



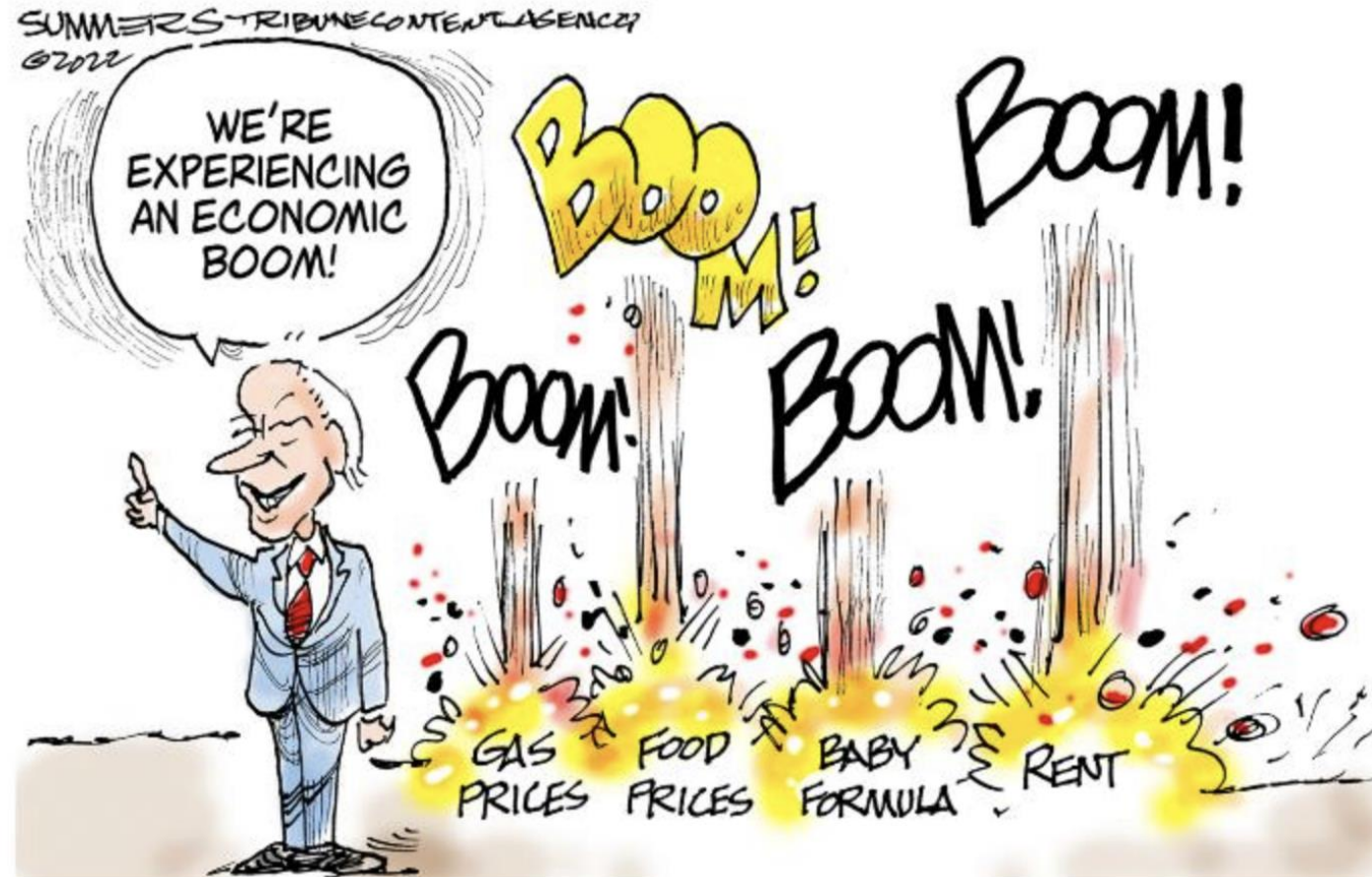
Promoting an Investment-Led and Sustainable Economy

23 JUNE 2022 | 9:00 AM - 11:00 AM PHT
VIA ZOOM

The Private Sector's Role in Sustainable Development in the Next Administration

Pete H. Maniego Jr., FICD, PIE, Esq.
Trustee, Institute of Corporate Directors

Economic Boom!



