors and officers in 2018 is disclosed in this report. Summarized in the next page are the reported trades in 2018.

Trading Blackouts

The Policy on Insider Trading provides that all directors, officers, consultants, and employees of the company who may have knowledge of material information about the company that have not been disclosed to the public, including members of covered persons' immediate families are prohibited from trading in Ayala's shares during the trading blackout period. In addition, they are also required to submit annually a certification of compliance with the prohibition against trading during the blackout periods.

CHANGES IN SHAREHOLDINGS

Reported trades in Ayala Securities of the directors and officers in 2018:

| | SECURITY | BALANCE AS OF DECEMBER 31, 2017 | ACQUIRED | DISPOSED OF | BALANCE AS OF DECEMBER 31, 2018 |
|--------------------------------|----------------------|---------------------------------|----------------|----------------|---------------------------------|
| DIRECTORS | | | | | |
| Jaime Augusto Zobel de Ayala | Common | 222,006 | 78,181 | - | 300,187 |
| | Preferred B Series 1 | 20,000 | - | - | 20,000 |
| | Voting Preferred | 543,802 | - | - | 543,802 |
| Fernando Zobel de Ayala | Common | 228,136 | 78,181 | - | 306,317 |
| | Voting Preferred | 554,983 | - | - | 554,983 |
| Keiichi Matsunaga | Common | 1 | - | - | 1 |
| Delfin L. Lazaro | Common | 27,836 | 5,939 | - | 33,775 |
| | Voting Preferred | 258,297 | - | - | 258,297 |
| Xavier P. Loinaz | Common | 126,614 | - | - | 126,614 |
| | Voting Preferred | 65,517 | - | - | 65,517 |
| Antonio Jose U. Periquet | Common | 1,200 | - | - | 1,200 |
| Ramon R. Del Rosario, Jr. | Preferred B Series 2 | 400,000 | - | - | 400,000 |
| | Common | 1 | - | - | 1 |
| OFFICERS | | | | | |
| Jose Rene Gregory D. Almendras | Common | 39,345 | 26,754 | - | 66,099 |
| Catherine H. Ang | Common | 16,196 | 6,309 | - | 22,505 |
| | Voting Preferred | 5,290 | - | - | 5,290 |
| Arthur R. Tan | Common | 313,291 | 35,867 | 30,000 | 319,158 |
| Alfredo I. Ayala | Common | 172,546 | 37,743 | 46,880 | 163,409 |
| Estelito C. Biacora* | Common | - | - | - | - |
| Paolo Maximo F. Borromeo | Common | 38,974 | 12,236 | - | 51,210 |
| Cezar P. Consing | Common | 77,044 | 14,417 | - | 91,461 |
| Ma. Cecilia T. Cruzabra* | Common | 17,454 | 7,332 | - | 24,786 |
| Josephine G. De Asis | Common | 16,530 | 6,508 | - | 23,038 |
| Ferdinand M. Dela Cruz | Common | 39,755 | 6,837 | - | 46,592 |
| Bernard Vincent O. Dy | Common | 9,567 | 12,114 | - | 21,681 |
| Ernest Lawrence L. Cu** | Common | 103,774 | 13,661 | - | 117,435 |
| John Eric T. Francia | Common | 133,767 | 15,474 | 1,308 | 147,933 |
| Solomon M. Hermosura | Common | 122,341 | 25,909 | 58,150 | 90,100 |
| | Voting Preferred | 53,583 | - | - | 53,583 |
| Jose Teodoro K. Limcaoco | Common | 226,677 | 37,012 | 6,000 | 257,689 |
| Ruel T. Maranan | Common | 13,039 | 4,050 | - | 17,089 |
| John Philip S. Orbeta | Common | 532,837 | 42,654 | - | 575,491 |
| Dodjie D. Lagazo | Common | - | - | - | - |
| Joanne M. Lim | Common | - | - | - | - |
| TOTAL | | 4,380,403 | 467,178 | 142,338 | 4,705,243 |

*Mr. Biacora replaced Ms. Cruzabra as Treasurer of the Company effective 1 November 2018.

**Not a reportable officer of Ayala but a member of the Ayala Group Management Committee.

For structured disclosures, blackout period commences from 10 trading days before and three trading days after the disclosure of quarterly and annual financial results. While for non-structured disclosures, blackout period commences from three trading days before and three trading days after the disclosure of any material information other than quarterly and financial results.

During the year, notices of trading blackouts were disseminated and issued to all 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.

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

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, 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 2018, the Investor Relations Unit organized the fourth Ayala Group Investor Relations Summit to keep management abreast of the best practices, global trends, and external perspectives on the evolving role of investor relations. In addition, it organized the third Ayala Group Investor Days in Singapore, a two-day event where senior management and investor relations teams of Ayala group companies met with various institutional investors through group and one-on-one meetings.

Please refer to pages 72 to 75 for further discussions on Ayala's relationships with its stakeholders.



Ayala conducts press briefings to apprise the public and media with the developments in its businesses.

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.

Committed to the Filipino, Ayala combines its 185-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, 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 (GRI 102-16)

The Code of Conduct and Ethics was established by the Board to guide all directors, officers, and employees in executing their roles and responsibilities. As the overall governing body, the Board ensures that all directors, officers, and employees of the company adhere to the Code.

All the company's directors, officers and employees are expected to avoid situations of conflicts of interest or impropriety and are required to disclose on an annual basis any business and family-related

transactions to ensure that potential conflicts of interest are reported and brought to the attention of management, whether actual or apparent. Management is responsible for enforcing and monitoring compliance with the Code and imposing sanctions for violations thereof.

It is the policy of Ayala that all directors, officers, and employees shall conduct business in accordance with Philippine Laws and regulations, including Anti-Money Laundering Law. Employees shall consult with Corporate Governance and Legal Affairs whenever there is any doubt concerning the legality of any matter. Any suspected criminal violations will be reported to the appropriate authorities and non-criminal violations will be investigated and addressed as appropriate.

ANTI-CORRUPTION POLICY (GRI 205-1)

Ayala is committed to doing its business with the highest ethical standards and has adopted a zero-tolerance policy towards fraud, corruption, bribery in any form, and all unethical practices, and is committed to complying with all relevant laws and



Ayala holds quarterly and annual analysts' briefings on its financial and operating results, including business updates.



The Annual Stockholders' Meeting is held to provide the shareholders a venue to raise questions and to learn about the company's performance and strategic plans to grow the business.

standards. The Anti-Corruption Policy embodied in the Code provides guidance to all directors, officers, and employees on how to conduct business in a fair, ethical, and legal manner. Seeking undue financial and material advantage from any transaction is strictly prohibited. The policy also applies even if made through another person.

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.

WHISTLEBLOWER POLICY

Integrity is one of the core values of Ayala. The company adheres to the ideals of justice, doing the right thing, fairness in doing its business and in all its dealings.

In pursuit of integrity, Ayala strives to enhance the level of transparency within the company through the establishment of the Whistleblower Policy to encourage directors, officers, and employees and all suppliers, business partners, contractors and subcontractors, and other third parties to report any perceived wrongdoing or malpractice involving the company or its personnel. The policy is meant to encourage the reporting of such matters in good

faith, with utmost confidence that the whistleblower will be treated fairly and protected from reprisal, harassment, disciplinary action, or victimization for whistleblowing.

To further strengthen integrity, objectivity, confidentiality including ensuring the protection of the whistleblower, Ayala has implemented an outsourced receipt and processing of whistleblower reports to Punongbayan and Araullo through the reporting channel <https://proactivehotline.punongbayan-araullo.com/report/ayala-corporation>. The website allows anonymous reporting and is accessible anytime and anywhere via internet. Status of all reports are trackable with available monthly reports.

The whistleblower may still choose to submit a written report directly to the Office of the Chief Compliance Officer, or by e-mail to whistleblower@ayala.com.ph, or through a face-to-face meeting with any member of the Disclosure Committee composed of one representative each from the Office of the Chief Legal Officer, Strategic Human Resources, Internal Audit, and Group Risk Management.

There is an established Disclosure Committee and investigation process for reported violations of company policies, rules and regulations. All reports are treated in confidence and discussed with the Audit Committee, which monitors the resolution and closure of all reports.

In 2018, there were no significant incidents reported through the whistleblower reporting channels.

DATA PRIVACY POLICY (GRI 418-1)

As part of its continuing commitment to protect and respect the right to personal data privacy of stakeholders, Ayala appointed a Data Protection Officer, Atty. Solomon M. Hermosura, and Compliance Officers for Privacy, Atty. Charlene Mae C. Tapic-Castro and Ms. Chris Angelica L. Bustonera. With the support of the different business units, Ayala's data privacy team regularly reviews the physical, technical, and organizational security measures that the company puts in place. This is to maintain the integrity, confidentiality and availability of the personal data that it collects and processes, 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 in writing directly to the Office of the Data Protection Officer, or by email to acdataprivacy@ayala.com.ph.

In 2018, the company updated its enterprise-wide privacy policy and reviewed agreements with its partners and third-party service providers to ensure strict compliance with the Data Privacy Act of 2012 and other relevant issuances of the National Privacy Commission. There were no reported data privacy breaches for Ayala during the year.



Ayala holds regular data privacy awareness programs for all Ayala employees to instill understanding and ensure compliance with the company's DPA policy.

WEBSITE

Information on the company's corporate governance initiatives, this Integrated Report, and all other relevant information is available on the company's website at www.ayala.com.ph. As part of our stakeholder engagement, Ayala also maintains social media accounts at [Facebook.com/AyalaCorporation](https://www.facebook.com/AyalaCorporation) and <https://ph.linkedin.com/company/ayala-corporation>.

AWARDS AND RECOGNITIONS



1. INSTITUTIONAL INVESTOR 2018 ALL-ASIA EXECUTIVE TEAM SURVEY

Ayala Corporation ranked second best among industrial companies in Asia for corporate governance and third best for metrics on environment, social, and governance (ESG) and socially responsible investing (SRI). Ayala was also among the emerging markets' Most Honored Companies after figuring on top in two of the four main categories, and ranked second for Best IR Company. Under new categories, Ayala ranked first for Best Corporate Governance and Best ESG SRI Metrics while Jaime Augusto Zobel de Ayala ranked third as Best CEO.

2. 2017 ASEAN CORPORATE GOVERNANCE SCORECARD

- Eight PLCs in the Ayala group were named among the Top Performing Companies, namely, Ayala Corporation, Ayala Land, Globe Telecom, Manila Water, Bank of the Philippine Islands, Ayala Land subsidiaries Cebu Holdings Inc. and Cebu Property Ventures and Development Corporation, and Integrated Micro-Electronics Inc.
- Ayala Corporation also ranked in the Top Five in the Holding Firm sector category.

3. 2ND ASEAN CORPORATE GOVERNANCE AWARDS

Four of the nine Philippine companies, namely: Ayala Corporation, Ayala Land, Globe Telecom, and Manila Water ranked among the Top 50 ASEAN PLCs

4. STRATEGIC RISK AWARDS – ASIA PACIFIC

- 2018 Risk Manager of the Year Ma. Victoria Tan
- 2018 Risk Management Team of the Year Ayala Corporation

5. 4TH ASIA SUSTAINABILITY REPORTING AWARD

Asia's Best Integrated Report – Highly Commended

6. FINANCE ASIA

Ayala Corporation ranked number one as Best Managed Company, Best Growth Story, and Best ESG. Ayala also ranked third in Best Investor Relations, while Jaime Augusto Zobel de Ayala was cited Best CEO and Jose Teodoro K. Limcaoco as Best CFO.

7. ORDER OF THE RISING SUN, GOLD AND SILVER STAR

Jaime Zobel de Ayala received the Order of the Rising Sun, Gold and Silver Star from the Japanese government in recognition of his contribution to the economic and cultural relations between Japan and the Philippines. The Japanese government recognized Ayala's efforts under JZA's leadership, to develop the first industrial park which encouraged the entry of Japanese businesses into the country, and Ayala's continuing support to Japanese art and culture through various exhibitions staged at the Ayala Museum.



MANAGEMENT ASSOCIATION OF THE PHILIPPINES 2018 MANAGEMENT MAN OF THE YEAR

In the world of business, there are few forces that are more powerful than a united group of people who passionately believe in creating something great beyond corporate profit.

The collaborative spirit to effect transformative social change and achieve shared values is at the core of the entrepreneurial vision of Fernando Zobel de Ayala, the 2018 MAP's Management Man of the Year.

Together with brother Jaime Augusto, and under the mentorship of their father Jaime Zobel, both of whom are previous MAP awardees, Fernando Zobel de Ayala ushered in a new era in the nearly 200-year history of the Ayala group by changing how the conglomerate understands and realizes profit and business gains.

"This is the notion that I would like to put forward today—that the ingredients to bring the country to the next level are already within our grasp. MAP and our individual organizations carry the challenge and responsibility to properly harness the potentials of today and use them to create a progressive, equitable, and future-ready Philippines."

Fernando Zobel de Ayala

AYALA SYNERGIES IN MOTION



Integrated Risk and Sustainability Summit, September 2018.



Ayala People Summit, November 2018.



ICT Summit, August 2018.



Corporate Governance and Risk Management Summit, September 2018.



Innovation Learning Program, June 2018.

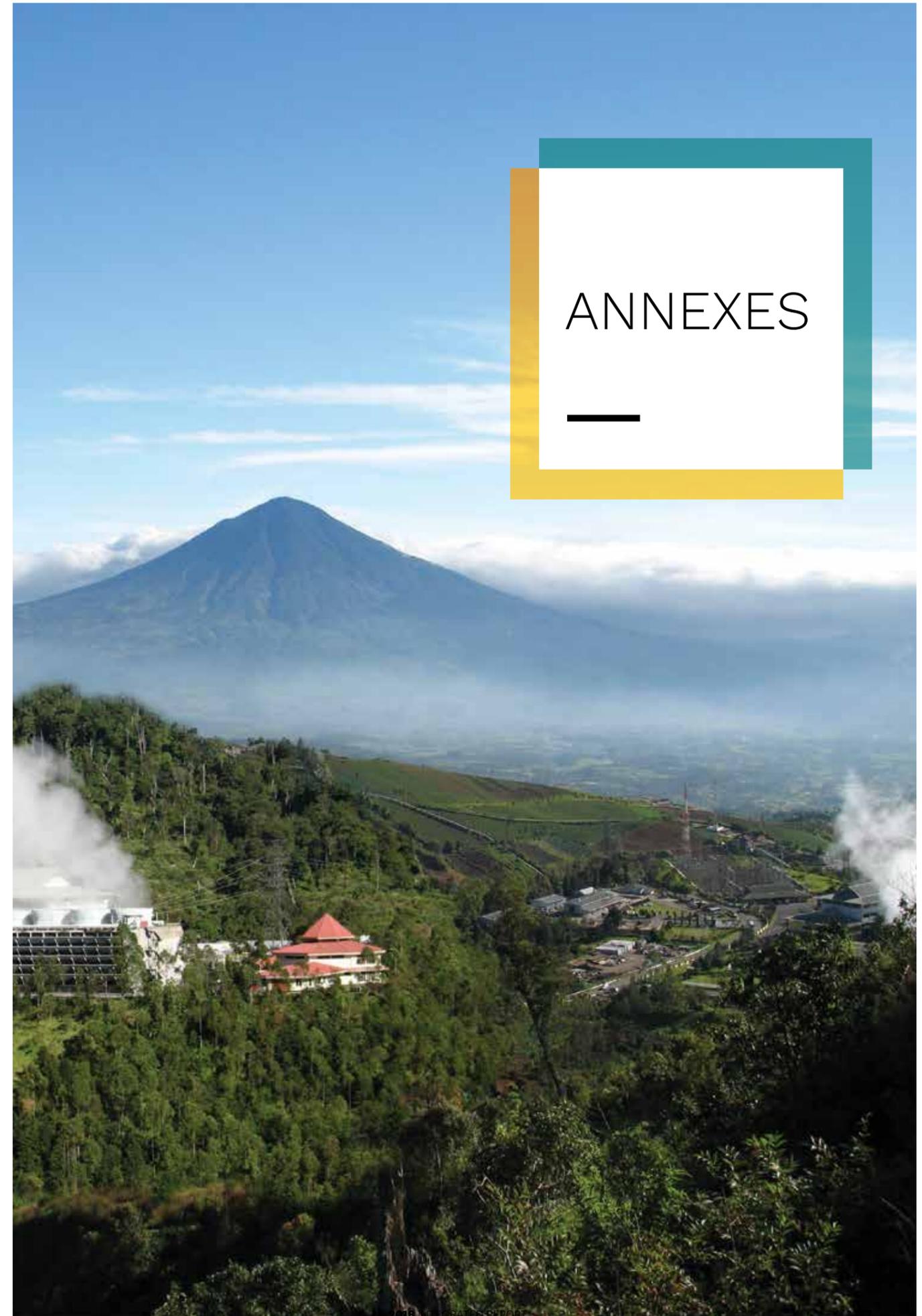


Ayala Group IR Summit, October 2018.



Ayala Group Investor Day in Singapore, October 2018.

ANNEXES



MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

GRI 102-45

Ayala Corporation's net income in 2018 grew five percent to ₱31.8 billion from the previous year, boosted by strong earnings contribution from its real estate, telecommunications, and power businesses.

CONSOLIDATED SALES OF GOODS AND SERVICES

Sale of goods and services expanded 13 percent to ₱274.9 billion of which three percent was a result of the adoption of PFRS 15 (new accounting standard in 2018 pertaining to Revenues from Contracts with Customers). Revenue growth was driven by Ayala Land which posted higher sales across all its business segments, supported by higher sales from IMI's Europe, China, Philippines, and Mexico units as well as contribution of VIA Optronics and Manila Water's new business units.

REAL ESTATE

Ayala Land sustained its growth momentum during the year with net income expanding 16 percent to ₱29.2 billion, primarily driven by the strong performance of its property development and commercial leasing businesses.

Property development revenues jumped 18 percent to ₱120.3 billion on strong sales across its residential, office-for-sale, and commercial lot segments. Residential revenues jumped 20 percent to ₱101.1 billion, while reservation sales grew 16 percent to ₱141.9 billion, bolstered by strong demand from local and overseas Filipinos, which accounted for 82 percent of total sales during the year.

Fresh bookings from One Vertis Plaza in Vertis North, Quezon City, The Stiles East Enterprise Plaza in Circuit Makati, and completion of Park Triangle Corporate Plaza in Bonifacio Global City lifted the sale of office spaces, with revenues reaching ₱11.4 billion, 14 percent higher year-on-year. In addition, revenues from the sale of commercial and industrial lots grew 10 percent to ₱7.7 billion,

lifted by sales from its estates in the Visayas and Mindanao region, Evo City in Cavite, Alvirera in Pampanga, and Cavite Technopark.

Meanwhile, the opening of new malls and office spaces as well as the launch of new hotel and resort rooms drove the 17 percent expansion in commercial leasing revenues to ₱34.9 billion from its year-ago level. In 2018, Ayala Land added 142,000 square meters of mall space with the opening of three new malls: the Circuit Mall in Makati, the Capitol Central Mall in Bacolod, One Bonifacio High Street in Taguig, bringing its total mall gross leasable area to 1.9 million square meters. Moreover, the completion of Bacolod Capitol Corporate Center, Vertis North Corporate Center 3, and Ayala North Exchange pushed up Ayala Land's total office GLA to 1.1 million square meters.

Ayala Land's commercial leasing business was further boosted by its hotels and resorts portfolio, which continues to benefit from the growth of the country's tourism sector. In 2018, it added 390 rooms across its portfolio of branded hotels and its own Seda brand as well as bed and breakfast rooms in its Lio and Sicogon eco-tourism estates, bringing the total to 2,973 rooms.

The sustained strong performance of its leasing segment has supported the continued buildup of Ayala Land's recurring income business, which increased at a compounded annual rate of 26 percent since 2013. Meanwhile, its development income, which comprises residential, office, and lot sales, grew at a compounded annual rate of 18 percent.

WATER

Manila Water recorded a net income of ₱6.5 billion, six percent higher from the previous year, largely driven by the Manila Concession, and boosted by the contribution of its newly acquired platforms in Thailand and Indonesia.

The Manila Concession posted steady growth, with a three percent increase in billed volume to 503 million cubic meters. This was supported by the 28 percent positive tariff adjustment granted by the Metropolitan Waterworks and Sewerage System to be implemented on a staggered basis over a five-year period from 2018 to 2022.

Outside the Manila Concession, revenues from Manila Water Philippine Ventures rose six percent to ₱3.3 billion. Lowered billed volume across its domestic subsidiaries as well as operational and regulatory challenges, including the closure of Boracay island, weighed down MWPV's performance during the year.

Manila Water Asia Pacific's overseas investments continues to bear fruit. It booked a 53 percent surge in equity share in net income of associates to ₱699 million. This was mainly driven by the two platforms it acquired during the year, East Water in Thailand, and PT Sarana Tirta Ungaran in Indonesia, which contributed ₱262.7 million and ₱1.4 million in equity earnings, respectively.

To support its diversification strategy, Manila Water continues to ramp up its domestic and international business development initiatives, securing 13 new businesses in 2018. These include the full concession projects in Calbayog in Samar, San Jose in Nueva Ecija, and in Iloilo, Isabela, Pangasinan, Batangas, Bulacan, and Laguna as well as the acquisition of a 19 percent stake in East Water and a 20 percent stake in PT Sarana Tirta Ungaran.

POWER

AC Energy's net earnings expanded 16 percent to ₱4.1 billion in 2018, largely driven by its domestic thermal and renewable assets as well as higher contribution from its Indonesia investments.

The strong performance and higher equity stake in GNPow Mariveles, strong wind regime, and fresh contribution of its greenfield offshore project, the 75MW Sidrap wind farm in Indonesia, as well as the full-year recognition of SD Geothermal boosted AC Energy's performance during the year. Equity earnings from AC Energy's investee companies reached ₱3.6 billion, 37 percent higher than the previous year. Recovery of the costs incurred due to adjustments in the construction schedule of GNPow Kauswagan also lifted AC Energy's net earnings during the period.

During the year, AC Energy generated 2,800GWh of attributable energy, of which 48 percent was from renewable sources. To support its strategy to scale up its renewable portfolio, AC Energy raised US\$410 million in Green Bonds in January 2019, the first publicly syndicated US dollar Green Bonds in Southeast Asia to be certified by the Climate Bonds Initiative.

AC Energy continued to expand its international footprint through strategic partnerships with developers and operating companies. AC Energy has identified the Philippines, Vietnam, Indonesia, and Australia as key markets in its expansion strategy. The 330MWp Ninh Thuan solar farm in Vietnam, a joint venture between AC Energy and the BIM Group, is expected to commence early in the second quarter of 2019. Once completed, it will be one of the largest solar farms in Southeast Asia, benefiting Ninh Thuan province with income generation and job creation. AC Energy also broke ground on the 80MWp solar farms located in the provinces of Khanh Hoa and Dak Lak, in partnership with AMI Renewables Energy. In addition, AC Energy signed a memorandum of understanding with Quang Binh Province to jointly develop a wind power project with AMI Renewables.

AC Energy has also entered the Australian renewables market through a joint venture with international RE developer UPC Renewables, investing US\$30 million for a 50 percent ownership in UPC's Australian business. The platform is developing the 1,000MW Robbins Island and Jims Plain projects in North West Tasmania and the 700MW New England Solar Farm located near Uralla in New South Wales. It also has a further development portfolio of another 3,000MW located in NSW, Tasmania and Victoria.

In September, AC Energy announced the partial sell-down of its thermal platform to AboitizPower, which includes the GNPow Mariveles and GNPow Dinginin assets in Bataan. The sale, valued at US\$ 579.2 million, represents approximately 35 percent of AC Energy's attributable thermal capacity and is part of the company's strategy to actively recycle capital and will enable the expansion of AC Energy's domestic and offshore renewable energy businesses. In late February, AC Energy received approval on the transaction from the Philippine Competition Commission.

INDUSTRIAL TECHNOLOGIES

AC Industrials' net income dropped 53 percent year-on-year to ₱578 million, largely due to the weaker performance of its automotive businesses and startup losses from newly acquired businesses. This decline was partially offset by a one-time gain in its electronics manufacturing services arm.

IMI's revenues expanded 24 percent to ₱70.8 billion on the back of a 16 percent growth in revenues from traditional businesses and a 61 percent growth in recently acquired companies, VIA and STI. It likewise benefited from new programs in the industrial and automotive segments which grew 41 percent and 21 percent, respectively.

IMI reported a net income of ₱2.4 billion, up 34 percent from a year ago, boosted by non-operating items such as net gains from the sale of a China entity and reversal of contingent consideration related to the STI acquisition, partially offset by impairment provisions on some offshore investments. The effect of the RMB and EUR depreciation and higher interest rates also added downward pressure to IMI's performance during the year. Excluding the impact of the one-time net gain, IMI's net income went down 49 percent year-on-year.

AC Motors registered a 76 percent decline in net earnings to ₱164 million owing to significantly lower earnings of the group's Honda and Isuzu dealerships, both hit by weaker sales amid an industry-wide slowdown. This was aggravated by lower contributions from AC Industrials' investments in the Philippine distribution companies of Isuzu and Honda. Meanwhile, Volkswagen's sales volume was affected by the delay in delivery of its China-sourced vehicles.

AC Industrials continues to ramp up its automotive retail portfolio when it partnered with Kia Motors and China's SAIC Motor for the distribution of Kia and Maxus vehicles in the Philippines, respectively.

SHARE OF PROFIT OF ASSOCIATES AND JOINT VENTURES

Share of profits of associates and joint ventures grew 11 percent to ₱20.5 billion, lifted by Globe's higher data-driven revenues plus the growth in BPI's core businesses. The adoption of the new accounting standards PFRS 9 (Financial Instruments) and PFRS 15 has minimal effect on the net income of BPI and Globe in 2018. Higher equity in net earnings from AC Energy's investee

companies, namely GNPowder Mariveles, SD Geothermal, and Sidrap, as well as contribution of Manila Water's new overseas investments also drove the increase. However, this was partially offset by Ayala Land's consolidation of MCT, previously reported as an associate, as well as AC Ventures' share in net losses of Zalora and Mynt.

BANKING

Bank of the Philippine Islands reported a net income of ₱23.1 billion, up three percent from the previous year, boosted by the robust growth of its core banking business but tempered by higher provisioning and operational spending.

The bank's total revenues grew 11 percent to ₱78.5 billion on the back of a 16 percent growth in net interest income, which reached ₱55.8 billion. The increase in net interest income was a result of a nine percent improvement in average asset base and a 21-basis point expansion in net interest margin.

Total loans stood at ₱1.35 trillion, reflecting a 13 percent growth year-on-year, boosted by strong performance of its corporate loans and credit card loans, which increased 13 percent and 24 percent, respectively. Total deposits reached ₱1.59 trillion, up 1.5 percent, with current and savings accounts registering faster growth at 2.4 percent. The bank's current account and savings account ratio stood at 71.9 percent while the loan-to-deposit ratio was at 85.4 percent.

The bank recorded higher fee income from its transaction-based service charges, credit card, and rental businesses. However, lower trust, investment management, and corporate finance fees, and securities trading income during the year, tempered BPI's non-interest income, which slid one percent to ₱22.7 billion.

Operating expenses totaled ₱43.6 billion for 2018, an increase of 13.2 percent year-on-year on accelerated spending to support the bank's digitalization strategy and investments in its microfinance network. In 2018, BPI Direct Banko, its microfinance arm, doubled its branch network to 200. These initiatives resulted in cost-to-income ratio of 55.5 percent in 2018 from 54.3 percent a year ago.

At the end of 2018, the bank's total assets stood at ₱2.1 trillion, up 9.5 percent from the previous year, with return on assets at 1.2 percent. With the success of its capital raising exercises - the

₱50 billion stock rights offering, the US\$600 million in senior unsecured bonds, and the ₱25 billion in peso fixed rate bonds - BPI's total capital reached ₱248.52 billion, up by 38 percent from its year-ago level. Capital adequacy ratio was at 16.09 percent and Common equity tier 1 ratio was at 15.19 percent.

TELCO

Data-driven demand across its business segments bolstered Globe's net profits, which reached ₱18.6 billion during the year.

On a post-PFRS basis, service revenues reached ₱132.9 billion. Mobile revenues grew nine percent to ₱106.9 billion driven by mobile data services, which accounted for 51 percent of the segment from 44 percent a year ago. This was supported by the sustained higher prepaid top-ups, indicating greater consumer spending on mobile data. This in turn, drove the mobile data traffic growth to 956 petabytes from 600 petabytes a year ago.

Globe's home broadband business jumped 19 percent to ₱18.5 billion on continued subscriber expansion in fixed wireless solutions, specifically the Home Prepaid Wi-Fi product. Similarly, its corporate data business expanded 15 percent to ₱11.8 billion amid increasing demand for fast, reliable, and secure internet connectivity and modern business solutions.

With a consistent strong revenue and well managed costs throughout the year, Globe's EBITDA improved 22 percent to ₱64.9 billion, with EBITDA margin at 46 percent from its year-ago level of 42 percent.

Globe continues to build its network capacities to address the increasing data traffic growth and customer base as it ramped up its LTE rollout. It spent ₱43.3 billion in capital expenditures in 2018, equivalent to 32 percent of its service revenues.

COSTS AND EXPENSES

Consolidated cost of sales and rendering services rose 12 percent to ₱196.6 billion, tracking the revenue growth.

General and administrative expenses expanded 18 percent to ₱29.8 billion, primarily driven by the combined increments in the group's expenses, particularly Ayala Land's taxes, contracted services, depreciation; Manila Water's management fees, manpower-related and selling expenses, and Ayala parent's higher business development and manpower costs. Moreover, the consolidation of

our new subsidiaries namely MCT of Ayala Land, MT Technologies and Merlin Solar of AC Industrials, and VIA Optronics and STI of IMI drove the higher GAE during the period. This was further lifted by IMI's restructuring costs from its employee relocation in China prior to the property sale. Without the effect of these newly consolidated subsidiaries, GAE grew nine percent year-on-year.

BALANCE SHEET HIGHLIGHTS

At the end of 2018, Ayala's total assets stood at ₱1.2 trillion. Investments in associates and joint ventures expanded 19 percent to ₱240.1 billion owing to Ayala parent's subscription to BPI's stock rights offering as well as new investments of Manila Water in East Water in Thailand and PT Sarana in Indonesia, and AC Energy in renewable platforms in Australia and Vietnam. Furthermore, the growth was lifted by additional investments of AC Infrastructure in the LRT 1 project and higher share of net earnings in BPI and Globe, and investee companies of Ayala Land, Manila Water, and AC Energy. This was partly offset by Ayala Land's consolidation of MCT, which was previously reported as associate as well as AC Ventures' equity losses in Zalora and Mynt.

Investments in properties jumped 12 percent to ₱227.6 billion driven by Ayala Land's expansion projects in its malls, office properties, land development initiatives, and the impact of the consolidation of MCT. An adjustment in land classification required under the PFRS 15 likewise contributed to the increase.

At the end of the year, total debt at the consolidated level stood at ₱412 billion, 18 percent higher from the end-2017 level. This was driven by higher borrowings of the parent as well as higher loan balances of Ayala Land, Manila Water, and AC Energy.

Ayala's balance sheet remained healthy with enough capacity to undertake investments and cover its dividend and debt obligations. As of end-2018, parent level cash stood at ₱8.5 billion, while net debt stood at ₱96 billion. Loan-to-value ratio, the ratio of its parent net debt to the total value of its assets, stood at 11 percent.

The conglomerate's peso-dollar debt split ended at 64:36 for 2018. Ayala's dollar denominated debts are fully covered by foreign currency assets.

MATERIALITY

(GRI 102-46, 102-47)

| ECONOMIC | | | | | |
|---|--|--|---|--|---|
| MATERIAL FACTORS AND RELEVANT <IR> CAPITALS | GRI TOPICS / UN GLOBAL COMPACT PRINCIPLES* | SPECIFIC TOPICS | REPORTING COMPANIES** | WHY IT IS MATERIAL | POSITIVE IMPACT (What kind of outcomes can be expected if the material factor is well addressed?) |
| ECONOMIC PERFORMANCE Financial Capital | 201: Economic Performance | Economic value generated, distributed and retained | Ayala Corporation and all companies group-wide | This is our direct contribution to the Philippine economy and to our stakeholders | <ul style="list-style-type: none"> Overall positive investment climate that supports the group's health agenda Sustained domestic consumption growth that benefits B1 businesses Positive financial trajectory for the Ayala group |
| JOBS SUPPORTED IN THE SUPPLY CHAIN Human Capital | 204: Procurement Practices | Indirect hires | Ayala Corporation and all companies group-wide | Managing our supply chain is integral to business continuity | <ul style="list-style-type: none"> Local sourcing as strategy |
| | | Spending on local suppliers | At the group level: AC Automotive, AC Energy, AC Health, AC Infra, Ayala Land, BPI, Globe, Manila Water | | |
| | | Supplier assessment and accreditation | At the group level: Ayala Land, BPI, Globe, IMI (Phils), Manila Water | | |
| FOREIGN AND INDIRECT INVESTMENTS Financial Capital | 203: Indirect Economic Impact | Strategic acquisitions | Ayala Corporation; At the group level: AC Education, AC Energy, AC Health, AC Infra, IMI (Global), Manila Water | Expansion of our portfolio allows us to diversify, enter new markets and industries, and increase our sources of revenue | <ul style="list-style-type: none"> Strong contribution to national infrastructure spending Job creation |
| | | Capital expenses | Ayala Corporation and all companies group-wide | | |
| IMPACT TO THE VULNERABLE SECTOR Social and Relationship Capital | 203: Indirect Economic Impact | Affordable education and healthcare | At the group level: AC Education, AC Health, Ayala Foundation | We innovate on products and services to make them more available especially for the low-income segments. | <ul style="list-style-type: none"> Creation of targeted inclusive business models for the vulnerable |

We aligned our material factors with the relevant group-wide <IR> capitals based on the Integrated Reporting framework, with the corresponding disclosures of the Global Reporting Initiative (GRI) Standards, and with the related principles of the United Nations Global Compact, where applicable.

| ECONOMIC | | | | |
|---|--|---|---|--|
| 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 | GRI DISCLOSURES |
| <ul style="list-style-type: none"> Inability to execute strategic agenda Business units failing to deliver dividends or income targets Increased cost of doing business | <ul style="list-style-type: none"> Portfolio Management Capital Market Funding Partnerships and Alliances Competition Brand and reputation | <ul style="list-style-type: none"> Conduct deep-dive analysis of macroeconomic and socio-political indicators and business units' performance Align funding strategy with budgeted capital expenditure, operating expenses, and dividend payout | <ul style="list-style-type: none"> Economic value generated, distributed and retained | 201-1 |
| <ul style="list-style-type: none"> Increased cost of doing business Higher cost of supplier goods due to new tax rulings | <ul style="list-style-type: none"> Political and Regulatory Operational Partnerships and Alliances Brand & Reputation Talent Business Resiliency | <ul style="list-style-type: none"> Due diligence of potential partners through internal team or third-party assessments Implementation of vendor accreditation systems in some companies | <ul style="list-style-type: none"> Indirect hires or support staff Spending on local suppliers Operating costs | 102-8 204-1 308-2, 414-2 |
| <ul style="list-style-type: none"> Delay in investment strategy execution Delay in project execution Increased cost of doing business Loss of potential revenues Business partners' failure to synergize with group ideals | <ul style="list-style-type: none"> Portfolio Management Capital Market Funding Partnerships and Alliances Competition | <ul style="list-style-type: none"> Strengthen relationships with current partners and establish networks with potential business partners and advisers Diversifying and expanding portfolio through strategic acquisitions | <ul style="list-style-type: none"> Spending on acquisitions of local and foreign companies Capital expenditures including investments for local infrastructure | 203-2 |
| <ul style="list-style-type: none"> Limited access to the vulnerable Limited market reach for emerging businesses | <ul style="list-style-type: none"> Portfolio Management Funding Innovation and Technology Synergy Partnerships and Alliances Brand and Reputation | <ul style="list-style-type: none"> Investments in affordable quality education and healthcare Delivery of affordable water to marginalized communities | <ul style="list-style-type: none"> Student enrollees from low-income segment Number of students covered by government subsidies Number of transactions of generic medicines sold Number of unique patients Number of households connected through Tubig Para Sa Barangay Program | 203-2 |

| ECONOMIC | | | | | |
|---|--|---|---|--|---|
| MATERIAL FACTORS AND RELEVANT <IR> CAPITALS | GRI TOPICS / UN GLOBAL COMPACT PRINCIPLES* | SPECIFIC TOPICS | REPORTING COMPANIES** | WHY IT IS MATERIAL | POSITIVE IMPACT (What kind of outcomes can be expected if the material factor is well addressed?) |
| IMPACT OF USE OF PRODUCTS OR SERVICES Manufactured Capital | 203: Indirect Economic Impact | Increase in income or productivity of communities, enterprises and companies served | At the group level: AC Infra, Ayala Land, BPI, Globe | We espouse product and service responsibility and any negative impact is a reputational risk | <ul style="list-style-type: none"> Positive consumer outlook Improved productivity of organizations involved |
| BUSINESS RESILIENCY TO CLIMATE CHANGE | 201: Economic Performance | Climate proofing of infrastructure | At the subsidiary level: Ayala Land, BPI, Globe, Manila Water | Resiliency of our infrastructure is important for business continuity | <ul style="list-style-type: none"> More businesses resilient to climate change New business models and investments that address climate change issues Increased demand for products and services that address climate change |
| ENVIRONMENTAL | | | | | |
| ENERGY AS BUSINESS Natural Capital Manufactured Capital | 302: Energy / Principle 7, 8 & 9 | Power generation | Power generation | Through our energy business, we invest in power generation to cater to the region's energy demand. | <ul style="list-style-type: none"> Robust contribution of energy business to group equity earnings Improved efficiency of conventional and renewable plants |
| ENERGY AS CONSUMPTION Natural Capital | 302: Energy / Principle 7, 8 & 9 | Electricity consumption within the organization | All companies groupwide | Energy, in the form of electricity and fuel, is used to run our operations. | Lower energy consumption of companies |
| | | Electricity consumption outside the organization | At the subsidiary level: Ayala Land | | |
| | | Fuel consumption within the organization | At the group level: AC Automotive, AC Energy, AC Infra, Ayala Land, Globe, IMI (Phils and Global), Manila Water | | |
| | | Fuel consumption outside the organization | At the group level: AC Automotive, AC Energy, AC Health, AC Infra, Ayala Land, BPI, Globe, IMI (Phils and Global), Manila Water | | |

| ECONOMIC | | | | |
|---|--|---|---|-----------------|
| 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 | GRI DISCLOSURES |
| <ul style="list-style-type: none"> Negative consumer outlook Decreased customer loyalty | <ul style="list-style-type: none"> Brand and Reputation Innovation and Technology Partnerships and Alliances Operational Competition Portfolio management Synergy | <ul style="list-style-type: none"> Continuous innovation to develop relevant products and services | <ul style="list-style-type: none"> Number of SMEs and start-ups financed and supported Volume of fintech-enabled loans Customer satisfaction ratings and net promoter scores Total number of LRT-1 Passengers Total man-hours and fuel savings due to MCX Total number of contactless payments via beepTM | 203-1, 203-2 |
| <ul style="list-style-type: none"> Physical damage to infrastructure Loss of lives Prolonged interruption or inability to restore operations | <ul style="list-style-type: none"> Business resiliency Operational Brand and Reputation | <ul style="list-style-type: none"> Business continuity management systems include crisis management plan, business continuity plan, and IT disaster recovery plan Insurance solutions | <ul style="list-style-type: none"> Energy efficiency initiatives Amount insured for catastrophes | 201-2 |
| ENVIRONMENTAL | | | | |
| <ul style="list-style-type: none"> Lower revenue due to a highly competitive energy market Negative environmental consequences | <ul style="list-style-type: none"> Portfolio Management Funding Capital Market Political and Regulatory Innovation and Technology Partnerships and Alliances Competition Brand & Reputation Operational | <ul style="list-style-type: none"> Diversify portfolio of thermal and renewable energy businesses | <ul style="list-style-type: none"> Total power generated Total renewable energy generated | N/A |
| Increased group-wide energy consumption | Operational Brand and reputation | Continuous monitoring of energy consumption Energy efficiency initiatives by some of our companies | Energy consumed | 302-1 |
| | | | Energy intensity | 302-2 |
| | | | | 302-1 |
| | | | | 302-2 |