Priority Programs – Administration 1

- Fuller implementation of the land reform
- Massive housing program for low-income groups
- Energetic thrust in the field of manpower training
- Vigorous campaign for the promotion of Philippine export products
- Concentrate great energies on the problem of peace and order
- Press vigorously efforts to assure our food self sufficiency on a sustained basis
- Meet the crisis posed by the lack of schoolhouses
- Conserve our natural resources

Priority Programs – Administration 2

- Agricultural and food security
- Climate change adaptation
- Economic recovery
- Improved health care and education
- Enhanced infrastructure projects
- Utilization of renewable energy sources
- Strengthened tourism and jobs creation
- Sustainable development

- Administration of Pres. Ferdinand E. Marcos Sr.
 - *1968 SONA*
- Incoming Administration of Pres. Ferdinand R. Marcos, Jr.
 - *Source: Incoming Budget Secretary Amenah Pangandanan*



SUSTAINABLE DEVELOPMENT GOALS

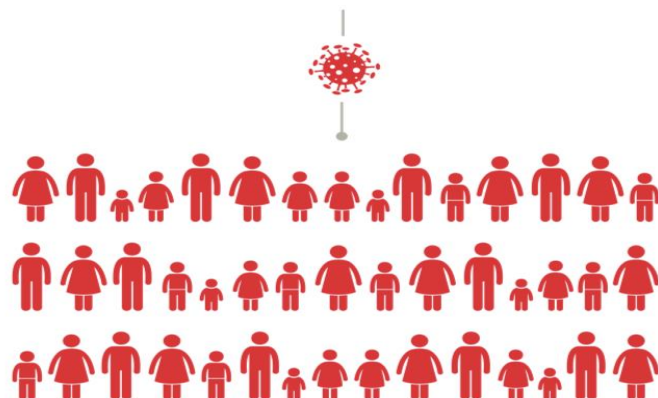
17 GOALS TO TRANSFORM OUR WORLD



END POVERTY IN ALL ITS FORMS EVERYWHERE

COVID-19 HAS LED TO THE FIRST RISE IN EXTREME POVERTY IN A GENERATION

AN ADDITIONAL **119–124 MILLION PEOPLE** WERE
PUSHED BACK INTO **EXTREME POVERTY** IN 2020



THE
GLOBAL POVERTY RATE
IS PROJECTED TO BE
7% IN 2030



MISSING THE TARGET
OF ERADICATING POVERTY



AS OF APRIL 2021,
118 COUNTRIES REPORTED
NATIONAL AND/OR LOCAL
**DISASTER RISK
REDUCTION STRATEGIES,**
UP FROM 45 IN 2015



GOVERNMENTS WORLDWIDE HAVE PUT IN PLACE
1,600 SHORT-TERM SOCIAL PROTECTION MEASURES
IN RESPONSE TO COVID-19

BUT **4 BILLION PEOPLE** ARE STILL NOT COVERED BY SOCIAL PROTECTION



PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL

THE PANDEMIC HAS LED TO THE LOSS OF THE EQUIVALENT OF 255 MILLION FULL-TIME JOBS



ABOUT **4X** THE NUMBER LOST DURING
THE GLOBAL FINANCIAL CRISIS (2007-2009)

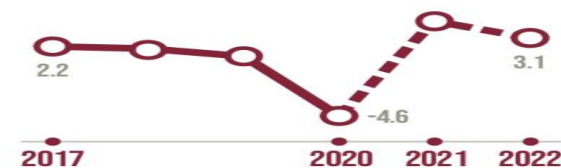


1.6 BILLION
INFORMAL
ECONOMY
WORKERS

WHO LACK A SOCIAL SAFETY NET,
WERE SIGNIFICANTLY AFFECTED
BY THE PANDEMIC

ECONOMIC RECOVERY IS UNDER WAY

GLOBAL REAL GDP PER CAPITA
(2017-2022)