| ENVIRONMENTAL | | | | | |
|--|--|---------------------------------|--|---|---|
| MATERIAL FACTORS AND RELEVANT <IR> CAPITALS | GRI TOPICS / UN GLOBAL COMPACT PRINCIPLES* | SPECIFIC TOPICS | REPORTING COMPANIES** | WHY IT IS MATERIAL | POSITIVE IMPACT (What kind of outcomes can be expected if the material factor is well addressed?) |
| ENERGY AS CONSUMPTION (continued) | | Energy intensity | All companies groupwide | | |
| | | Reduction of energy consumption | At the group level: AC Infra (LRMC), Ayala Land, Globe, Manila Water | | |
| WATER AS BUSINESS Natural Capital Manufactured Capital | 303: Water / Principle 7 & 8 | Water distribution | At the subsidiary level: Manila Water | As a business activity, water is abstracted from nature, and is treated and distributed to our customers. | • Improved water distribution in more homes, including those in vulnerable areas |
| | | Used water treatment | | | |
| | | Water abstraction | At the group level: Manila Water, AC Energy | | |
| WATER AS CONSUMPTION Natural Capital | 303: Water / Principle 7 & 8 | Water consumption | All companies groupwide | Water is used in our business operations as natural capital for industrial and worker consumption. | • Lower water consumption of companies |
| | | Water intensity | | | |
| | | Water recycled and reused | AC Energy | | |
| RESOURCE EFFICIENCY Natural Capital | 301: Materials 306: Effluents and Waste 308: Supplier Environmental Assessment / Principle 7 & 8 | Construction materials | At the subsidiary level: 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. | • Optimized purchases and use of materials • Proper control of waste |
| | | Hazardous wastes | At the group level: AC Automotive, AC Energy, AC Health, AC Infra, Ayala Land, Globe, IMI (Phils and Global), Manila Water | | |
| | | Non-hazardous wastes | At the group level: AC Education, AC Health, AC Infra, Ayala Land, Globe, IMI (Phils and Global), Manila Water | | |

| ENVIRONMENTAL | | | | |
|---|--|--|--|-----------------|
| 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 | GRI DISCLOSURES |
| | | | | 302-3 |
| | | | | 302-4 |
| • Disruptions in water supply • Higher cost of operations • Termination of water concession | • Portfolio Management • Funding • Capital Market • Political and Regulatory • Innovation and Technology • Partnerships and Alliances • Competition • Operational • Brand and Reputation | • Expansion in areas outside of Manila Concession | • Water abstracted • Billed volume • Used water treated | N/A |
| | | | | 306-1 |
| | | | | 303-1 |
| • Increased group-wide water consumption | • Operational • Brand & Reputation | • Continuous monitoring of water consumption • Improve water treatment operations in our industrial plants | • Water consumed • Water intensity | 303-1 |
| | | | | N/A |
| | | | | 303-3 |
| • Higher cost of compliance to environmental standards • Higher cost of operations | • Operational • Brand and Reputation • Business Resiliency • Political and Regulatory • Partnerships and Alliances | • Integrate resource efficiency within the supply chain • Waste management disposal system, i.e. accredited third-party waste disposal, storage, and treatment facility | • Volume of materials used • Waste generated by type • Percent of waste diverted from landfill | 301-1 |
| | | | | 306-2, 306-4 |
| | | | | 306-2 |

| ENVIRONMENTAL | | | | | |
|---|--|-----------------------------------|---|--|---|
| MATERIAL FACTORS AND RELEVANT <IR> CAPITALS | GRI TOPICS / UN GLOBAL COMPACT PRINCIPLES* | SPECIFIC TOPICS | REPORTING COMPANIES** | WHY IT IS MATERIAL | POSITIVE IMPACT (What kind of outcomes can be expected if the material factor is well addressed?) |
| RESOURCE EFFICIENCY (continued) | | Recycling and landfill diversion | At the group level: IMI (Phils and Global), Globe | | |
| | | Effluents | At the subsidiary level: Manila Water | | |
| | | Supplier environmental assessment | At the group level: IMI (Phils), Ayala Land, Manila Water | | |
| ECOSYSTEMS AND BIODIVERSITY Natural Capital | 304: Biodiversity / Principle 8 | Biodiversity | At the group level: AC Energy, 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. | • Potential increase in the population of endemic fauna and flora present in companies' operational sites and adjacent biodiversity areas |
| | | Watershed management | At the subsidiary level: Manila Water | | |
| | | Tree planting | Ayala Corporation and all companies group-wide | | |
| GREENHOUSE GAS EMISSIONS | 305: Emissions / Principle 7, 8 & 9 | Scope 1 GHG emissions | At the group level: AC Automotive, AC Energy, AC Infra, Ayala Land, Globe, IMI (Phils and Global), Manila Water | This is a by-product of our business operations and managing and reducing GHG emissions are important towards a low-carbon economy. | • Reduced emissions according to acceptable global standards |
| | | Scope 1 Intensity | | | |
| | | Scope 2 GHG emissions | Ayala Corporation and all companies group-wide | | |
| | | Scope 2 Intensity | | | |
| | | Scope 3 GHG emissions | At the group level: AC Automotive, AC Energy, AC Health, AC Infra, Ayala Land, BPI, Globe, IMI (Phils and Global), Manila Water | | |

| ENVIRONMENTAL | | | | |
|--|---|--|---|---------------------|
| 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 | GRI DISCLOSURES |
| | | | | 306-2 |
| | | | | 306-1, 306-5 |
| | | | | 308-1 |
| • Continued decline of vulnerable fauna and flora in owned or leased sites, protected areas, and external areas of high biodiversity value | • Operational • Brand & Reputation | • Group-wide reforestation activities through Project Kasibulan • Biodiversity studies and watershed protection programs across operational sites of some companies | • Hectares of land and watersheds protected | 304-1, 304-2, 304-4 |
| | | | • Number of trees planted | 304-1, 304-3 |
| | | | • Number of IUCN Red List Species monitored | 304-3 |
| • Higher greenhouse gas emissions • Regulatory fines and penalties • Stakeholder complaints | • Operational • Brand and Reputation • Partnerships and Alliances | • GHG Emission mitigation efforts through Project Kasibulan • Energy efficiency initiatives | • GHG Emissions | 305-1 |
| | | | • GHG Intensity | 305-4 |
| | | | | 305-2 |
| | | | | 305-4 |
| | | | | 305-3 |

| SOCIAL | | | | | |
|--|---|--|--|---|---|
| MATERIAL FACTORS AND RELEVANT <IR> CAPITALS | GRI TOPICS / UN GLOBAL COMPACT PRINCIPLES* | SPECIFIC TOPICS | REPORTING COMPANIES** | WHY IT IS MATERIAL | POSITIVE IMPACT (What kind of outcomes can be expected if the material factor is well addressed?) |
| EMPLOYEE ENGAGEMENT Human Capital | 401: Employment / Principle 6 | Total employee headcount | Ayala Corporation and all companies group-wide | Our businesses create meaningful and gainful jobs. | <ul style="list-style-type: none"> Strong reputation and ability to attract diverse and qualified talent Strong employee engagement score |
| | | New hires and turnover | | | |
| | | Indirect hires | | | |
| | | Employee engagement score, Employee benefits | | | |
| | | Collective bargaining agreements | At the group level: AC Energy (GMCP), BPI, Globe, Manila Water | | |
| WORKPLACE CONDITIONS Human Capital Social and Relationship Capital | 408: Child Labor 409: Forced or Compulsory Labor 205: Anti-Corruption / Principle 2, 4, 5 & 10 | Child labor | Ayala Corporation and all companies group-wide | Our businesses comply with labor standards | <ul style="list-style-type: none"> Improved well-being of employees and partners across the supply chain Enhanced brand and reputation |
| | | Forced or compulsory labor | | | |
| | | Anti-corruption | | | |
| DIVERSITY, EQUAL OPPORTUNITY & ANTI-DISCRIMINATION Human Capital Social and Relationship Capital | 405: Diversity and Equal Opportunity 406: Non-discrimination 414: Supplier Social Assessment / Principle 2, 5 & 6 | Breakdown of employees by age, gender and rank | Ayala Corporation and all companies group-wide | A highly engaged, diverse, and talented workforce enables us to continue and expand our operations. | <ul style="list-style-type: none"> Engaged workforce Enhanced brand and reputation |
| | | Non-discrimination | | | |
| COMMUNITY RELATIONSHIP Social and Relationship Capital | 413: Local Communities / Principle 1 | Sustainable livelihood programs | At the subsidiary level: Ayala Foundation | We strongly believe in the need to play an active part in national development. | <ul style="list-style-type: none"> Continued license to operate within the community Well-managed social impact |

| SOCIAL | | | | |
|--|---|--|--|---|
| 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 | GRI DISCLOSURES |
| <ul style="list-style-type: none"> Inadequate mix of skills and expertise for the workforce Higher recruitment expenses Prevalence of labor disputes | <ul style="list-style-type: none"> Talent Political and Regulatory Operational Competition Brand and Reputation | <ul style="list-style-type: none"> Approach talent management comprehensively at all stages Conduct of employee engagement surveys Annual discussion of succession planning by senior leaders Regular dialogue and communication with labor groups Annual benchmarking of compensation and benefits | <ul style="list-style-type: none"> Direct employee headcount Employee engagement score Employee turnover | 102-7 401-1 102-7 102-43, 401-2 407-1 |
| <ul style="list-style-type: none"> Dissatisfied employees and partners across the supply chain Regulatory fines and penalties Increased complaints Eroded brand and reputation | <ul style="list-style-type: none"> Operational Political and Regulatory Brand and Reputation Talent Governance and Control | <ul style="list-style-type: none"> Due diligence of potential partners through internal team or third-party assessments Policies related to human rights and child/forced labor | <ul style="list-style-type: none"> Employee engagement score | 408-1, 414-2 409-1, 414-2 205-1, 205-3 |
| <ul style="list-style-type: none"> Possibility of discrimination in the workplace Eroded brand and reputation | <ul style="list-style-type: none"> Operational Political and Regulatory Brand and Reputation Talent Governance and Controls | <ul style="list-style-type: none"> Group-wide policies on equal opportunity employment and diversity | <ul style="list-style-type: none"> Employee headcount by gender, by age group, and by rank Employee engagement score | 405-1 406-1 |
| <ul style="list-style-type: none"> Adverse impact on vulnerable groups Eroded brand and reputation Limited license of operations | <ul style="list-style-type: none"> Political and Regulatory Funding Synergy Partnerships and Alliances Operational Brand and Reputation | <ul style="list-style-type: none"> Development and implementation of sustainable programs for youth, culture, education, and livelihood | <ul style="list-style-type: none"> Community investments Total number of Mangyan weavers, and sales of Mangyan products Monthly income of farmers in the MDC Greens farms | 413-1 |

| SOCIAL | | | | | |
|---|--|--|---|--|---|
| MATERIAL FACTORS AND RELEVANT <IR> CAPITALS | GRI TOPICS / UN GLOBAL COMPACT PRINCIPLES* | SPECIFIC TOPICS | REPORTING COMPANIES** | WHY IT IS MATERIAL | POSITIVE IMPACT (What kind of outcomes can be expected if the material factor is well addressed?) |
| TRAINING AND DEVELOPMENT Human Capital Intellectual Capital | 404: Training and Education / Principle 6 | Training hours and training programs | Ayala Corporation and all companies group-wide | The sustainability of our businesses are directly related to the knowledge and skills of our employees. | <ul style="list-style-type: none"> Highly capable workforce Established career path for employees |
| OCCUPATIONAL HEALTH AND SAFETY Human Capital | 403: Occupational Health and Safety | Types of injuries | At the group level: AC Automotive, AC Energy, AC Infra, Ayala Land, Globe, IMI (Phils and Global), Manila Water | A healthy workforce and a safe working environment are integral in the daily operation of our businesses. | <ul style="list-style-type: none"> Engaged workforce |
| CUSTOMER MANAGEMENT Social and Relationship Capital | 102: General Disclosure | "Customer satisfaction Product quality" | At the group level: Ayala Land, Globe, Manila Water, AC Automotive, AC Health, AC Infra, IMI (Phils) | Customer satisfaction indicates quality of our products and services, and drives customer loyalty and revenue growth. | <ul style="list-style-type: none"> Enhanced brand and reputation Increased customer loyalty |
| SECURITY PRACTICES AND PRIVACY | 410: Security Practices 418: Customer Privacy | Security practices | Ayala Corporation and all companies group-wide | We aim to ensure safety of individuals within our business scope against external dangers. We also comply to the Data Privacy Act. | <ul style="list-style-type: none"> Stronger customer confidence in products and services |
| | | Data privacy | Ayala Corporation and all companies group-wide | | |

*The 10 UN Global Compact Principles

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Businesses should make sure that they are not complicit in human right abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Businesses should uphold the elimination of all forms of forced and compulsory labour.
5. Businesses should uphold the effective abolition of child labour.
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.
7. Business should support a precautionary approach to environmental challenges.
8. Businesses should undertake initiatives to promote greater environmental responsibility.
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.
10. Business should work against corruption in all its forms, including extortion and bribery.

| SOCIAL | | | | |
|--|--|--|---|-----------------|
| 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 | GRI DISCLOSURES |
| <ul style="list-style-type: none"> Lack of future-proofing skills among employees | <ul style="list-style-type: none"> Talent Political and Regulatory Operational Competition Brand and Reputation | <ul style="list-style-type: none"> Employee engagement Leadership development program | <ul style="list-style-type: none"> Total number of training hours Average training hours per employee | 404-1, 404-2 |
| <ul style="list-style-type: none"> Dissatisfied workforce | <ul style="list-style-type: none"> Talent Political and Regulatory Operational Brand and Reputation Governance and Controls | <ul style="list-style-type: none"> Employee health and wellness programs Continuous monitoring of incidences and injuries | <ul style="list-style-type: none"> Number and types of injuries | 403-2 |
| <ul style="list-style-type: none"> Eroded brand and reputation Customer complaints | <ul style="list-style-type: none"> Operational Competition Brand and Reputation | <ul style="list-style-type: none"> Quality management system Customer satisfaction surveys Customer feedback and grievance mechanisms | <ul style="list-style-type: none"> Customer satisfaction ratings and net promoter scores Customer complaints resolved | 102-43 |
| <ul style="list-style-type: none"> Eroded brand and reputation Regulatory fines and penalties Higher cost of operations | <ul style="list-style-type: none"> Information Security and Cyber Innovation and Technology Operational Brand and Reputation Governance and Controls Business Resiliency | <ul style="list-style-type: none"> Policies on data privacy and IT security Centralized 24/7 security operations | <ul style="list-style-type: none"> Security practices and data privacy policy | 410-1 |
| | | | <ul style="list-style-type: none"> Security practices and data privacy policy | 418-1 |

**The reporting companies represent Ayala companies with whom the respective topics are material and disclosed in the report.

These are defined whether at the holdings level (i.e. Ayala Corporation), or at the group level (i.e. companies that represent the Ayala group on the material factor), or at the subsidiary level (i.e. individual companies with whom the topic is material) All geographic locations in the Philippines where our local companies have operations are covered in the reporting boundary. For global companies, the boundaries are as follows: IMI Global includes its operations in Bulgaria, China, Czech Republic, Japan, Mexico, Serbia, and the United Kingdom. Manila Water includes its facilities in Vietnam and Thailand. AC Energy's RE plants in Indonesia disclosed their economic performance.

TABLE OF RESTATEMENTS

(GRI 102-48, 102-49)

| DISCLOSURE NUMBER | DISCLOSURE TITLE | 2016 PERFORMANCE | | 2017 PERFORMANCE | |
|-------------------|--|---|---------------------|---|---------------------|
| | | 2016 PERFORMANCE AS REPORTED IN 2017 <IR> | FIGURE IN 2018 <IR> | 2017 PERFORMANCE AS REPORTED IN 2017 <IR> | FIGURE IN 2018 <IR> |
| 201-1 | Economic Value Generated | - | - | 463,842.87 | 462,700.65 |
| 201-1 | Economic Value Distributed (Operating Cost) | 191,682.98 | 191,670.04 | 235,037.69 | 230,327.83 |
| 201-1 | Economic Value Distributed (Payments to Employees) | 39,870.51 | 39,872.51 | 45,027.10 | 47,062.23 |
| 201-1 | Economic Value Distributed (Payment to Providers of Capital) | 55,138.44 | 54,826.55 | 58,238.45 | 59,473.71 |
| 201-1 | Economic Value Distributed (Payment to Government) | 34,302.27 | 34,449.79 | 38,718.50 | 39,072.07 |
| 201-1 | Economic Value Distributed (Payment to Communities) | - | - | 167.62 | 177.62 |
| 302-1 | Diesel | 19,321,868.50 | 18,613,548.92 | 17,718,238.60 | 19,118,644.15 |
| 302-1 | Gasoline | - | - | 4,265,544.30 | 4,300,727.30 |
| 302-1 | Electricity Consumption | 985,605,142.50 | 1,147,892,919.38 | 1,284,297,140.70 | 1,315,819,006.27 |
| 303-1 | Water Consumption | 11,358,780.20 | 11,401,327.21 | 14,525,775.40 | 14,784,055.39 |
| 305-1 | Total GHG Emission Scope 1 | 1,728,161.50 | 1,727,888.58 | 2,183,230.20 | 7,492,256.97 |
| 305-2 | Total GHG Emission Scope 2 | 675,593.30 | 721,949.75 | 767,551.50 | 794,121.20 |
| 305-3 | Total GHG Emission Scope 3 | 258,650.80 | 585,015.67 | 275,041.40 | 12,747,621.21 |
| 306-2 | Total Non-Hazardous Waste | - | - | 36,167.10 | 37,767.16 |
| 306-2 | Total Hazardous Waste | 1,207,789.60 | 1,205,822.20 | 1,788,670.50 | 1,790,981.50 |
| 401-1 | New hires | 15,271.00 | 15,271.00 | 7,991.00 | 12,249.00 |
| 401-1 | Employee turnover | 11,980.00 | 11,780.00 | 4,148.00 | 4,148.00 |
| 102-7 | Headcount of support staff | 75,617.00 | 62,966.00 | 83,810.00 | 67,360.00 |
| 404-1 | Total training hours (rank and file) | - | - | 879,234.00 | 1,283,192.24 |
| 404-1 | Total training hours (middle management) | - | - | 378,337.00 | 393,515.60 |
| 404-1 | Total training hours (senior management) | - | - | 31,304.00 | 25,859.00 |
| 404-1 | Average training hours | 17.40 | 23.30 | 23.30 | 22.12 |

In this table, we restate some information about our sustainability performance in 2016 and 2017 that we have disclosed in the 2017 report. These restatements came from changes in reporting boundaries due to mergers and acquisitions, and changes in measurement methods.

| UNIT | PAGE | REASON |
|----------------|------|--|
| Million peso | 201 | Updated numbers from Manila Water |
| Million peso | 201 | Updated numbers from Manila Water |
| Million peso | 201 | Updated numbers from Manila Water |
| Million peso | 201 | Updated numbers from Manila Water |
| Million peso | 201 | Updated numbers from Manila Water |
| Million peso | 201 | Updated numbers from Manila Water |
| liters | 198 | Updated numbers from IMI Phils and IMI Global, and removal of BPI from the boundary |
| liters | 198 | Updated numbers from IMI Phils and IMI Global |
| Kwh | 199 | Updated numbers from Ayala Land, Globe, IMI Phils and IMI Global, Manila Water |
| cubic meters | 197 | Updated numbers from IMI Phils and IMI Global |
| tonnes of co2e | 200 | Recomputed using updated emission factors for diesel and gasoline |
| tonnes of co2e | 200 | Recomputed using updated grid emission factors from the Department of Energy; updated numbers from Ayala Land, Globe, IMI Phils and IMI Global, and Manila Water |
| tonnes of co2e | 200 | Recomputed using updated emission factors for diesel and gasoline |
| kg | 196 | Updated numbers from IMI Phils and IMI Global |
| kg | 196 | Updated numbers from IMI Phils and IMI Global |
| head count | 204 | Updated numbers from IMI Phils and IMI Global |
| head count | 204 | Updated numbers from IMI Phils and IMI Global |
| head count | 202 | Updated numbers from IMI Phils and IMI Global, reviewed and recalculated Globe data |
| hours | 205 | Updated numbers from IMI Phils and IMI Global |
| hours | 205 | Updated numbers from IMI Phils and IMI Global |
| hours | 205 | Updated numbers from IMI Phils and IMI Global |
| hours | 204 | Updated numbers from IMI Phils and IMI Global |

PERFORMANCE INDICES

MATERIALS AND NON-HAZARDOUS WASTE

| MATERIALS USED AND WEIGHT BY TYPE IN TONNES (301-1) | 2016 | 2017 | 2018 |
|---|------------------|------------------|------------------|
| Rebar/steel | 253,928.0 | 165,625.0 | 171,755.7 |
| Consumed cement | 295,710.0 | 355,876.0 | 277,718.1 |
| TOTAL | 549,638.0 | 521,501.0 | 449,473.8 |
| Rebar consumption intensity (Tons per million pesos revenue) | 2.0 | 1.2 | 1.0 |
| Cement consumption intensity (Tons per million pesos revenue) | 2.4 | 2.5 | 1.0 |

This table refers to the materials used by the Makati Development Corporation, Ayala Land's construction arm

| NON-HAZARDOUS WASTE GENERATED IN TONNES (306-2) | 2016 | 2017 | 2018 |
|--|-----------------|-----------------|-----------------|
| Recyclables | 6,638.6 | 6,363.2 | 8,735.9 |
| Residual | 16,560.7 | 17,174.4 | 26,874.5 |
| Compostable and Food Waste | 16,353.5 | 14,229.6 | 15,346.8 |
| TOTAL | 39,552.8 | 37,767.2 | 50,957.2 |
| Waste productivity (Million pesos revenue per ton non-hazardous waste generated) | 7.4 | 8.9 | 7.6 |

This table refers to the non-hazardous wastes generated by Ayala companies (see reporting companies below)

| COMPOSTABLE AND FOOD IN TONS | 2016 | 2017 | 2018 |
|------------------------------|----------|----------|----------|
| Ayala Land | 16,353.5 | 14,229.6 | 16,626.9 |

This table refers to the non-hazardous wastes generated by Ayala companies which can be composted, including food waste

| RECYCLABLES IN TONS | 2016 | 2017 | 2018 |
|---|----------------|----------------|----------------|
| AC Education | - | - | 11.2 |
| AC Health | - | - | 0.0 |
| AC Infra | - | - | 41.3 |
| Ayala Land | 5,542.3 | 4,899.2 | 6,137.9 |
| Globe | 24.4 | 15.8 | 20.7 |
| IMI Global | - | 1,448.2 | 1,690.6 |
| IMI Phils | 1,071.9 | - | 834.1 |
| TOTAL | 6,638.6 | 6,363.2 | 8,735.9 |
| Recyclable construction waste from Ayala Land | 398,160.0 | 466,176.0 | 457,592.7 |

This table refers to the non-hazardous wastes generated by Ayala companies which can be recycled or reused

| RESIDUALS IN TONS | 2016 | 2017 | 2018 |
|---|-----------------|-----------------|-----------------|
| AC Education | - | - | 1.9 |
| AC Health | - | - | 315.0 |
| AC Infra | - | - | 61.2 |
| Ayala Land | 16,359.9 | 16,867.0 | 25,866.7 |
| Globe | 178.9 | 155.5 | 150.9 |
| IMI Global | - | 151.9 | 199.1 |
| IMI Phils | 21.9 | - | 279.7 |
| TOTAL | 16,560.7 | 17,174.4 | 26,874.5 |
| Recyclable construction waste from Ayala Land | 922,560.0 | 1,546,272.0 | 1,460,284.5 |

This table refers to the non-hazardous wastes generated by Ayala companies which can no longer be recycled, reused, or composted.

HAZARDOUS WASTE

| HAZARDOUS WASTE GENERATED BY TYPE IN KG (306-4) | 2016 | 2017 | 2018 |
|---|--------------------|--------------------|--------------------|
| Used Oil | 339,910.3 | 523,748.4 | 726,600.3 |
| Electronic Wastes | 49,848.9 | 402,444.0 | 574,099.1 |
| Used Batteries | 184,218.0 | 161,888.6 | 208,524.1 |
| Chemical waste | 48,800.0 | 35,638.0 | 131,029.7 |
| Grease Waste | 10,315.0 | 12,263.0 | 42,809.0 |
| Contaminated Waste | 13,700.0 | 2,793.0 | 28,027.3 |
| Busted Fluorescent Lamps | 3,070.0 | 69,520.5 | 28,873.5 |
| Medical Waste | - | - | 3,452.2 |
| Expired Medicines | - | - | 231.6 |
| Other Hazardous Wastes | 555,960.0 | 582,686.0 | 391,243.2 |
| TOTAL | 1,205,822.2 | 1,790,981.5 | 2,134,890.1 |

Other hazardous wastes include industry-specific wastes such as spent resins for water treatment plants of Manila Water and IMI.

| HAZARDOUS WASTE GENERATED BY COMPANY IN KG (306-4) | 2016 | 2017 | 2018 |
|--|--------------------|--------------------|--------------------|
| AC Automotive | 319,610.6 | 430,153.0 | 276,906.8 |
| AC Energy | - | - | 416,832.8 |
| AC Health | - | - | 3,683.8 |
| AC Infra | 4,285.0 | 1,379.9 | 74,672.5 |
| Ayala Land | - | 97,448.2 | 112,761.1 |
| Globe | 198,786.6 | 361,313.9 | 449,779.6 |
| IMI Global | - | 180,448.0 | 401,655.2 |
| IMI Phils | 205,300.0 | 577,211.0 | 330,702.7 |
| Manila Water | 477,840.0 | 143,027.5 | 67,929.2 |
| TOTAL | 1,205,822.2 | 1,790,981.5 | 2,134,890.1 |

IMI Global sites in China, Mexico and Bulgaria started reporting in 2017. AC Energy, AC Health and IMI Global sites in Czech Republic, Serbia, Japan (VIA), and London (STI) and Cebu (Phils) started reporting in 2018.

| BATTERIES IN KG | 2016 | 2017 | 2018 |
|-----------------|------------------|------------------|------------------|
| AC Automotive | 12,778.0 | 14,922.0 | 34,585.2 |
| AC Energy | - | - | 4,436.5 |
| AC Infra | - | - | 474.1 |
| Ayala Land | - | 19,927.1 | 11,602.1 |
| Globe | 167,360.0 | 116,298.0 | 150,720.0 |
| IMI Global | - | 1,488.0 | 1,314.0 |
| IMI Phils | 900.0 | 1,720.0 | 3,345.0 |
| Manila Water | 3,180.0 | 7,533.5 | 2,047.2 |
| TOTAL | 184,218.0 | 161,888.6 | 208,524.1 |

| ELECTRONIC WASTES IN KG | 2016 | 2017 | 2018 |
|-------------------------|-----------------|------------------|------------------|
| AC Automotive | - | - | 0.1 |
| AC Energy | - | - | 625.0 |
| AC Infra | 746.0 | 153.5 | 58.0 |
| Ayala Land | - | 4,399.8 | 2,349.4 |
| Globe | 22,812.9 | 224,290.7 | 288,242.6 |
| IMI Global | - | 156,890.0 | 229,355.3 |
| IMI Phils | 4,700.0 | 15,570.0 | 53,441.2 |
| Manila Water | 21,590.0 | 1,140.0 | 27.6 |
| TOTAL | 49,848.9 | 402,444.0 | 574,099.1 |

| USED OIL IN KG | 2016 | 2017 | 2018 |
|----------------|------------------|------------------|------------------|
| AC Automotive | 306,832.6 | 415,231.0 | 210,702.5 |
| AC Energy | - | - | 394,617.0 |
| AC Infra | 3,539.0 | 1,226.4 | 10,029.5 |
| Ayala Land | - | 20,494.8 | 82,403.5 |
| Globe | 3,498.7 | 8,462.2 | 4,750.0 |
| IMI Global | - | 2,787.0 | 7,010.0 |
| IMI Phils | - | 11,417.0 | 10,524.9 |
| Manila Water | 26,040.0 | 64,130.0 | 6,563.0 |
| TOTAL | 339,910.3 | 523,748.4 | 726,600.3 |

| CHEMICAL WASTE IN KG | 2016 | 2017 | 2018 |
|----------------------|-----------------|-----------------|------------------|
| IMI Phils | 48,800.0 | 19,018.0 | 63,926.6 |
| IMI Global | - | 16,460.0 | 66,903.6 |
| Manila Water | - | 160.0 | 233.1 |
| TOTAL | 48,800.0 | 35,638.0 | 131,063.3 |

| GREASE WASTE IN KG | 2016 | 2017 | 2018 |
|--------------------|-----------------|-----------------|-----------------|
| Globe | 5,115.0 | 12,263.0 | 6,067.0 |
| IMI Global | - | - | 3,687.0 |
| IMI Phils | 5,200.0 | - | 26,680.0 |
| Manila Water | - | - | 6,375.0 |
| TOTAL | 10,315.0 | 12,263.0 | 42,809.0 |

| EXPIRED MEDICINES IN KG | 2016 | 2017 | 2018 |
|-------------------------|------|------|-------|
| AC Health | - | - | 231.6 |

| MEDICAL WASTES IN KG | 2016 | 2017 | 2018 |
|----------------------|------|------|---------|
| AC Health | - | - | 3,452.2 |

| CONTAMINATED WASTES IN KG | 2016 | 2017 | 2018 |
|---------------------------|-----------------|----------------|-----------------|
| IMI Global | - | 2,793.00 | 6,771.00 |
| IMI Phils | 13,700.00 | - | 21,024.26 |
| Manila Water | - | - | 232.03 |
| TOTAL | 13,700.0 | 2,793.0 | 28,027.3 |

| BUSTED FLUORESCENT LAMPS IN KG | 2016 | 2017 | 2018 |
|--------------------------------|----------------|-----------------|-----------------|
| AC Energy | - | - | 105.8 |
| AC Infra | - | - | 3,730.5 |
| Ayala Land | - | 52,626.5 | 16,406.2 |
| Globe | - | - | - |
| IMI Global | - | 30.0 | 400.0 |
| IMI Phils | 400.0 | 300.0 | 782.0 |
| Manila Water | 2,670.0 | 16,564.0 | 7,449.0 |
| TOTAL | 3,070.0 | 69,520.5 | 28,873.5 |

| OTHER HAZARDOUS WASTES IN KG | 2016 | 2017 | 2018 |
|------------------------------|------------------|------------------|------------------|
| AC Automotive | - | - | 31,619.0 |
| AC Energy | - | - | 17,048.5 |
| AC Infra | - | - | 60,380.4 |
| IMI Global | - | - | 86,214.3 |
| IMI Phils | 131,600.0 | 529,186.0 | 150,978.7 |
| Manila Water | 424,360.0 | 53,500.0 | 45,002.3 |
| TOTAL | 555,960.0 | 582,686.0 | 391,243.2 |

WATER

| WATER CONSUMPTION FROM WATER UTILITIES IN CUBIC METERS (303-1) | 2016 | 2017 | 2018 |
|--|---------------------|---------------------|---------------------|
| AC Automotive | - | 38,818.0 | 73,594.1 |
| AC Education | - | 43,933.0 | 79,148.3 |
| AC Energy | 160,337.0 | 161,499.0 | 232,439.4 |
| AC Health | - | 21,179.1 | 125,734.4 |
| AC Infra | 42,547.0 | 80,950.0 | 80,938.5 |
| Ayala Land | 9,834,866.1 | 12,868,284.2 | 14,235,297.0 |
| BPI | 414,902.2 | 387,087.1 | 381,442.6 |
| Globe | 125,340.8 | 104,129.9 | 383,261.2 |
| IMI Global | - | 177,330.0 | 1,057,071.0 |
| IMI Phils | 823,334.1 | 900,845.0 | 1,265,118.3 |
| TOTAL | 11,401,327.2 | 14,784,055.4 | 17,914,044.9 |
| Water Intensity (cubic meters/million pesos revenue) | 31.80 | 33.46 | 35.53 |
| Water Productivity (million pesos revenue/cubic meters) | 0.03 | 0.03 | 0.03 |

This table refers to the water consumed by Ayala companies from utility providers, including Manila Water. Manila Water's consumption is reported under Water Abstraction from Natural Sources. The increase in water consumption in 2018 is primarily due to the increase in MDC's construction projects from 174 in 2017 to 248 in 2018. The concrete batching plants used in these projects require high amounts of water. IMI's global sites in Japan (VIA), London (STI), Czech Republic and Serbia also started reporting water consumption in 2018.

| WATER ABSTRACTION FROM NATURAL SOURCES IN MILLION CUBIC METERS (303-1) | 2016 | 2017 | 2018 |
|--|--------------|--------------|--------------|
| Water abstracted from ground water | 76.5 | 89.0 | 85.2 |
| Water abstracted from surface water | 753.5 | 768.4 | 779.5 |
| TOTAL WATER ABSTRACTED FROM NATURAL SOURCES | 830.0 | 857.4 | 864.8 |
| Percent abstracted from groundwater | 9% | 10% | 10% |
| Percent abstracted from surface water | 91% | 90% | 90% |

ENERGY

| ENERGY CONSUMED WITHIN THE ORGANIZATION IN GIGAJOULES (302-1) | 2016 | 2017 | 2018 |
|---|---------------------|---------------------|---------------------|
| Diesel | 712,778.1 | 732,119.9 | 939,166.0 |
| Gasoline | 146,221.0 | 149,059.7 | 153,210.3 |
| Sub-bituminous coal | 62,234,158.0 | 69,600,117.0 | 67,949,427.6 |
| Purchased electricity | 3,724,397.0 | 4,617,355.6 | 5,080,313.2 |
| TOTAL DIRECT ENERGY CONSUMPTION | 66,817,554.1 | 75,218,245.0 | 74,122,404.9 |
| Total Energy Intensity (Gigajoules/million pesos revenue) | 167.1 | 162.2 | 140.8 |
| Total Energy Productivity (million pesos revenue/gigajoules) | 0.01 | 0.01 | 0.01 |

| DIESEL CONSUMPTION IN LITERS | 2016 | 2017 | 2018 |
|------------------------------|---------------------|---------------------|---------------------|
| AC Automotive | 28,040.0 | 62,059.9 | 181,840.0 |
| AC Energy | 1,047,996.1 | 596,865.0 | 2,762,126.8 |
| AC Infra | 70,989.9 | 74,891.7 | 72,835.9 |
| Ayala Land | 6,076,208.3 | 7,117,510.9 | 10,812,952.0 |
| Globe | 10,185,751.8 | 9,922,205.6 | 9,371,930.5 |
| IMI Global | - | 18,322.0 | 12,125.0 |
| IMI Phils | 22,947.9 | 80,379.0 | 101,017.3 |
| Manila Water | 1,181,615.0 | 1,246,410.0 | 1,210,377.8 |
| TOTAL | 18,613,548.9 | 19,118,644.1 | 24,525,463.2 |

| ENERGY CONSUMPTION FROM DIESEL IN GIGAJOULES | 2016 | 2017 | 2018 |
|--|------------------|------------------|------------------|
| AC Automotive | 1,073.7 | 2,376.5 | 6,963.3 |
| AC Energy | 40,131.4 | 22,856.1 | 105,771.5 |
| AC Infra | 2,718.5 | 2,867.9 | 2,789.1 |
| Ayala Land | 232,679.3 | 272,554.5 | 414,065.8 |
| Globe | 390,048.2 | 379,956.0 | 358,884.1 |
| IMI Global | - | 701.6 | 464.3 |
| IMI Phils | 878.8 | 3,078.0 | 3,868.3 |
| TOTAL | 712,778.1 | 732,119.9 | 939,166.0 |

| GASOLINE CONSUMPTION IN LITERS | 2016 | 2017 | 2018 |
|--------------------------------|--------------------|--------------------|--------------------|
| AC Automotive | 202,838.9 | 242,132.6 | 140,521.7 |
| AC Energy | 2,579.6 | 8,660.0 | 15,407.3 |
| AC Infra | 2,310.9 | 2,933.2 | 2,917.7 |
| Ayala Land | 186,948.0 | 213,392.9 | 333,654.0 |
| Globe | 3,616,301.0 | 3,656,970.6 | 3,726,733.4 |
| IMI Global | - | 35,183.0 | 34,015.9 |
| IMI Phils | 17,050.9 | 10,842.0 | 2,124.0 |
| Manila Water | 190,795.7 | 130,613.0 | 165,953.7 |
| TOTAL | 4,218,825.0 | 4,300,727.3 | 4,428,786.8 |

| ENERGY CONSUMPTION FROM GASOLINE IN GIGAJOULES | 2016 | 2017 | 2018 |
|--|------------------|------------------|------------------|
| AC Automotive | 7,030.2 | 8,392.1 | 4,870.4 |
| AC Energy | 89.4 | 300.1 | 534.0 |
| AC Infra | 80.1 | 101.7 | 101.1 |
| Ayala Land | 6,479.5 | 7,396.0 | 11,564.2 |
| GLOBE | 125,338.0 | 126,747.6 | 129,165.5 |
| IMI Global | - | 1,219.4 | 1,179.0 |
| IMI Phils | 591.0 | 375.8 | 73.6 |
| Manila Water | 6,612.8 | 4,526.9 | 5,751.8 |
| TOTAL | 146,221.0 | 149,059.7 | 153,498.1 |

The increase in diesel and gasoline consumption in 2018 is primarily due to high consumption in MDC's construction projects. MDC's project on Ayala Land's developments that are located on remote areas or those that have no permanent connection to electricity use diesel gensets to supply power during construction. Concrete batching plants operating 24 hours and the concrete delivery trucks assigned to transport concrete to different project locations also contributed to Ayala Land's high fuel consumption. The inclusion of AC Energy companies GMCP, Northwind, NLR, Montesol, Islasol and Sacasol in 2018 reporting also contributed to the increase.

| FUEL CONSUMPTION OF AC ENERGY'S THERMAL PLANTS IN TONNES | 2016 | 2017 | 2018 |
|--|------------------|--------------------|--------------------|
| SLTEC | 959,381.0 | 1,239,802.0 | 837,305.8 |
| GMCP | - | 2,867,062.0 | 3,161,711.0 |
| Total | 959,381.0 | 4,106,864.0 | 3,999,016.8 |

| ENERGY CONSUMPTION OF AC ENERGY'S THERMAL PLANTS IN GIGAJOULES | 2016 | 2017 | 2018 |
|--|---------------------|---------------------|---------------------|
| SLTEC | 17,339,968.0 | 22,437,639.0 | 15,002,349.9 |
| GMCP | 44,894,190.0 | 47,162,478.0 | 52,947,077.7 |
| Total | 62,234,158.0 | 69,600,117.0 | 67,949,427.6 |

GMCP started reporting its coal consumption to AC in 2017. Energy consumption was computed based on actual net heat rate of coal used in each plant. SLTEC have lower energy consumption due to shutdown of its Unit 2 boiler in Q3 of 2018.

| PURCHASED ELECTRICITY IN KILOWATT-HOURS | 2016 | 2017 | 2018 |
|---|------------------------|------------------------|------------------------|
| AC Automotive | 7,062,238.9 | 7,418,881.0 | 7,401,169.5 |
| AC Education | 1,464,463.7 | 2,725,524.0 | 4,402,754.9 |
| AC Energy (houseload) | - | - | 2,464,411.3 |
| AC Health | 1,193,468.9 | 1,364,502.4 | 2,379,785.0 |
| AC Infra | 42,660,890.0 | 49,460,939.0 | 50,688,587.1 |
| Ayala Land | 339,881,038.6 | 377,904,443.3 | 405,575,881.4 |
| BPI | 52,566,069.4 | 48,832,505.6 | 50,061,550.7 |
| Globe | 446,318,966.1 | 482,360,321.0 | 484,421,708.0 |
| IMI Global | - | 71,161,061.6 | 94,859,167.2 |
| IMI Phils | 50,355,209.3 | 54,517,618.0 | 79,201,531.2 |
| Manila Water | 206,390,574.4 | 223,693,094.7 | 228,577,259.6 |
| HCX | - | 103,000.0 | 114,230.0 |
| AffinityX | - | 173,968.0 | 238,336.0 |
| TOTAL PURCHASED ELECTRICITY | 1,147,892,919.4 | 1,315,819,006.3 | 1,411,198,097.5 |
| Electricity Intensity in GWh per million peso | 2.9 | 2.9 | 2.7 |

| ELECTRICITY/INDIRECT ENERGY IN GIGAJOULES | 2016 | 2017 | 2018 |
|--|--------------------|--------------------|--------------------|
| AC Automotive | 25,424.1 | 26,708.0 | 26,644.0 |
| AC Education | 5,272.1 | 9,811.9 | 15,849.9 |
| AC Energy (houseload) | - | - | 8,871.9 |
| AC Health | 4,296.5 | 4,912.2 | 8,567.0 |
| AC Infra | 153,579.2 | 178,059.4 | 182,478.9 |
| Ayala Land | 1,223,571.7 | 1,360,456 | 1,460,073.0 |
| BPI | 189,237.8 | 175,797.0 | 180,222.0 |
| Globe | 1,606,748.3 | 1,736,497.2 | 1,743,918.1 |
| IMI Global | - | 256,179.8 | 341,493.0 |
| IMI Phils | 181,278.8 | 196,263.4 | 285,126.0 |
| Manila Water | 743,006.1 | 805,295.1 | 822,878.1 |
| HCX | - | 370.8 | 411.2 |
| AffinityX | - | 626.3 | 858.0 |
| TOTAL ENERGY CONSUMPTION FROM PURCHASED ELECTRICITY IN GIGAJOULES | 4,132,414.5 | 4,736,948.4 | 5,080,313.2 |