BUT FOR MANY COUNTRIES, ECONOMIC
GROWTH IS EXPECTED TO RETURN TO PRE-
PANDEMIC LEVELS ONLY IN 2022 OR 2023

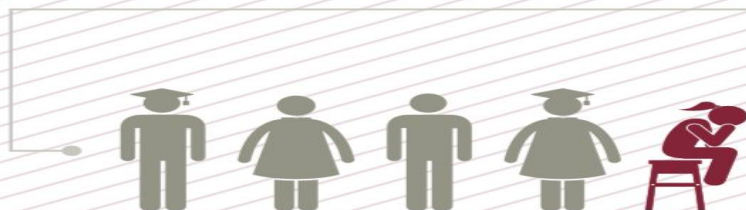
INTERNATIONAL TOURIST ARRIVALS

FELL FROM 1.5 BILLION IN 2019
TO 381 MILLION IN 2020 –



INTERNATIONAL TOURISM
IS NOT EXPECTED TO
RETURN TO 2019 LEVELS
FOR UP TO **4 YEARS**

PANDEMIC WILL LEAD TO AN INCREASE IN YOUTH NOT EMPLOYED, IN SCHOOL OR IN TRAINING



YOUNG WOMEN

31.1%

RATE OF YOUTH NOT IN EDUCATION,
EMPLOYMENT OR TRAINING (2019)

YOUNG MEN

14.0%



BUILD RESILIENT INFRASTRUCTURE, PROMOTE INCLUSIVE AND SUSTAINABLE INDUSTRIALIZATION AND FOSTER INNOVATION

GLOBAL MANUFACTURING PRODUCTION PLUMMETED



AS A RESULT OF THE COVID-19 CRISIS



2020 WAS CATASTROPHIC FOR AIR TRAVEL DEMAND



AIR PASSENGERS DROPPED FROM 4.5 BILLION IN 2019 TO 1.8 BILLION IN 2020,
A 60% DECLINE



MANUFACTURE OF
**MEDIUM- AND
HIGH-TECH PRODUCTS**
FUELLED ECONOMIC
RECOVERY
IN LATE 2020

4% GROWTH COMPARED TO SAME PERIOD IN 2019
[4TH QUARTER 2020]

ENHANCING RURAL ROAD CONNECTIVITY HELPS REDUCE POVERTY



ALMOST 300 MILLION
OUT OF 520 MILLION RURAL DWELLERS
LACK GOOD ACCESS TO ROADS
IN 25 COUNTRIES [2018-2019]

INCREASED INVESTMENT IN R&D IS ESSENTIAL TO FINDING SOLUTIONS FOR CRISES SUCH AS COVID-19

\$2.2 TRILLION
GLOBAL INVESTMENTS
IN R&D (2018)



1,235 RESEARCHERS
PER MILLION
INHABITANTS (2018)

ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS

THE GLOBAL “MATERIAL FOOTPRINT” INCREASED BY 70%

BETWEEN 2000 AND 2017



DEVELOPING COUNTRIES STILL HAVE VAST UNTAPPED POTENTIAL FOR RENEWABLE ENERGY



ELECTRONIC WASTE CONTINUES TO PROLIFERATE AND IS NOT DISPOSED OF RESPONSIBLY

EACH PERSON

GENERATED ABOUT
7.3 KILOGRAMS
OF E-WASTE



[2019]