The increase in electricity consumption in 2018 is primarily due to additional reporting of IMI's Serbia and Japan sites

| ELECTRICITY CONSUMED OUTSIDE THE ORGANIZATION IN KILOWATT-HOURS | 2016 | 2017 | 2018 |
|---|---------------|---------------|---------------|
| Ayala Land (tenants) | 388,869,075.2 | 410,507,701.4 | 482,003,903.0 |

| ENERGY CONSUMED OUTSIDE THE ORGANIZATION IN GIGA JOULES (302-2) | 2016 | 2017 | 2018 |
|---|--------------------|--------------------|--------------------|
| AC Automotive (initial fuel load of sold vehicles) | 5,342.6 | 5,238.5 | 2,534.3 |
| AC Energy (fuel of outsourced fleet) | 3,457.8 | 5,590.9 | 12,829.5 |
| AC Health (fuel of outsourced fleet) | 0.0 | 0.0 | 1,499.3 |
| AC Infra (fuel of outsourced fleet) | 0.0 | 826.4 | 2,283.6 |
| Ayala Land (electricity consumption of tenants) | 1,399,928.7 | 1,477,827.7 | 1,735,214.1 |
| BPI (fuel of leased armored vehicles) | 32,150.0 | 29,476.1 | 13,607.8 |
| IMI Global (fuel of outsourced fleet) | 0.0 | 3,127.7 | 4,770.1 |
| IMI Phils (fuel of outsourced fleet) | 34,208.7 | 33,138.6 | 15,358.3 |
| Manila Water (fuel of desludging trucks) | 0.0 | 22,888.7 | 23,016.2 |
| TOTAL | 1,475,087.8 | 1,578,114.6 | 1,816,692.9 |

| DIESEL CONSUMED OUTSIDE THE ORGANIZATION IN LITERS | 2016 | 2017 | 2018 |
|--|--------------------|--------------------|--------------------|
| AC Automotive | 139,301.0 | 135,489.8 | 64,160.1 |
| AC Energy | 90,298.5 | 146,000.0 | 310,244.4 |
| AC Health | - | - | 39,154.0 |
| AC Infra | - | 20,753.9 | 19,843.4 |
| BPI | 839,566.9 | 769,741.9 | 355,354.8 |
| IMI Global | - | 50,000.0 | 83,594.0 |
| IMI Phils | 893,328.1 | 865,385.0 | 392,829.0 |
| Manila Water | - | 597,717.4 | 601,046.2 |
| TOTAL | 1,962,494.5 | 2,585,087.9 | 1,866,225.8 |

The decrease in diesel consumption outside the organization in 2018 is primarily due to lower utilization of IMI's outsource vehicles. Additionally, BPI's Central Operations Group which oversees armored vehicles has changed their contract with the armored car agency from leased to outsourced starting July 2018. This shifts the management of fuel from BPI to the agency and resulted to lower diesel consumption.

| GASOLINE CONSUMED OUTSIDE THE ORGANIZATION IN LITERS | 2016 | 2017 | 2018 |
|--|--------------|-----------------|------------------|
| AC Automotive | 240.0 | 1,445.1 | 2,233.9 |
| AC Energy | - | - | 27,386.7 |
| AC Infra | - | 913.2 | 43,963.0 |
| IMI Global | - | 35,000.0 | 45,269.0 |
| IMI Phils | - | - | 9,102.0 |
| TOTAL | 240.0 | 37,358.3 | 127,954.5 |

The increase in gasoline consumption outside the organization in 2018 is primarily due to additional reporting by AC Energy companies GMCP, Montesol, Islasol and Sacasol and AC Infra's new logistics business, Entrego.

EMISSIONS

| SCOPE 1 DIRECT ENERGY GHG EMISSIONS (TOTAL) 305-1 | 2016 | 2017 | 2018 |
|---|--------------------|--------------------|--------------------|
| AC Automotive | 980.5 | 1,131.3 | 769.1 |
| AC Energy | 1,640,366.0 | 7,359,204.3 | 6,949,775.3 |
| AC Infra | 48.1 | 147.0 | 198.2 |
| Ayala Land | 43,360.1 | 89,171.6 | 31,388.1 |
| Globe | 39,081.2 | 38,531.8 | 36,167.2 |
| IMI Global | - | 129.0 | 109.7 |
| IMI Phils | 100.2 | 240.0 | 275.5 |
| Manila Water | 3,952.6 | 3,702.1 | 3,620.5 |
| AC Energy (renewables) | (160,476.0) | (196,224.2) | (342,070.6) |
| TOTAL | 1,727,888.6 | 7,492,257.0 | 7,022,321.2 |
| Scope 1 Intensity | 5.2 | 19.2 | 15.7 |

| SCOPE 1 DIRECT ENERGY GHG EMISSIONS (EQUITY) 305-1 | 2016 | 2017 | 2018 |
|--|------------------|--------------------|--------------------|
| AC Automotive | 980.5 | 1,131.3 | 769.1 |
| AC Energy | 574,128.1 | 1,790,232.1 | 1,603,275.9 |
| AC Infra | 51.0 | 51.4 | 69.4 |
| Ayala Land | 20,422.6 | 41,999.8 | 14,749.3 |
| Globe | 12,115.2 | 11,944.8 | 11,186.5 |
| IMI Global | 0.0 | 65.8 | 56.0 |
| IMI Phils | 51.1 | 122.4 | 140.5 |
| Manila Water | 2,039.5 | 1,910.3 | 1,860.9 |
| AC Energy (renewables) | (75,235.9) | (92,192.6) | (115,669.7) |
| TOTAL | 609,831.1 | 1,847,457.9 | 1,632,116.5 |
| Scope 1 Intensity | 1.83 | 4.73 | 3.66 |

As a holding company, Ayala Corporation's greenhouse gas emissions are reported based on equity ownership. By doing so, we are able to make informed investment decisions based on the carbon footprint of the assets we own. Our Scope 1 emissions include the direct combustion of various diesel and gasoline among our companies' generator sets and company-owned vehicles, as well as, the combustion of coal in AC Energy's thermal plants. Standards used for the computations are based on the GHG Protocol Corporate Accounting and Reporting Standard. The gases reported include carbon dioxide, methane, and nitrous oxide.

| SCOPE 2 INDIRECT ENERGY GHG EMISSIONS (TOTAL) 305-2 | 2016 | 2017 | 2018 |
|---|------------------|------------------|------------------|
| AC Automotive | 3,886.5 | 4,444.5 | 5,365.9 |
| AC Education | 883.4 | 1,644.0 | 3,135.6 |
| AC Energy | - | - | 765.5 |
| AC Health | 719.9 | 823.1 | 1,717.1 |
| AC Infra | 42,016.8 | 29,385.1 | 30,181.5 |
| Ayala Land | 197,214.3 | 210,931.0 | 242,275.7 |
| BPI | 36,247.1 | 28,700.6 | 35,860.7 |
| Globe | 251,047.8 | 271,458.8 | 352,389.6 |
| IMI Global | - | 50,680.9 | 67,558.7 |
| IMI Phils | 35,863.0 | 38,827.4 | 56,407.3 |
| Manila Water | 153,842.8 | 157,058.6 | 164,014.3 |
| HCX | 109.4 | 62.1 | 81.4 |
| AffinityX | 118.9 | 104.9 | 169.7 |
| TOTAL | 721,949.7 | 794,121.2 | 959,923.1 |
| Scope 2 Intensity | 1.8 | 1.7 | 1.9 |

| SCOPE 2 INDIRECT ENERGY GHG EMISSIONS (EQUITY) 305-2 | 2016 | 2017 | 2018 |
|--|------------------|------------------|------------------|
| AC Automotive | 3,886.5 | 4,444.5 | 5,365.9 |
| AC Education | 883.4 | 1,644.0 | 3,135.6 |
| AC Energy | - | - | 765.5 |
| AC Health | 719.9 | 823.1 | 1,717.1 |
| AC Infra | 42,016.8 | 29,385.1 | 30,181.5 |
| Ayala Land | 93,085.2 | 99,348.5 | 113,845.4 |
| BPI | 17,471.1 | 13,833.7 | 17,435.5 |
| Globe | 77,824.8 | 84,152.2 | 108,994.1 |
| IMI Global | - | 25,847.3 | 34,454.9 |
| IMI Phils | 18,182.5 | 19,802.0 | 28,767.7 |
| Manila Water | 79,382.9 | 81,042.2 | 84,303.4 |
| HCX | 109.4 | 62.1 | 81.4 |
| AffinityX | 118.9 | 104.9 | 169.7 |
| TOTAL | 333,717.5 | 360,489.7 | 429,217.7 |
| Scope 2 Intensity | 0.8 | 0.8 | 0.9 |

Our Scope 2 emissions include the indirect energy emissions from the purchase of electricity from the national grid. Location-based grid emission factors used for local facilities are based on the Department of Energy (Philippines). Factors used for global sites are based on the GHG Protocol Corporate Accounting and Reporting Standard. The gases reported include carbon dioxide, methane, and nitrous oxide.

| SCOPE 3 OTHER INDIRECT GHG EMISSIONS (TOTAL) 305-3 | 2016 | 2017 | 2018 |
|--|------------------|---------------------|---------------------|
| AC Automotive | 377.5 | 367.2 | 177.0 |
| AC Energy | 328,416.6 | 12,472,719.3 | 12,040,202.9 |
| AC Health | 0.0 | 0.0 | 104.9 |
| AC Infra | 0.0 | 0.0 | 153.0 |
| Ayala Land | 248,406.5 | 266,780.1 | 295,756.4 |
| BPI | 2,063.1 | 1,958.7 | 952.9 |
| Globe | 1,893.7 | 1,610.4 | 0.0 |
| Manila Water | 1,464.2 | 1,652.9 | 1,610.8 |
| IMI Global | 0.0 | 213.5 | 326.8 |
| IMI Phils | 2,394.1 | 2,319.2 | 1,073.4 |
| TOTAL | 585,015.7 | 12,747,621.2 | 12,340,748.7 |

| SCOPE 3 OTHER INDIRECT GHG EMISSIONS (EQUITY) 305-3 | 2016 | 2017 | 2018 |
|---|------------------|--------------------|--------------------|
| AC Automotive | 377.5 | 367.2 | 177.0 |
| AC Energy | 114,945.8 | 2,597,166.9 | 2,452,032.1 |
| AC Health | 0.0 | 0.0 | 104.9 |
| AC Infra | 0.0 | 0.0 | 153.0 |
| Ayala Land | 117,247.9 | 125,653.4 | 138,975.9 |
| BPI | 996.5 | 944.1 | 463.3 |
| Globe | 587.0 | 499.2 | 0.0 |
| Manila Water | 755.5 | 852.9 | 828.0 |
| IMI Global | 0.0 | 108.9 | 166.7 |
| IMI Phils | 1,213.8 | 1,182.8 | 547.5 |
| TOTAL | 236,124.0 | 2,726,775.4 | 2,593,647.5 |

Our Scope 3 emissions cover the equivalent fuel combustion emissions of diesel and gasoline of outsourced and third-party vehicles, as well as, the equivalent fuel consumed in the transport of coal by AC Energy's thermal plants. This also covers the electricity consumption of tenants of Ayala Land properties. Standards used for the computations are based on the GHG Protocol Corporate Accounting and Reporting Standard. The gases reported include carbon dioxide, methane, and nitrous oxide.

ECONOMIC VALUE GENERATED, DISTRIBUTED AND RETAINED (201-1)

| ECONOMIC VALUE GENERATED - IN MILLION PESOS | 2016 | 2017 | 2018 |
|---|-------------------|-------------------|-------------------|
| AC Automotive | 23,805.05 | 33,698.38 | 23,156.29 |
| AC Education | 20.97 | 34.96 | 48.45 |
| AC Energy | 960.92 | 2,215.64 | 6,547.66 |
| AC Health | 40.36 | 16.30 | 34.39 |
| AC Infra | 0.74 | 6.83 | 22.82 |
| Ayala Land | 124,628.80 | 142,297.00 | 163,746.80 |
| BPI | 66,551.00 | 71,020.00 | 78,522.00 |
| Globe | 126,436.00 | 137,550.40 | 151,910.07 |
| IMI | 39,993.39 | 55,028.26 | 69,731.03 |
| Manila Water | 17,971.21 | 18,877.51 | 20,266.82 |
| HCX | 335.06 | 208.69 | 202.53 |
| AffinityX | 1,594.53 | 1,746.67 | 1,784.01 |
| TOTAL | 402,338.02 | 462,700.65 | 515,972.87 |

| PAYMENTS TO PROVIDERS OF CAPITAL - DIVIDENDS AND INTEREST IN MILLION PESOS | 2016 | 2017 | 2018 |
|--|------------------|------------------|------------------|
| AC Automotive | 112.47 | 144.81 | (60.78) |
| AC Education | - | - | - |
| AC Energy | - | 40.34 | 165.73 |
| AC Health | - | - | - |
| AC Infra | - | - | - |
| Ayala Land | 14,375.60 | 15,041.67 | 17,079.90 |
| BPI | 20,552.11 | 22,226.30 | 27,761.00 |
| Globe | 15,504.30 | 17,538.90 | 19,274.00 |
| IMI | 595.08 | 768.65 | 519.62 |
| Manila Water | 3,202.44 | 3,679.95 | 3,792.87 |
| HCX | - | - | - |
| AffinityX | 484.55 | 33.10 | 40.66 |
| TOTAL | 54,826.55 | 59,473.71 | 68,573.00 |

| PAYMENTS TO SUPPLIERS - OPERATING COSTS IN MILLION PESOS | 2016 | 2017 | 2018 |
|--|-------------------|-------------------|-------------------|
| AC Automotive | 21,985.31 | 31,148.60 | 21,486.71 |
| AC Education | 32.00 | 82.60 | 50.94 |
| AC Energy | 255.69 | 1,134.34 | 3,194.80 |
| AC Health | 89.00 | 82.45 | 92.61 |
| AC Infra | 35.98 | 79.62 | 48.98 |
| Ayala Land | 68,157.06 | 76,931.36 | 93,611.70 |
| BPI | 11,229.20 | 13,380.13 | 16,106.00 |
| Globe | 55,729.80 | 60,458.40 | 38,852.60 |
| IMI | 29,628.75 | 41,979.81 | 56,722.25 |
| Manila Water | 4,039.41 | 4,481.38 | 5,211.61 |
| HCX | 3.28 | 6.93 | 87.75 |
| AffinityX | 484.55 | 562.21 | 594.59 |
| TOTAL | 191,670.04 | 230,327.83 | 236,060.54 |

| PAYMENTS TO GOVERNMENT - TAXES IN MILLION PESOS | 2016 | 2017 | 2018 |
|---|------------------|------------------|------------------|
| AC Automotive | 141.78 | 206.50 | 261.21 |
| AC Education | 8.46 | 0.37 | 1.01 |
| AC Energy | 69.89 | 167.86 | 59.72 |
| AC Health | 12.50 | 2.79 | 6.32 |
| AC Infra | 14.06 | 18.34 | 4.44 |
| Ayala Land | 11,200.97 | 13,296.10 | 15,675.90 |
| BPI | 12,115.17 | 13,578.03 | 16,358.00 |
| Globe | 7,209.10 | 8,020.10 | 5,328.72 |
| IMI | 515.85 | 682.25 | 657.15 |
| Manila Water | 3,128.61 | 3,082.86 | 3,237.64 |
| HCX | 2.27 | 1.85 | 1.67 |
| AffinityX | 31.11 | 15.02 | 43.81 |
| TOTAL | 34,449.79 | 39,072.07 | 41,635.60 |

| PAYMENTS TO EMPLOYEES - WAGES AND BENEFITS IN MILLION PESOS | 2016 | 2017 | 2018 |
|---|------------------|------------------|------------------|
| AC Automotive | 900.31 | 1,416.73 | 671.25 |
| AC Education | 42.07 | 47.05 | 47.19 |
| AC Energy | 51.71 | 115.00 | 176.86 |
| AC Health | 22.60 | 34.03 | 38.45 |
| AC Infra | 26.45 | 24.81 | 28.57 |
| Ayala Land | 5,458.79 | 7,007.24 | 6,485.60 |
| BPI | 13,266.30 | 13,652.65 | 15,161.00 |
| Globe | 10,109.60 | 12,236.30 | 13,163.66 |
| IMI | 6,971.61 | 9,319.86 | 11,310.67 |
| Manila Water | 1,926.02 | 2,081.64 | 2,342.74 |
| HCX | 211.96 | 123.15 | 118.56 |
| AffinityX | 885.09 | 1,003.76 | 1,049.42 |
| TOTAL | 39,872.51 | 47,062.23 | 50,593.97 |

| PAYMENTS TO COMMUNITIES IN MILLION PESOS | 2016 | 2017 | 2018 |
|--|---------------|---------------|---------------|
| AC Automotive | - | - | - |
| AC Education | 0.22 | 0.20 | 0.03 |
| AC Energy | - | - | 4.15 |
| AC Health | - | - | - |
| AC Infra | 0.03 | - | - |
| Ayala Land | 84.83 | 52.67 | 76.10 |
| BPI | 109.20 | 87.21 | 24.00 |
| Globe | - | 5.00 | 77.83 |
| IMI | 0.50 | 0.65 | 0.66 |
| Manila Water | 26.67 | 31.84 | 44.27 |
| HCX | - | - | 0.02 |
| AffinityX | 0.03 | 0.04 | - |
| TOTAL | 221.46 | 177.62 | 227.06 |

| GROUP-WIDE ECONOMIC PERFORMANCE | 2016 | 2017 | 2018 |
|--|------------|------------|------------|
| Economic Value Generated | 402,338.02 | 462,700.65 | 515,972.87 |
| Payments to Suppliers - Operating Costs | 191,670.04 | 230,327.83 | 236,060.54 |
| Payments to Employees - Wages and Benefits | 39,872.51 | 47,062.23 | 50,593.97 |
| Payments to Providers of Capital - Dividends and Interests | 54,826.55 | 59,473.71 | 68,573.00 |
| Payments to Government - Taxes | 34,449.79 | 39,072.07 | 41,635.60 |
| Payments to Communities | 221.46 | 177.62 | 227.06 |
| Economic Value Distributed | 321,040.35 | 376,113.46 | 397,090.16 |
| Economic Value Retained | 81,297.68 | 86,587.19 | 118,882.71 |

| AT THE PARENT COMPANY - AYALA CORPORATION | 2016 | 2017 | 2018 |
|--|------------|------------|------------|
| Economic Value Generated | 217,610.27 | 259,656.58 | 293,487.79 |
| Payments to Suppliers - Operating Costs | 132,761.25 | 168,029.26 | 189,661.58 |
| Payments to Employees - Wages and Benefits | 17,161.38 | 21,274.78 | 23,786.59 |
| Payments to Providers of Capital - Dividends and Interests | 19,108.19 | 20,025.44 | 24,719.56 |
| Payments to Government - Taxes | 44,528.39 | 50,492.09 | 60,866.93 |
| Payments to Communities | 406.72 | 254.89 | 565.30 |
| Economic Value Distributed | 213,965.93 | 260,076.46 | 299,599.96 |
| Economic Value Retained | 3,644.34 | (419.88) | (6,112.17) |

| HEADCOUNT OF PERMANENT EMPLOYEES (102-7) | 2016 | | 2017 | | 2018 | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| | MALE | FEMALE | MALE | FEMALE | MALE | FEMALE |
| | AC Automotive | 1,035 | 715 | 1,042 | 717 | 1,070 |
| AC Education | 432 | 663 | 481 | 816 | 349 | 552 |
| AC Energy | 128 | 79 | 438 | 168 | 413 | 137 |
| AC Health | 270 | 367 | 606 | 487 | 590 | 1,377 |
| AC Infra | 1,001 | 491 | 1,064 | 489 | 1,101 | 567 |
| AFI | 30 | 57 | 27 | 51 | 25 | 50 |
| ALI | 2,128 | 2,241 | 2,461 | 2,579 | 2,571 | 2,787 |
| BPI | 4,514 | 10,687 | 5,214 | 11,822 | 6,037 | 12,874 |
| Globe | 3,806 | 3,374 | 3,860 | 3,346 | 4,143 | 3,573 |
| IMI Global | 5,581 | 8,565 | 4,823 | 5,483 | 6,280 | 6,456 |
| IMI Phils | - | - | 1,438 | 3,528 | 2,151 | 4,535 |
| Manila Water | 1,120 | 633 | 1,250 | 772 | 1,351 | 767 |
| AffinityX | 292 | 282 | 292 | 272 | 229 | 216 |
| HCX | 49 | 65 | 50 | 63 | 53 | 69 |
| Ayala Corporation | 70 | 78 | 70 | 79 | 69 | 83 |
| GROUP-WIDE HEADCOUNT | 20,456 | 28,297 | 23,116 | 30,672 | 26,432 | 34,744 |

This table includes headcount of full time male and female employees in local and global operations

HR PERFORMANCE

| HEADCOUNT OF PERMANENT EMPLOYEES (102-7) | 2016 | 2017 | 2018 |
|--|---------------|---------------|---------------|
| AC Automotive | 1,750 | 1,759 | 1,801 |
| AC Education | 1,095 | 1,297 | 901 |
| AC Energy | 207 | 606 | 550 |
| AC Health | 637 | 1,093 | 1,967 |
| AC Infra | 1,492 | 1,553 | 1,668 |
| AFI | 87 | 78 | 75 |
| ALI | 4,369 | 5,040 | 5,358 |
| BPI | 15,201 | 17,036 | 18,911 |
| Globe | 7,180 | 7,206 | 7,716 |
| IMI Global | 14,146 | 11,782 | 9,672 |
| IMI Phils | - | 4,966 | 6,686 |
| Manila Water | 1,753 | 2,022 | 2,118 |
| AffinityX | 574 | 564 | 445 |
| HCX | 114 | 113 | 122 |
| Ayala Corporation | 148 | 149 | 152 |
| GROUP-WIDE HEADCOUNT | 48,753 | 55,264 | 58,142 |

This table includes headcount of permanent full time employees in local and global operations. Headcount for IMI Global in 2016 includes Philippine sites.

| HEADCOUNT OF SUPPORT STAFF | 2016 | 2017 | 2018 |
|---|---------------|---------------|---------------|
| AC Automotive | 0 | 698 | 295 |
| AC Education | 104 | 105 | 165 |
| AC Energy | 308 | 820 | 760 |
| AC Health | 0 | 90 | 210 |
| AC Infra | 91 | 162 | 4,076 |
| AFI | 64 | 68 | 51 |
| ALI | 54,241 | 53,774 | 54,369 |
| BPI | 2,634 | 2,415 | 2,725 |
| Globe | 4,439 | 8,173 | 4,025 |
| IMI Global | - | - | 1,251 |
| IMI Phils | 413 | 567 | 144 |
| Manila Water | 647 | 405 | 660 |
| AffinityX | 14 | 19 | 0 |
| HCX | 11 | 11 | 10 |
| Ayala Corporation | - | 53 | 56 |
| TOTAL HEADCOUNT OF SUPPORT STAFF | 62,966 | 67,360 | 68,797 |

This table includes the support staff from the group-wide supply chain in local and global operations

| AGE DISTRIBUTION (405-1) | 2016 | | | 2017 | | | 2018 | | |
|--|--------------------|-----------------|-------------------|--------------------|-----------------|-------------------|--------------------|-----------------|-------------------|
| | 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 |
| AC Automotive | 842 | 828 | 80 | 863 | 800 | 96 | 858 | 824 | 119 |
| AC Education | 517 | 437 | 141 | 700 | 465 | 132 | 370 | 401 | 130 |
| AC Energy | 91 | 107 | 9 | 197 | 359 | 50 | 156 | 350 | 44 |
| AC Health | 385 | 242 | 10 | 636 | 441 | 16 | 781 | 612 | 17 |
| AC Infra | 288 | 981 | 223 | 383 | 959 | 211 | 375 | 1,058 | 235 |
| AFI | 29 | 48 | 10 | 23 | 43 | 12 | 17 | 42 | 16 |
| ALI | 1,765 | 2,297 | 307 | 2,144 | 2,552 | 344 | 2,316 | 2,739 | 303 |
| BPI | 7,270 | 6,892 | 1,039 | 8,484 | 7,494 | 1,058 | 9,543 | 8,206 | 1,162 |
| Globe | 1,641 | 5,291 | 248 | 1,609 | 5,304 | 293 | 1,908 | 5,490 | 318 |
| IMI Global | 5,871 | 7,575 | 700 | 5,308 | 4,313 | 685 | 4,055 | 4,653 | 963 |
| IMI Phils | - | - | - | 1,563 | 3,281 | 122 | 2,362 | 4,142 | 182 |
| Manila Water | 491 | 711 | 551 | 600 | 907 | 515 | 646 | 968 | 504 |
| AffinityX | 379 | 191 | 4 | 379 | 181 | 4 | 265 | 176 | 4 |
| HCX | 62 | 50 | 2 | 52 | 59 | 2 | 59 | 61 | 2 |
| Ayala Corporation | 19 | 70 | 59 | 16 | 76 | 57 | 17 | 84 | 51 |
| GROUP-WIDE HEADCOUNT BY AGE GROUP | 19,650 | 25,720 | 3,383 | 22,957 | 27,234 | 3,597 | 23,728 | 29,806 | 4,050 |

This table headcount of full time employees below 30 years old, between 30 to 50 years old, and above 50 years old in local and global operations

| DISTRIBUTION BY POSITION (405-1) | 2016 | | | 2017 | | | 2018 | | |
|--|---------------|---------------|--------------|---------------|---------------|--------------|---------------|---------------|--------------|
| | Rank and file | Management | | Rank and file | Management | | Rank and file | Management | |
| | | Middle | Senior | | Middle | Senior | | Middle | Senior |
| AC Automotive | 1,591 | 112 | 47 | 1,588 | 128 | 43 | 1,622 | 125 | 54 |
| AC Education | 0 | 0 | 0 | 1,127 | 149 | 21 | 712 | 167 | 24 |
| AC Energy | 143 | 52 | 12 | 278 | 278 | 50 | 264 | 242 | 44 |
| AC Health | 543 | 85 | 9 | 70 | 18 | 3 | 1,242 | 151 | 17 |
| AC Infra | 1,384 | 71 | 37 | 1,091 | 397 | 65 | 1,119 | 491 | 58 |
| AFI | 48 | 36 | 3 | 55 | 20 | 3 | 3 | 22 | 50 |
| ALI | 3,167 | 1,138 | 64 | 3,700 | 1,276 | 64 | 4,249 | 1,081 | 28 |
| BPI | 10,095 | 4,913 | 193 | 10,427 | 6,411 | 198 | 12,250 | 6,442 | 219 |
| Globe | 2,617 | 4,086 | 477 | 2,527 | 4,203 | 476 | 2,790 | 4,446 | 480 |
| IMI Global | 12,171 | 1,577 | 398 | 8,910 | 1,158 | 238 | 14,360 | 1,595 | 438 |
| IMI Phils | - | - | - | 4,227 | 589 | 150 | 5,766 | 737 | 183 |
| Manila Water | 255 | 1,375 | 123 | 444 | 1,444 | 134 | 513 | 1,462 | 143 |
| AffinityX | 506 | 62 | 6 | 491 | 67 | 6 | 418 | 22 | 5 |
| HCX | 70 | 42 | 2 | 69 | 42 | 2 | 72 | 47 | 3 |
| Ayala Corporation | 56 | 66 | 26 | 54 | 71 | 24 | 58 | 70 | 24 |
| GROUP-WIDE HEADCOUNT BY AGE GROUP | 32,646 | 13,615 | 1,397 | 35,058 | 16,251 | 1,477 | 45,438 | 17,100 | 1,770 |

This table of total permanent employees distributed by position only includes headcount of full time rank and file, middle management, and senior management employees in local and global operations.

| TOTAL NEW EMPLOYEE HIRES (401-1) | 2016 | 2017 | 2018 |
|-----------------------------------|---------------|---------------|---------------|
| AC Automotive | 547 | 450 | 470 |
| AC Education | 697 | 444 | 478 |
| AC Energy | 103 | 146 | 87 |
| AC Health | 271 | 23 | 931 |
| AC Infra | 213 | 188 | 260 |
| AFI | 16 | 16 | 31 |
| ALI | 848 | 1,199 | 1,109 |
| BPI | 3,630 | 3,652 | 3,649 |
| Globe | 1,009 | 753 | 1,220 |
| IMI Global | 7,512 | 4,516 | 6,067 |
| IMI Phils | - | 375 | 706 |
| Manila Water | 133 | 414 | 432 |
| AffinityX | 228 | 35 | 124 |
| HCX | 36 | 28 | 59 |
| Ayala Corporation | 28 | 10 | 23 |
| GROUP-WIDE TOTAL NEW HIRES | 15,271 | 12,249 | 15,646 |

This table includes the newly-hired employees of the Ayala group in local and global operations

| TOTAL EMPLOYEE TURNOVER (401-1) | 2016 | 2017 | 2018 |
|----------------------------------|---------------|--------------|---------------|
| AC Automotive | 397 | 309 | 386 |
| AC Education | 156 | 213 | 417 |
| AC Energy | 112 | 58 | 47 |
| AC Health | 173 | 90 | 455 |
| AC Infra | 101 | 69 | 100 |
| AFI | 13 | 13 | 14 |
| ALI | 566 | 611 | 668 |
| BPI | 2,064 | 1,943 | 1,786 |
| Globe | 666 | 155 | 678 |
| IMI Global | 7,355 | 5,013 | 5,544 |
| IMI Philippines | 0 | 528 | 837 |
| Manila Water | 123 | 186 | 362 |
| AffinityX | 41 | 31 | 35 |
| HCX | - | 35 | 158 |
| Ayala Corporation | 13 | 8 | 18 |
| GROUP-WIDE TOTAL TURNOVER | 11,780 | 9,262 | 11,505 |

This table includes direct employees who retired, ended their contracts, left voluntarily, and left involuntarily

| TOTAL TRAINING HOURS (404-1) | 2016 | 2017 | 2018 |
|--|------------------|--------------------|--------------------|
| AC Automotive | 41,623.0 | 29,249.0 | 49,979.0 |
| AC Education | 0 | 37,605.5 | 68,485.5 |
| AC Energy | 9,500.0 | 7,447.0 | 18,171.0 |
| AC Health | 0 | 4,332.0 | 10,682.0 |
| AC Infra | 662.0 | 10,719.0 | 43,754.5 |
| AFI | 571.0 | 1,638.0 | 1,504.5 |
| ALI | 104,889.7 | 132,337.3 | 134,683.3 |
| BPI | 418,012.5 | 342,344.0 | 277,679.0 |
| Globe | 176,584.0 | 124,602.0 | 193,203.0 |
| IMI Global | 33,301.0 | 751,770.0 | 756,827.0 |
| IMI Phils | 0.0 | 187,155.0 | 179,142.0 |
| Manila Water | 36,009.5 | 43,854.0 | 45,006.5 |
| AffinityX | 0 | 24,515.1 | 53,173.0 |
| HCX | 76.0 | 701.0 | 1,701.0 |
| Ayala Corporation | 1,970.0 | 4,298.0 | 0 |
| GROUP-WIDE TOTAL TRAINING HOURS | 823,198.0 | 1,702,566.8 | 1,833,991.3 |

This table includes the total number of training hours provided to the employees of the Ayala group in local and global operations

| AVERAGE TRAINING HOURS (404-1) | 2016 | 2017 | 2018 |
|--|-------------|-------------|-------------|
| AC Automotive | 23.8 | 16.6 | 27.8 |
| AC Education | - | 29.0 | 76.0 |
| AC Energy | 45.9 | 12.3 | 33.0 |
| AC Health | - | 4.0 | 7.6 |
| AC Infra | 0.4 | 6.9 | 26.2 |
| AFI | 6.6 | 21.0 | 20.1 |
| ALI | 24.0 | 26.3 | 25.1 |
| BPI | 27.5 | 20.1 | 14.7 |
| Globe | 24.6 | 17.3 | 25.0 |
| IMI Global | 2.4 | 56.1 | 57.2 |
| IMI Phils | - | 37.7 | 26.8 |
| Manila Water | 20.5 | 21.7 | 21.2 |
| AffinityX | - | 43.5 | 119.5 |
| HCX | 0.7 | 6.2 | 13.9 |
| Ayala Corporation | 13.3 | 28.8 | - |
| GROUP-WIDE AVERAGE TRAINING HOURS | 16.9 | 30.8 | 31.5 |

| TOTAL TRAINING HOURS BY RANK (404-1) | 2016 | | | 2017 | | | 2018 | | |
|--------------------------------------|----------------|----------------|---------------|------------------|----------------|---------------|------------------|----------------|---------------|
| | Rank and file | Management | | Rank and file | Management | | Rank and file | Management | |
| | | Middle | Senior | | Middle | Senior | | Middle | Senior |
| AC Automotive | 38,898 | 1,573 | 1,152 | 27,664 | 1,271 | 314 | 46,946 | 2,082 | 951 |
| AC Education | - | - | - | 32,187 | 4,065 | 1,354 | 62,090 | 5,593 | 804 |
| AC Energy | 2,084 | 6,884 | 532 | 1,569 | 5,638 | 240 | 7,256 | 8,821 | 1,544 |
| AC Health | - | - | - | 2,844 | 1,416 | 72 | 7,710 | 1,188 | 1,784 |
| AC Infra | 406 | 236 | 20 | 2,127 | 7,730 | 862 | 17,788 | 25,204 | 518 |
| AFI | 309 | 215 | 48 | 1,027 | 554 | 57 | 857 | 453 | 195 |
| ALI | 67,981 | 35,599 | 1,311 | 89,275 | 39,725 | 3,337 | 105,314 | 29,057 | 312 |
| BPI | 286,533 | 129,680 | 1,800 | 250,360 | 90,848 | 1,136 | 206,047 | 70,680 | 952 |
| Globe | 45,156 | 121,772 | 9,656 | 30,884 | 91,953 | 1,765 | 57,440 | 128,959 | 6,196 |
| IMI Global | 11,141 | 18,901 | 3,260 | 653,633 | 89,235 | 8,902 | 632,162 | 114,664 | 10,701 |
| IMI Phils | - | - | - | 164,091 | 18,431 | 4,633 | 155,115 | 20,050 | 3,565 |
| Manila Water | 2,350 | 31,311 | 2,350 | 2,351 | 38,735 | 2,768 | 3,123 | 35,863 | 6,021 |
| AffinityX | 25,055 | 1,647 | 28 | 23,039 | 1,177 | 300 | 52,725 | 362 | 86 |
| HCX | 28 | 48 | 0 | 156 | 521 | 24 | 819 | 851 | 32 |
| Ayala Corporation | 1,084 | 884 | 2 | 1,985 | 2,217 | 96 | - | - | - |
| GROUP-WIDE TOTAL | 481,023 | 348,748 | 20,157 | 1,283,192 | 393,516 | 25,859 | 1,355,392 | 443,826 | 33,660 |

| OCCUPATIONAL HEALTH AND SAFETY (EMPLOYEES) | TOTAL NUMBER OF NON-DISABLING INJURIES FOR EMPLOYEES | TOTAL NUMBER OF DISABLING INJURIES FOR EMPLOYEES | TOTAL NUMBER OF FATALITIES | SAFE MAN-HOURS |
|--|--|--|----------------------------|--------------------|
| AC Automotive | 66 | 2 | 0 | - |
| AC Energy | 175 | 0 | 0 | 2,723,272 |
| AC Infra | 14 | 1 | 0 | 4,542,045 |
| ALI | 421 | 14 | 5 | 193,498,481 |
| Globe | 124 | 1 | 0 | - |
| IMI Global | 31 | 24 | 0 | 22,994,657 |
| IMI Phils | 37 | 0 | 0 | 16,860,195 |
| Manila Water | 2 | 1 | 0 | 16,247,826 |
| TOTAL | 870 | 43 | 5 | 256,866,475 |

INDEPENDENT ASSURANCE STATEMENT

Introduction

DNV GL Business Assurance Philippines Branch ("DNV GL"), part of DNV GL Group has been commissioned by the management of Ayala Corporation ("Ayala Corp." (SEC Identification Number: 34218)) to undertake independent assurance of sustainability/non-financial disclosures in Ayala Corp.'s 2018 Integrated Report (the "Report") in its printed format for the year ended 31st December 2018. The intended users of this assurance statement are the management of the Company.

We performed our work using DNV GL's assurance methodology VeriSustain^{TM1}, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements (ISAE) 3000 Revised*, along with GRI Reporting content and quality principles. The verification engagement was carried out during February 2019 – April 2019.

We understand that the reported financial data and related information are based on statutory disclosures, which are subject to a separate independent statutory audit process. We did not review financial disclosures and data as it was not within the scope of our work.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion related to non-financial sustainability disclosures in this Report. We are providing a 'limited level' of assurance based on DNV GL VeriSustain and no external stakeholders were interviewed as part of this assurance engagement.

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.

Responsibilities of the Management of Ayala Corp. and of the Assurance Provider

The Board of Ayala Corp. has sole responsibility for the preparation of the Report and responsible for all information provided in the Report as well as the processes for collecting, analysing and reporting the information presented in the Report. Ayala Corp. has stated in this Report that this report is based on the <IR> framework and has adopted general disclosures and selected performance indicators for disclosures related to identified material topics from Global Reporting Initiative's Standard 2016.

DNV GL's assurance engagements are based on the assumption that the data and information provided by the Company to us as part of our review have been provided in good faith, true and free from material misstatements. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Our verification engagement included limited level of verification of Sustainability performance disclosures for identified material topics of Ayala Corp. as identified under reporting boundary in "About the Report Section". Our verification applies a ±5% uncertainty threshold towards errors and omissions.

¹ The VeriSustain protocol is available on dnvgl.com.

* Assurance Engagements other than Audits or Reviews of Historical Financial Information.

Basis of our opinion

A multi-disciplinary team of sustainability and assurance specialists performed assurance at Head office and selected sites of the Ayala Corporation. We undertook the following activities:

- Review of the non-financial sustainability disclosures in this Report;
- Review of approach to materiality determination and stakeholder engagement and recent outputs although DNV GL have no direct engagement with external stakeholders;
- Review of information provided to us by the Company on its reporting and management processes related to sustainability performance for the reporting year based on the reporting framework adopted by Ayala Corp.;
- Interviews with selected members of leadership team, and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. We were free to choose interviewees and interviewed those with overall responsibility for the programmes to deliver the targets for medium and long term vision, mission and milestones;
- Performed desk review of selected sustainability parameters for sampled entities and findings were discussed with Corporate Sustainability Team;
- Planned site visits based on identified material topics as well as geographical and divisional spread. During site visits data proofing and site level material issues were discussed;
- Review of supporting evidence for key claims and data disclosed in the Report. Our verification processes were prioritised based on our risk-based approach i.e. relevance of identified material topics and sustainability context of the business;
- Review of the processes for gathering and consolidating the performance data and, for a sample, checking the data consolidation at site and corporate level;
- The reporting topic boundary is based on the materiality assessment covering the operations of various businesses under Ayala Corporation.

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. During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement.

Opinion and Observations

On the basis of the work undertaken, we provide a limited level of assurance over non-financial disclosure presented in Ayala Corp.'s 2018 Integrated Report and nothing has come to our attention to suggest that the Report does not properly describe the sustainability performance of identified material topics based on reporting requirements of the International <IR> Framework ("<IR> Framework").

Without affecting our assurance opinion, we also provide the following observations. We have evaluated the Report's adherence to the following Principles:

Stakeholder Inclusiveness

The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.

In our opinion the stakeholder engagement process is fairly established to identify key stakeholders, sustainability challenges and concerns of diverse stakeholder groups considering the operations of Ayala Corp., i.e. Ayala Corp. has identified key internal and external stakeholder groups including investors and shareholders, business partners and affiliates, creditors and suppliers, government agencies and regulators, customers, employees, communities, industry associations, and other stakeholders. Ayala Corp. engages with the stakeholders at the Conglomerate/ Group and business unit levels through various channels to identify sustainability concerns and expectations. The Report discloses how Ayala Corporation engages with stakeholders, what are their concerns with relevant material topics and how Ayala Corporation responds to significant material topics.

Materiality

The process of determining the issues that are most relevant to an organization and its stakeholders.

The report brings out the application of <IR> Materiality Principles to arrive at key material topics for the Ayala Corporation. The materiality determination process includes inputs from key stakeholders. Nothing has come to our attention to suggest that Ayala Corporation has missed out key material issues related to its operations.

Responsiveness

The extent to which an organization responds to stakeholder issues.