BUT ONLY
1.7 KILOGRAMS
WAS RECYCLED



DESPITE PROGRESS, **FOSSIL FUEL SUBSIDIES** CONTINUE
TO THREATEN THE ACHIEVEMENT OF
THE PARIS AGREEMENT AND
2030 AGENDA



\$432 BILLION IN 2019

A DECLINE OF 21% FROM 2018



BY 2020,
A TOTAL OF 700 POLICIES
AND IMPLEMENTATION ACTIVITIES
WERE REPORTED

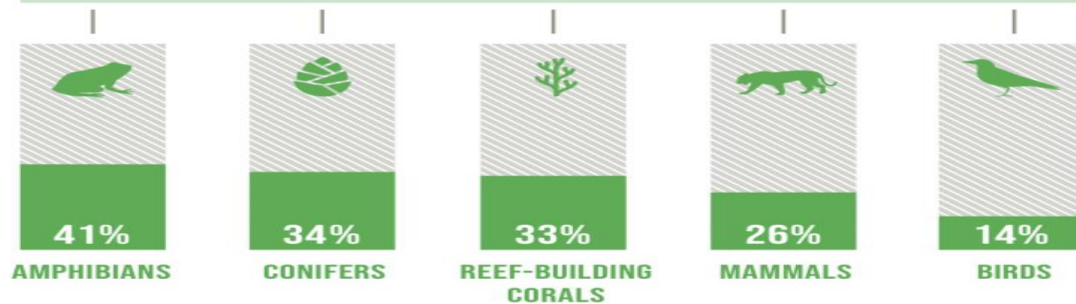
UNDER THE 10-YEAR FRAMEWORK OF PROGRAMMES
ON SUSTAINABLE CONSUMPTION AND PRODUCTION
(FROM 83 COUNTRIES AND THE EUROPEAN UNION)



PROTECT, RESTORE AND PROMOTE SUSTAINABLE USE OF TERRESTRIAL ECOSYSTEMS, SUSTAINABLY MANAGE FORESTS, COMBAT DESERTIFICATION, AND HALT AND REVERSE LAND DEGRADATION AND HALT BIODIVERSITY LOSS

MORE THAN A QUARTER OF SPECIES ASSESSED BY THE IUCN RED LIST ARE THREATENED WITH EXTINCTION

PROPORTION OF SPECIES THREATENED WITH EXTINCTION



IUCN RED LIST

TRACKS DATA ON MORE THAN 134,400 SPECIES OF MAMMALS, BIRDS, AMPHIBIANS, REEF-BUILDING CORALS AND CONIFERS. MORE THAN 37,400 SPECIES ARE THREATENED WITH EXTINCTION.

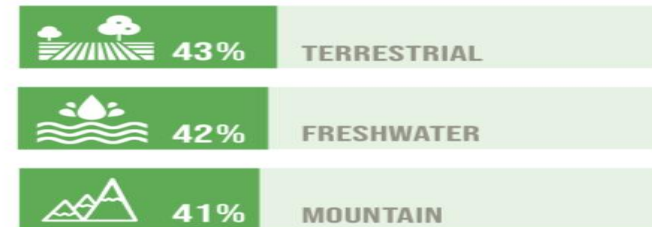
PROGRESS HAS BEEN MADE TOWARDS SUSTAINABLE FOREST MANAGEMENT

BUT THE WORLD HAS LOST
100 MILLION HECTARES OF FOREST
IN TWO DECADES
(2000-2020)



PROGRESS TO SAFEGUARD KEY BIODIVERSITY AREAS HAS STALLED OVER THE LAST 5 YEARS

GLOBAL MEAN PERCENTAGE OF EACH KEY BIODIVERSITY AREA COVERED BY PROTECTED AREAS (2021)



ALMOST ALL COUNTRIES HAVE ADOPTED LEGISLATION FOR PREVENTING OR CONTROLLING INVASIVE ALIEN SPECIES



INVASIVE ALIEN SPECIES NEGATIVELY AFFECT NATIVE BIODIVERSITY AND COST THE GLOBAL ECONOMY BILLIONS OF DOLLARS ANNUALLY.

The 21st Century Business Leadership & Governance Challenge

Climate Change



Is it possible to drive superior shareholder returns by addressing the very challenges that are threatening Planet Earth and Humanity today?

Social Unrest



Income Inequality



Paul Polman

290% return to shareholders during his/her 10-year tenure as CEO.

Sustainability-based Business Plan:

- **Double the Growth**
- **Halve the Environmental Impact**
- **Triple Social Impact**

He/she exited profitable businesses that were harmful to the environment.

He/she was under no regulatory or reporting pressure.



Tata Group

**In business and growing profitably
for more than 153 years**

*Mission: To bring enhancement in the
quality of life in the communities*

Conglomerate footprint in over 100
countries

66% of share capital owned by
philanthropic trusts

Principle Investor (Holding Company)
*Motto: We make money so we can
give it away (75%)*

Market cap \$232 Bln



*"In a free enterprise, the
community is not just
another stakeholder in
business, but is in fact the
very purpose of its
existence."*

Jamsetji N. Tata
Tata Group Founder
(1839-1904)

SHARED VALUE

and enduring Philippine-based business group, enabling shared value and prosperity for the many stakeholders we serve

To be profitable and create value and synergies while forging partnerships and alliances

- ▶ Long-term Vision
- ▶ Empowering Leadership
- ▶ Commitment to National Development

SUSTAINABILITY STATEMENT

Our transformation path emphasizes strengthening our environmental, social, and governance aspects in alignment with SDGs to create meaningful and lasting impacts that address marginalization, untapped potential, and irresponsible growth.