The Report discloses how Ayala Corp. engages with identified stakeholders, what are their key concerns with relevant material topics. Further the Report has brought out responses to the identified material topics and fairly disclosed the strategies, approach and challenges considering the overall sustainability context and external environment of its business within the identified reporting boundary. The Report could further bring out the long and medium term targets related to identified material topics.

Reliability and Accuracy

The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

The majority of data and information verified at the Corporate Office, and sampled sites and those resulting out of desk review were found to be identifiable and traceable to the source and nothing came to our attention to suggest that reported data have not been properly collated and consolidated at group level, nor that the assumptions used were inappropriate. Some of the data inaccuracies identified during the verification process at sampled locations were found to be attributable to interpretation and aggregation errors and the errors have been communicated for correction and corrected upon.

Completeness

How much of all the information that has been identified as material to the organization and its stakeholders is reported.

The Report has fairly attempted to disclose the sustainability disclosures covering economic, environment, social topics along with governance, risks and opportunities for key material topics based on <IR> reporting framework, including the disclosure on strategy, management approach and performance indicators within the identified reporting boundary of Ayala Corporation for the year 2018.

Neutrality

The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.

Nothing has come to our attention to suggest that the Report does not bring out disclosures related to sustainability issues and performances in a neutral tone, in terms of content and presentation related to the challenges faced across the Philippines and other global sites during the reporting period for the Ayala Corporation. It is suggested that the future Reports may explicitly bring out sustainability challenges at various geographical locations of operations.

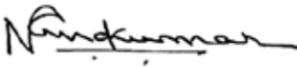
Statement of Competence and Independence

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 Conduct² during the assurance engagement and maintain independence wherever required by relevant ethical requirements.

This engagement work was carried out by an independent team of sustainability assurance professionals. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward internal stakeholders interviewed during the assurance process.

DNV GL has provided assurance to Ayala Land, Inc., Globe Telecom, Inc, Bank of Philippine Islands 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 2018 that could compromise the independence or impartiality of our work.

For and on behalf of DNV GL Business Assurance AS Philippines Branch

| | | |
|---|--|--|
|  |  |  |
| Vadakepatth Nandkumar Lead Verifier, Head - Sustainability Operations, DNV GL – Business Assurance Ir Limited. | Heng Chwin Mak Operations Manager – South East Asia DNV GL Technology Centre. Singapore 118227 | Prasun Kundu Assurance Reviewer, DNV GL – Business Assurance India Private Limited. |

1st April 2019, Philippines

DNV GL Business Assurance AS Philippines Branch is part of DNV GL – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. www.dnvgl.com

² The DNV GL Code of Conduct is available from DNV GL website (www.dnvgl.com)

GRI CONTENT INDEX

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| | 102-3 | Location of headquarters | 8, 224 |
| | 102-4 | Location of operations | 12-13 |
| | 102-5 | Ownership and legal form | 166 |
| | 102-6 | Markets served | 8, 12-13 |
| | 102-7 | Scale of the organization | 86, 202 |
| | 102-11 | Precautionary Principle or approach | 68 |
| | 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. |
| | STRATEGY | | |
| | 102-14 | Statement from senior decision-maker | 22-29 |
| | 102-15 | Key impacts, risks, and opportunities | 62-66 |
| | ETHICS AND INTEGRITY | | |
| 102-16 | Values, principles, standards, and norms of behavior | 171 | |
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| 102-28 | Evaluating the highest governance body's performance | 156-157 | |
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| GENERAL DISCLOSURES | | | |
| GRI 102: GENERAL DISCLOSURES 2016016 | STAKEHOLDER ENGAGEMENT | | |
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| | 102-42 | Identifying and selecting stakeholders | 72-75 |
| | 102-43 | Approach to stakeholder engagement | 72-75 |
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| | 102-47 | List of material topics | 182-193 |
| | 102-48 | Restatements of information | 194-195 |
| | 102-49 | Changes in reporting | 194-195 |
| | 102-50 | Reporting period | 4-5 |
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| | 102-52 | Reporting cycle | 4-5 |
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| 102-55 | GRI content index | 210-215 | |
| 102-56 | External assurance | 4, 206-209 | |

MATERIAL TOPICS

| GRI STANDARD | DISCLOSURE | PAGE NUMBER OR DIRECT ANSWERS | |
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| ECONOMIC PERFORMANCE | | | |
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| | 103-2 | The management approach and its components | 182-185 |
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| | 201-2 | Financial implications and other risks and opportunities due to climate change | 98 |
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| | 203-2 | Significant indirect economic impacts | 80-92 |

| GRI STANDARD | DISCLOSURE | | PAGE NUMBER OR DIRECT ANSWERS |
|--|---|---|--|
| ECONOMIC | | | |
| PROCUREMENT PRACTICES | | | |
| GRI 103: MANAGEMENT APPROACH 2016 | 103-1 | Explanation of the material topic and its Boundary | 182-183 |
| | 103-2 | The management approach and its components | 182-183 |
| | 103-3 | Evaluation of the management approach | 96 |
| GRI 204: PROCUREMENT PRACTICES 2016 | 204-1 | Proportion of spending on local suppliers | 96 |
| ANTI-CORRUPTION | | | |
| GRI 103: MANAGEMENT APPROACH 2016 | 103-1 | Explanation of the material topic and its Boundary | 192-193 |
| | 103-2 | The management approach and its components | 171-172 |
| | 103-3 | Evaluation of the management approach | Existing management approach successful as no cases were filed against the Ayala Group for corruption in the workplace |
| GRI 205: ANTI-CORRUPTION 2016 | 205-1 | Operations assessed for risks related to corruption | 171-172 |
| | 205-3 | Confirmed incidents of corruption and actions taken | No incidents reported, no aspect of operations within our organization was identified to have existence of corruption |
| ENVIRONMENT | | | |
| MATERIALS | | | |
| GRI 103: MANAGEMENT APPROACH 2016 | 103-1 | Explanation of the material topic and its Boundary | 186-187 |
| | 103-2 | The management approach and its components | 186-187 |
| | 103-3 | Evaluation of the management approach | 92 |
| GRI 301: MATERIALS 2016 | 301-1 | Materials used by weight or volume | 92, 196-197 |
| ENERGY | | | |
| GRI 103: MANAGEMENT APPROACH 2016 | 103-1 | Explanation of the material topic and its Boundary | 184-187 |
| | 103-2 | The management approach and its components | 184-187 |
| | 103-3 | Evaluation of the management approach | 97-98 |
| GRI 302: ENERGY 2016 | 302-1 | Energy consumption within the organization | 97-98, 199-200 |
| | 302-2 | Energy consumption outside of the organization | 199 |
| | 302-3 | Energy intensity | 97-98, 199-200 |
| | 302-4 | Reduction of energy consumption | 98-99 |
| AYALA SPECIFIC DISCLOSURES | Total power generated | | 91 |
| | Total power generated from renewable energy sources | | 91 |
| WATER | | | |
| GRI 103: MANAGEMENT APPROACH 2016 | 103-1 | Explanation of the material topic and its Boundary | 98-99, 186-187 |
| | 103-2 | The management approach and its components | 98-99 |
| | 103-3 | Evaluation of the management approach | 98-99 |
| GRI 303: WATER 2016 | 303-1 | Water withdrawal by source | 98-99, 186-187 |
| | 303-2 | Water sources significantly affected by withdrawal of water | 98-99, 186-187 |
| | 303-3 | Water recycled and reused | 98-99, 186-187 |
| AYALA SPECIFIC DISCLOSURES | Volume of water delivered (billed volume) | | 86 |
| | Water loss (non-revenue water) | | 86 |

| GRI STANDARD | DISCLOSURE | | PAGE NUMBER OR DIRECT ANSWERS |
|--|---|---|---|
| ENVIRONMENT | | | |
| BIODIVERSITY | | | |
| GRI 103: MANAGEMENT APPROACH 2016 | 103-1 | Explanation of the material topic and its Boundary | 188-189 |
| | 103-2 | The management approach and its components | 99-100, 188-189 |
| | 103-3 | Evaluation of the management approach | 99-100 |
| 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 | 99-100 |
| | 304-2 | Significant impacts of activities, products and services on biodiversity | 99-100 |
| | 304-3 | Habitats protected or restored | 99-100 |
| | 304-4 | IUCN Red List species and national conservation list species with habitats in areas affected by operations | 99-100 |
| EMISSIONS | | | |
| GRI 103: MANAGEMENT APPROACH 2016 | 103-1 | Explanation of the material topic and its Boundary | 93-95, 188-189 |
| | 103-2 | The management approach and its components | 93-95, 188-189 |
| | 103-3 | Evaluation of the management approach | 93-95 |
| GRI 305: EMISSIONS 2016 | Sustainability Blueprint, Performance Index 93-95,200 | | |
| | 305-1 | Direct (Scope 1) GHG emissions | 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 Sustainability Blueprint, Performance Index 93-95,200 |
| | 305-2 | Energy indirect (Scope 2) GHG emissions | Standards used for the computation are based on the GHG Protocol Corporate Protocol 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. Sustainability Blueprint, Performance Index 93-95,200 |
| | 305-3 | Other indirect (Scope 3) GHG emissions | Standards used for the computation are based on the GHG Protocol Corporate Protocol 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 | 200 |
| 305-5 | Reduction of GHG emissions | 94-95 | |
| EFFLUENTS AND WASTE | | | |
| GRI 103: MANAGEMENT APPROACH 2016 | 103-1 | Explanation of the material topic and its Boundary | 86, 92-93, 186-189 |
| | 103-2 | The management approach and its components | 86, 92-93, 186-189 |
| | 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 | 86 |
| | 306-2 | Waste by type and disposal method | 92-93, 196-198 |
| | 306-4 | Transport of hazardous waste | 92-93, 196-198 |
| SUPPLIER ENVIRONMENTAL ASSESSMENT | | | |
| GRI 103: MANAGEMENT APPROACH 2016 | 103-1 | Explanation of the material topic and its Boundary | 188-189 |
| | 103-2 | The management approach and its components | 97, 188-189 |
| | 103-3 | Evaluation of the management approach | 97 |
| GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016 | 308-2 | Negative environmental impacts in the supply chain and actions taken | There were no reported cases of negative environmental impacts in our companies' supply chain. |

| GRI STANDARD | DISCLOSURE | PAGE NUMBER OR DIRECT ANSWERS | |
|---|------------|---|--|
| SOCIAL | | | |
| EMPLOYMENT | | | |
| GRI 103: MANAGEMENT APPROACH 2016 | 103-1 | Explanation of the material topic and its Boundary | 190-191 |
| | 103-2 | The management approach and its components | 87, 102-103, 190-191 |
| | 103-3 | Evaluation of the management approach | 102-103 |
| GRI 401: EMPLOYMENT 2016 | 401-1 | New employee hires and employee turnover | 103, 204 |
| | 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 87, 102-103 |
| OCCUPATIONAL HEALTH AND SAFETY | | | |
| GRI 103: MANAGEMENT APPROACH 2016 | 103-1 | Explanation of the material topic and its Boundary | 190-191 |
| | 103-2 | The management approach and its components | 102-103, 190-191 |
| | 103-3 | Evaluation of the management approach | 102-103 |
| 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 | 101-103, 205 |
| TRAINING AND EDUCATION | | | |
| GRI 103: MANAGEMENT APPROACH 2016 | 103-1 | Explanation of the material topic and its Boundary | 192-193 |
| | 103-2 | The management approach and its components | 101, 192-193 |
| | 103-3 | Evaluation of the management approach | 101, 192-193 |
| GRI 404: TRAINING AND EDUCATION 2016 | 404-1 | Average hours of training per year per employee | 101, 204-205 |
| | 404-2 | Programs for upgrading employee skills and transition assistance programs | 101 |
| DIVERSITY AND EQUAL OPPORTUNITY | | | |
| GRI 103: MANAGEMENT APPROACH 2016 | 103-1 | Explanation of the material topic and its Boundary | 190-191 |
| | 103-2 | The management approach and its components | 86-87, 190-192 |
| | 103-3 | Evaluation of the management approach | 86-87 |
| GRI 405: DIVERSITY AND EQUAL OPPORTUNITY | 405-1 | Diversity of governance bodies and employees | 86-87, 203 |
| NON-DISCRIMINATION | | | |
| GRI 103: MANAGEMENT APPROACH 2016 | 103-1 | Explanation of the material topic and its Boundary | 190-191 |
| | 103-2 | The management approach and its components | An Employee Development and Industrial Relations Policy can be viewed at www.ayala.com.ph . 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 | 103 |
| FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING | | | |
| GRI 103: MANAGEMENT APPROACH 2016 | 103-1 | Explanation of the material topic and its Boundary | 190-191 |
| | 103-2 | The management approach and its components | 102 |
| | 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 |

| GRI STANDARD | DISCLOSURE | PAGE NUMBER OR DIRECT ANSWERS | |
|---|------------|--|---|
| SOCIAL | | | |
| CHILD LABOR | | | |
| GRI 103: MANAGEMENT APPROACH 2016 | 103-1 | Explanation of the material topic and its Boundary | 190-191 |
| | 103-2 | The management approach and its components | A Policy on Child Labor can be viewed at www.ayala.com.ph . 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 401: EMPLOYMENT 2016 | 408-1 | Operations and suppliers at significant risk for incidents of child labor | 103 |
| FORCED OR COMPULSORY LABOR | | | |
| GRI 103: MANAGEMENT APPROACH 2016 | 103-1 | Explanation of the material topic and its Boundary | 190-191 |
| | 103-2 | The management approach and its components | A Policy on Forced or Compulsory Labor can be viewed at www.ayala.com.ph . 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 | 103 |
| SECURITY PRACTICES | | | |
| GRI 103: MANAGEMENT APPROACH 2016 | 103-1 | Explanation of the material topic and its Boundary | 192-193 |
| | 103-2 | The management approach and its components | 102 |
| | 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 | 102 |
| LOCAL COMMUNITIES | | | |
| GRI 103: MANAGEMENT APPROACH 2016 | 103-1 | Explanation of the material topic and its Boundary | 190-191 |
| | 103-2 | The management approach and its components | 80-81, 100 |
| | 103-3 | Evaluation of the management approach | 80-81, 100 |
| GRI 413: LOCAL COMMUNITIES 2016 | 413-1 | Operations with local community engagement, impact assessments, and development programs | 80-81, 100 |
| SUPPLIER SOCIAL ASSESSMENT | | | |
| GRI 103: MANAGEMENT APPROACH 2016 | 103-1 | Explanation of the material topic and its Boundary | 190-191 |
| | 103-2 | The management approach and its components | 87 |
| | 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. |
| CUSTOMER PRIVACY | | | |
| GRI 103: MANAGEMENT APPROACH 2016 | 103-1 | Explanation of the material topic and its Boundary | 190-191 |
| | 103-2 | The management approach and its components | 173 |
| | 103-3 | Evaluation of the management approach | Our Privacy policy can be viewed at ayala.com.ph/privacy-policy . |
| GRI 418: CUSTOMER PRIVACY 2016 | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | Ayala Corporation has not identified any substantiated complaints. |

REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2018

The Board-approved Audit Committee Charter defines the duties and responsibilities of the Audit Committee. In accordance with the Charter, the Committee assists the Board of Directors in fulfilling its oversight responsibilities to the shareholders with respect to the:

- Integrity of the Company's financial statements and the financial reporting process;
- Appointment, remuneration, qualifications, independence and performance of the external auditors and the integrity of the audit process as a whole;
- Effectiveness of the system of internal control;
- Performance and leadership of the internal audit function; and
- Company's compliance with applicable legal and regulatory requirements.

In compliance with the Audit Committee Charter, we confirm that:

- The Chairman and another member of the Committee are independent directors;
- We had four regular meetings and executive meetings with the internal auditors and external auditors;
- We have recommended for approval of the Board and endorsement to the shareholders the reappointment of SGV & Co. as the Company's 2018 external auditor and the related audit fee;
- We have reviewed and discussed the quarterly unaudited consolidated financial statements and the annual audited consolidated financial statements of Ayala Corporation and Subsidiaries, including the Management's Discussion and Analysis of Financial Condition and Results of Operations and the significant impact of new accounting standards, with management, internal auditors and SGV & Co. We also reviewed and discussed the annual Parent Company Financial Statements. These activities were performed in the following context:
 - Management has the primary responsibility for the financial statements and the financial reporting process; and
 - SGV & Co. is responsible for expressing an opinion on the conformity of the Ayala Corporation's audited consolidated financial statements with the Philippine Financial Reporting Standards.
- We have approved the overall scope and the respective audit plans of the Company's internal auditors and SGV & Co. We have reviewed the adequacy of resources, the competencies of staff and the effectiveness of the auditors to execute the audit plans ensuring that resources are reasonably allocated to the areas of highest risks. We have also discussed the results of their audits, their assessment of the Company's internal controls, and the overall quality of the financial reporting process including their management letter of comments;
- We have evaluated the performance of the Chief Audit Executive and the effectiveness of the internal audit function, including compliance with the International Standards for the Professional Practice of Internal Auditing;
- We have reviewed 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, compliance, and governance processes are adequate;
- We have reviewed and approved the proposal to outsource the Company's whistleblower channel to Punongbayan & Araullo, aligned with the recommendation of the Non-Executive Directors to outsource the receipt and processing of whistleblower reports. This channel allows anonymous reporting of fraud, violations of Company policies, laws, rules, and regulations;
- We have reviewed and approved all audit, audit-related and non-audit services provided by SGV & Co. to Ayala Corporation and the related fees for such services. We have also assessed the compatibility of non-audit services with the auditors' independence to ensure that such services will not impair their independence;
- We have conducted an annual assessment of our performance, in accordance with Securities and Exchange Commission guidelines, and confirmed that the Committee had satisfactorily performed its responsibilities based on the requirements of its Charter; and
- We have reviewed the Audit Committee Charter to ensure that it is updated and aligned with regulatory requirements.

Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors that the audited consolidated financial statements be included in the Annual Report for the year ended December 31, 2018 for filing with the Securities and Exchange Commission and the Philippine Stock Exchange. We are also recommending the reappointment of SGV & Co. as Ayala Corporation's external auditor and the related audit fee for 2019 based on their performance and qualifications.

March 7, 2019


XAVIER P. LOJAZ
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 2018

The Risk Management and Related Party Transactions Committee assists the board in fulfilling its oversight mandate with respect to risk governance and related party transactions. Its objectives are to ascertain that there exists a sound risk management culture and supporting infrastructure within the company, as well as to ensure that all related party transactions are pursued in the best interest of its shareholders.

The Committee held four meetings in 2018, during which, it:

- Reviewed management's adopted risk management framework and its ongoing programs to promote risk awareness within the company.
- Reviewed its committee charter and risk governance policies, including those for enterprise-wide risk and business continuity management.
- Evaluated and recommended for approval proposed investments, divestments and leases involving related parties.
- Identified sources of downside risk and their possible effects on the company.

March 4, 2019


ANTONIO JOSE U. PERIQUET
Chairman


RAMON R. DEL ROSARIO, JR.
Member


KEIICHI MATSUNAGA
Member

AYALA GROUP MANAGEMENT COMMITTEE MEMBERS

CEZAR P. CONSING / FILIPINO / 59 **SENIOR MANAGING DIRECTOR**

- President and CEO of Bank of the Philippine Islands and Member of the Ayala Group Management Committee since April 2013

ACADEMIC / PROFESSIONAL QUALIFICATIONS

- A.B (Accelerated Program) Economics (Magna Cum Laude) from De La Salle University in 1979
- M.A. Applied Economics from the University of Michigan, Ann Arbor, in 1980
- BPI's corporate planning and corporate banking from 1980 – 1985
- Senior Managing Director J.P. Morgan & Co. in Hong Kong and Singapore from 1985 – 2004; co-head of the firm's investment banking business in Asia Pacific from 1997 – 2004; member of the firm's global investment banking management committee and its Asia Pacific management committee; President of J.P. Morgan Securities (Asia Pacific) Ltd. from 1999-2004
- 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

PRESENT DIRECTORSHIP(S)/ POSITION(S)

- Independent Director of Jollibee Foods Corporation and Chairman of National Reinsurance Corporation of the Philippines
- President of Bancnet, Inc.
- Director of LGU Guarantee Corporation, Filgifts.com., The Rohatyn Group, Sqreem 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.

BERNARD VINCENT O. DY / FILIPINO / 55 **SENIOR MANAGING DIRECTOR**

- President and Chief Executive Officer of Ayala Land, Inc. and member of the Ayala Group Management Committee since April 2014

ACADEMIC / PROFESSIONAL QUALIFICATIONS

- B.B.A Accountancy from the University of Notre Dame in 1985
- Master's Degree in Business Administration in 1997 and in International Relations in 1989, both at the University of Chicago
- Head of the Ayala Land, Inc.' Residential Business, Commercial Business and Corporate Marketing and Sales

PRESENT DIRECTORSHIP(S)/ POSITION(S)

- Chairman of Prime Orion Philippines, Inc. and Director of Cebu Holdings, Inc; MCT Bhd of Malaysia;
- Chairman of Alveo Land Corp., Ayala Property Management Corporation; Makati Development Corporation; Amaia Land Corporation; Avencosouth Corp., Ayala Land 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., Nuevocentro, Inc., Portico Land Corp. and Philippine Integrated Energy Solutions, Inc.;
- Vice Chairman of Ayala Greenfield Development Corporation and Alviera Country Club, Inc.
- Director and President of Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshires Holdings, Inc., Fort Bonifacio Development Corporation, Aurora Properties, Inc.; 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 Avida Land Corp., Amicassa Process Solutions, Inc., Whiteknight Holdings, Inc., AyalaLand Medical Facilities Leasing, Inc., Serendra, Inc., Alveo-Federal Land Communities, Inc., ALI Eton Property Development Corporation and AKL Properties, Inc.;
- Trustee of Ayala Foundation, Inc. and Ayala Group Club, Inc.
- Member of the Advisory Council of the National Advisory Group for the Police Transformation Development of the Philippine National Police

ARTHUR R. TAN / FILIPINO / 59 **SENIOR MANAGING DIRECTOR**

- President and Chief Executive Officer of AC Industrial Technology Holdings, Inc. Chief Executive Officer of Integrated Micro-Electronics, Inc. (IMI) and has been a member of the Ayala Group Management Committee since 2002

ACADEMIC / PROFESSIONAL QUALIFICATIONS

- B.S. in Electronics Communications Engineering degree from Mapua Institute of Technology in 1982
- Post-graduate programs at the University of Idaho, Singapore Institute of Management, IMD and Harvard Business School
- President of IMI from April 2002 to June 2016
- Northeast Area Sales Manager and Acting Design Center Manager of American Microsystems Inc. (Massachusetts, USA) from 1994 to 1998
- Managing Director for Asia Pacific Region/ Japan of American Microsystems Inc. from 1998 to 2001

PRESENT DIRECTORSHIP(S)/ POSITION(S)

- Chairman of the Board and Chief Executive Officer of Psi Technologies Inc. and Merlin Solar Technologies (Phils.), Inc;
- Chairman of the Board of Surface Technology International (STI), Ltd
- President and Chief Executive Officer of Speedy-Tech Electronics Ltd.;
- Chairman of the Advisory Board of Via Optronics GmbH and MT Technologies GmbH

ERNEST LAWRENCE L. CU / FILIPINO / 58

- President and Chief Executive Officer of Globe Telecom, Inc and has been a member of the Ayala Group Management Committee since January 2009

ACADEMIC / PROFESSIONAL QUALIFICATIONS

- BS Industrial Management Engineering from De La Salle University in 1982
- Master's Degree in Business Administration at the J.L. Kellogg Graduate School of Management in 1984
- President and CEO of SPI Technologies, Inc. in 2017

PRESENT DIRECTORSHIP(S)/ POSITION(S)

- Trustee of Ayala Foundation, Inc. and Hero Foundation, Inc.
- Director of various subsidiaries of Globe Telecom, Inc.

AWARDS

- Best CEO by Finance Asia in 2017 and 2010
- One of 100 most influential telecom leaders worldwide by London-based Global-Telecoms Business Magazine Power 100 from 2013 to 2017
- CEO of the Year by Frost & Sullivan Asia Pacific in 2017 and 2012

FERDINAND M. DELA CRUZ / FILIPINO / 51 **MANAGING DIRECTOR**

- President and CEO of Manila Water Company, Inc. and a member of the Ayala Group Management Committee since April 2017

ACADEMIC / PROFESSIONAL QUALIFICATIONS

- BS Mechanical Engineer (cum laude and board top-notch) from the University of the Philippines
- Former Chief Operating Officer, East Zone Business Operations Group Director and for Corporate Strategic Affairs Group Director of MWC
- Head of Consumer Sales Group of Globe Telecom from 2009 to 2011
- Head of Wireless Business Group of Globe Telecom from October 2002 to June 2009
- Former President and General Manager of Kraft Foods (Philippines) Inc. and Country General Manager of Kraft Foods (Indonesia)
- Former member of the Senior Leadership teams of Ayala Land, Inc., San Miguel Brewing Philippines, Inbisco Philippines and Unilever Philippines

PRESENT DIRECTORSHIP(S)/ POSITION(S)

- Director of various subsidiaries of MWC

JOSE RENE GREGORY D. ALMENDRAS / FILIPINO / 58 **MANAGING DIRECTOR**

- Public Affairs Group Head, President and Chief Executive Officer of AC Infrastructure Holdings Corporation (AC Infra) and has been a member of the Ayala Corporation Management Committee and the Ayala Group Management Committee since August 2016

ACADEMIC / PROFESSIONAL QUALIFICATIONS

- B.S. in Business Management degree from the Ateneo de Manila University in 1981
- Strategic Business Economics Program from University of Asia & the Pacific in 1999
- Former President of Manila Water Company, Inc.
- Former officer in Ayala Land, Inc.
- Secretary of Foreign Affairs for the Republic of the Philippines from March to June 2016
- Cabinet Secretary under the Office of the President from November 2012 to March 2016
- Secretary of the Department of Energy from July 2010 to October 2012
- Co-chair of the Long-Term Strategy for the International Renewable Energy Agency (IRENA) held in Abu Dhabi in 2011
- Member of the Executive Board of the International Energy Forum (IEF) in 2011

PRESENT DIRECTORSHIP(S)/ POSITION(S)

- Chairman of Light Rail Manila Holdings 6, Inc. and MCX Tollway, Inc.;
- Executive Vice President of Asiacom Philippines, Inc.
- Director of Light Rail Manila Holdings, Inc., Light Rail Manila Holdings 2, Inc., AC Energy, Inc. and A2 Airport Partners, Inc.

AWARDS

- ASEAN Individual Excellence in Energy Management in 2013
- Order of Lakandula and Rank of Gold Cross Bayani awardee in 2016

ACHIEVEMENTS

- 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 June 2013, he was given the rare privilege of addressing the United Nations Economic and Social Council (ECOSOC) at the Palais des Nations, Geneva and then again in December 2013 for the United Nations' Special Meeting of the ECOSOC in New York
- During his term as the President and CEO of MWC, 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

ALFREDO I. AYALA / FILIPINO / 57**MANAGING DIRECTOR**

- President and Chief Executive Officer of Livelt Investments Limited and AC Education, Inc and has been a member of the Ayala Group Management Committee since June 2006

ACADEMIC / PROFESSIONAL QUALIFICATIONS

- B.A. in Development Studies (Honors) and Economics from Brown University in 1982
- MBA from the Harvard Graduate School of Business Administration in 1987

PRESENT DIRECTORSHIP(S)/ POSITION(S)

- Chairman and President of AC College of Enterprise and Technology, Inc., National Teachers College, and LINC Institute;
- Chairman of Affordable Private Education Center, Inc. and Newbridge International Investments Limited
- Vice Chairman and Vice President of Affinity Express Philippines, Inc.
- Vice Chairman of University of Nueva Caceres
- Director of Affinity Express Holdings, Ltd., and Azalea International Venture Partners Limited
- Trustee of Ayala Foundation, Inc. and Philippine Business for Education

PAOLO MAXIMO F. BORRROMEO / FILIPINO / 41**MANAGING DIRECTOR**

- Corporate Strategy and Development Group Head, President and Chief Executive Officer of Ayala Healthcare Holdings, Inc. and Member of Ayala Corporation Management Committee and the Ayala Group Management Committee since September 2014

ACADEMIC / PROFESSIONAL QUALIFICATIONS

- B.S. degree in Management Engineering from the Ateneo de Manila University
- Master's in Business Administration with honors from the Wharton School at the University of Pennsylvania
- Former Principal at Booz & Company, a global strategy consulting firm, based in San Francisco, California, USA

PRESENT DIRECTORSHIP(S)/ POSITION(S)

- Vice Chairman of the Generika Group of Companies
- President and Chief Executive Officer of Zapfam, Inc.
- Director of AC Education, Inc.; Affordable Private Education Center, Inc.; AC College of Enterprise and Technology Holdings, Inc., LINC Institute, Inc., National Teachers College; AC

Ventures Holding Corp., AC Industrial Technology Holdings Inc., HCX Technology Partners, Inc.; Ayala International Holdings Limited; AG Holdings Limited and Livelt Investments Limited

JOHN ERIC T. FRANCIA / FILIPINO / 47**MANAGING DIRECTOR**

- President and Chief Executive Officer of AC Energy, Inc and has been a member of the Ayala Corporation Management Committee and the Ayala Group Management Committee since January 2009

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- BA in Humanities and Political Economy (magna cum laude) from the University of Asia & the Pacific in 1993
- Master's Degree in Management Studies (First Class Honors) at the University of Cambridge in the United Kingdom in 1995
- Former Corporate Strategy and Development Group Head of Ayala Corporation
- Former Senior consultant and member of the management team of Monitor Group in Massachusetts, USA

PRESENT DIRECTORSHIP(S)/ POSITION(S)

- Director of Manila Water Company, Inc.
- Board of Director of Purefoods International Limited; Ayala Healthcare Holding, Inc.; AC Education, Inc., AC College of Enterprise and Technology, Inc.; LINC Institute, 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., Ayala Hotels, Inc., Michigan Holdings, Inc., and other various companies under the AC Energy Group

ACHIEVEMENTS

- In 2011 has 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.

SOLOMON M. HERMOSURA / FILIPINO / 56**MANAGING DIRECTOR**

- Chief Legal Officer, Corporate Secretary, Chief Compliance Officer, Data Protection and Corporate Governance Group Head, and member of the Ayala

Corporation Management Committee since 2009 and the Ayala Group Management Committee since 2010.

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Bachelor of Laws (Valedictorian and top 3 in the 1986 Bar Examination) from San Beda College in 1986

PRESENT DIRECTORSHIP(S)/ POSITION(S)

- President and Chief Executive Officer of Ayala Group Legal.
- Corporate Secretary and Group General Counsel of Ayala Land, Inc.
- Corporate Secretary of Globe Telecom, Inc., Manila Water Company, Inc., Integrated Micro-Electronics, Inc. and Ayala Foundation, Inc.
- Corporate Secretary and a member of the Board of Directors of a number of companies in the Ayala group
- Member of the faculty of the College of Law of San Beda University

JOSE TEODORO K. LIMCAOCO / FILIPINO / 56,**MANAGING DIRECTOR**

- Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer, Finance Group Head, and Member of Ayala Corporation Management Committee and the Ayala Group Management Committee since 2015

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- BS Mathematical Sciences (Honors Program) from Stanford University in 1984
- MBA (Finance and Investment Management) from the Wharton School of the University of Pennsylvania in 1988
- Former President of BPI Family Savings Bank, and BPI Capital Corporation; Officer-in-Charge for Ayala Life Assurance, Inc. and Ayala Plans, Inc., Trustee;
- Treasurer of Ayala Foundation, Inc.; President of myAyala.com, and CFO of Azalea Technology Investments, Inc.
- President of the Chamber of Thrift Banks from 2013-2015
- Worked with JP Morgan & Co. and with BZW Asia

PRESENT DIRECTORSHIP(S)/ POSITION(S)

- Director of Globe Telecom, Inc. and Integrated Micro-Electronics, Inc.
- Independent director of SSI Group, Inc.
- Chairman of Darong Agricultural and Development Corporation and Zapfam Inc.
- Vice Chairman of Lagdigan Land Corporation.

- President and CEO of AC Ventures Holding Corp., AYC Finance Limited, Bestfull Holdings Limited, Purefoods International Limited
- President of Liontide Holdings, Inc. and Philwater Holdings Company, Inc.
- Director of Ayala Hotels, Inc., AC Energy, Inc., Ayala Healthcare Holdings, Inc., AC Infrastructure Holdings Corporation, Ayala Aviation Corporation, AC Education, Inc., Asiacom Philippines, Inc., Ayala Group Legal, Michigan Holdings, Inc., AC Industrial Technology Holdings, Inc., A.C.S.T Business Holdings, Inc., LICA Management Inc., and Just For Kids, Inc.
- Treasurer of Ayala Retirement Fund Holdings, Inc.

AWARDS

- CFO of the Year by ING-Finex in 2018

RUEL T. MARANAN / FILIPINO / 56

MANAGING DIRECTOR

- President of Ayala Foundation, Inc.

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- AB Social Sciences degree from the Ateneo de Manila University
- Bachelor of Laws degree from the University of Santo Tomas Leadership
- Management Program from Harvard University
- Group Director of Manila Water Company, Inc. (MWC)'s Corporate Human Resources Group from 2004 to 2014

PRESENT DIRECTORSHIP(S)/ POSITION(S)

- Director of Asticom Technology, Inc.
- Member of the Board of representatives of CIFAL Philippines

ACHIEVEMENTS

- He introduced numerous innovations which led MWC to be 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. Also though his leadership, MWC was vested the 2006 Outstanding Employer of the Year by the People Management Association of the Philippines.
- Awarded as UST 2016 Outstanding Alumni Award under Private Sector

JOHN PHILIP S. ORBETA / FILIPINO / 57

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. He has served as a member of the Ayala Corporation Management Committee since May 2005 and the Ayala Group Management Committee since April 2009.

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- A.B. Economics from the Ateneo de Manila University in 1982
- Former President and CEO of AC Industrial Technology Holdings, Inc.; and Automobile Central Enterprise, Inc. (Philippine importer of Volkswagen)
- Former Chairman and CEO of Honda Cars Makati, Inc., Isuzu Automotive Dealership, Inc. and Iconic Dealership, Inc.
- Former Vice President and Global Practice Director of the Human Capital Consulting Group at Watson Wyatt Worldwide (now Willis Towers Watson)

PRESENT DIRECTORSHIP(S)/ POSITION(S)

- Chairman of Ayala Aviation Corporation, Ayala Group HR Council, Ayla Group Corporate Security Council, and Ayala Business Clubs;
- Chairman and President of HCX Technology Partners, Inc.;
- Vice Chairman of Ayala Group Club, Inc.
- Director of Ayala Group Legal, AC Industrial Technology Holdings, Inc., Ayala Healthcare Holdings, Inc., Ayala Retirement Fund Holdings, Inc., Zapfam, 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.
- Trustee of Ayala Foundation, Inc.

SENIOR LEADERSHIP

ASSOCIATE DIRECTORS

Yla Patricia G. Alcantara
 Maria Susana S. Bables
 Robert Michael N. Baffrey*
 Guillermo M. Luz
 Gabino Ramon G. Mejia*
 Aditas Vivian L. Santamaria
 Gabriel Q. Villaluz III

EXECUTIVE DIRECTORS

Josette Adrienne A. Abarca*
 Fatima P. Agbayani*
 Catherine H. Ang
 Estelito C. Biacora
 Ruby P. Chiong*
 Ma. Cecilia T. Cruzabra*
 Josephine G. De Asis
 Emily C. De Lara
 Rosallie A. Dimaano*
 Felipe Antonio P. Estrella
 Romualdo L. Katigbak*
 Noel Eli B. Kintanar*
 Jenara Rosanna F. Ong*
 Maria Angelica B. Rapadas
 Alfonso Javier D. Reyes*
 Ma. Victoria P. Sugapong*
 Ma. Victoria A. Tan
 Sheila Marie U. Tan*
 Norma P. Torres*

MANAGING DIRECTORS

Emmanuel A. Aligada*
 Gil B. Genio* (Retired effective Dec 31 2018)
 Ginaflor C. Oris*
 Virgilio C. Rivera Jr. *
 Jaime E. Ysmael*

CONSULTANTS/ADVISERS

Gerardo C. Ablaza
 Simon C. Mossesgeld*
 Marciano A. Paynor Jr.

*seconded to subsidiaries

AYALA GROUP NETWORK

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AC INFRASTRUCTURE

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AC EDUCATION

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AYALA FOUNDATION

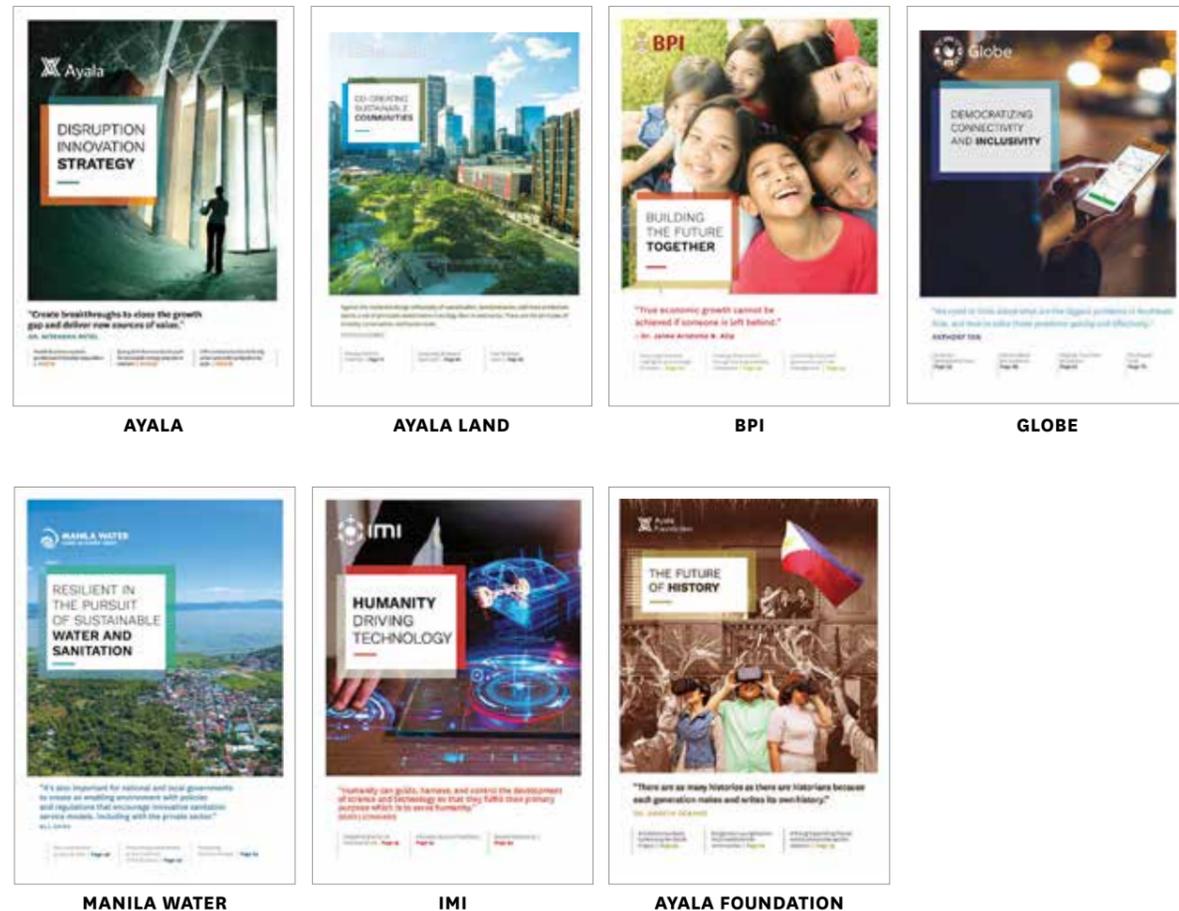
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THE AYALA GROUP AS CATALYST FOR SUSTAINABLE DEVELOPMENT

2018 AYALA GROUP UNIFIED INTEGRATED AND ANNUAL REPORTS

The Ayala group is deeply committed to the United Nations' 2030 agenda for sustainable development. Together with like-minded organizations and individuals, we have responded with initiatives, innovations, and advocacies to help drive this vision forward. We are proud to be part of this progressive community whose efforts seek to introduce transformational change to tackle urgent global issues such as economic and social inequality, climate change, and all forms of poverty. This year, the Ayala group integrated and annual reports showcase some of the widely recognized thought leaders on this front whose groundbreaking ideas are actively shaping the future, and providing the world with a roadmap for action—and hope.



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
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- Media:** corpcomm@ayala.com.ph
- Careers:** careersatayala@ayala.com.ph

ABOUT THE COVER

Our cover illustrates our theme on managing disruption. While today's business challenges may seem impenetrable at times, an innovative mindset can open up new opportunities and help companies eliminate barriers to future growth.

FINANCIAL STATEMENTS

Ayala's 2018 Financial Statements are available for download on its website: www.ayala.com.ph

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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:

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