SUSTAINABILITY BLUEPRINT PRINCIPLES

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

OUR PROMISE

Reinventing businesses, Transforming communities

OUR PURPOSE

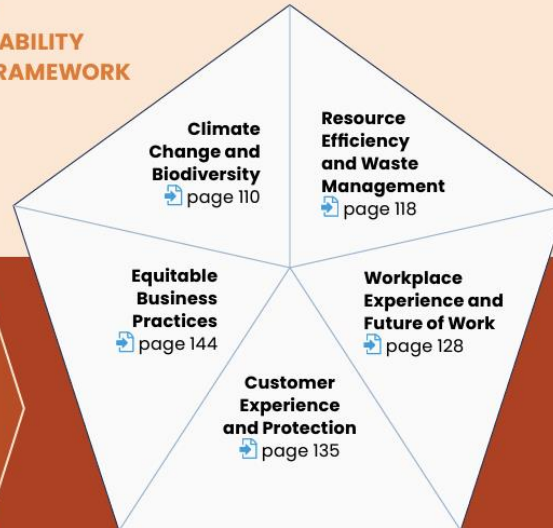
To improve lives through resilient businesses and risk-calculated investments that have a meaningful and lasting impact on the country's economic and social landscape

KEY DRIVERS

- ▶ Micro and Macro Economics
- ▶ Megatrends
- ▶ Leading Sustainability Practices

MATERIALITY AND SUSTAINABILITY REPORTING FRAMEWORK

page 100



RISK MANAGEMENT

page 74

The risk management initiatives for the year centered on supporting our commitment to the TCFD recommendations and understanding how macro trends and material ESG themes shaped the evolving risk landscape.

Sustainability Blueprint

Bridging the Filipino to 2030

Maximizing relevance and impact through focus page 158

ACCESS & INCLUSIVITY



MARGINALIZATION

PRODUCTIVITY & COMPETITIVENESS



UNTAPPED POTENTIAL

RESPONSIBLE GROWTH & INNOVATION



IRRESPONSIBLE GROWTH

GLOBAL STANDARDS



GLOBAL PARTNERSHIPS

page 142

Ayala sits on the Board of the **Global Compact Network Philippines** and supports the **UN Global Compact** and its 10 Principles.



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



Jaime Augusto Zobel de Ayala participates as a steward with other CEOs in this Vatican-led council, to promote sustainability and inclusivity globally.

BUSINESS SEGMENTS

ENERGY



REAL ESTATE



CONSTRUCTION AND
ENERGY SERVICES



INPUTS

Our inputs are the financial resources, our assets across the group, and the resources used across our business segments.

FINANCIAL CAPITAL

- PHP257.0 billion
 - 49.7% loans and debts
 - 49.6% retained earnings
- 52.85% common stocks owned by Lopez Holding Corporation
- Distribution of resources*
 - PHP21.1 billion in Manufactured Capital
 - PHP44.2 billion in Natural Capital
 - PHP7.7 billion in Human Capital
 - 0.7% stocks
 - PHP647.8 million in Intellectual Capital
 - PHP695.3 billion in Social Capital

MANUFACTURED CAPITAL

Assets across FPH

- 30 natural gas, geothermal, hydro, solar, and wind power projects
- 23 residential, commercial, and office properties
- First Philippine Industrial Park
- Transformer production plant
- Equipment fleet for construction and drilling services
- FPH Head Office and the respective head offices of our subsidiaries

NATURAL CAPITAL

Total resources used by FPH as a whole

- 197.3GWh electricity
- 2.0 million tonnes fuel
- 63.9 million tonnes steam
- 1.6 million ML water for hydro plants
- 1.0 million ML seawater for power plant cooling
- 513.0ML water for domestic use
- 72.4kilotonnes materials

HUMAN CAPITAL

- 3,787 permanent employees across the group
- Fair hiring practices
- Strong group-wide policies supporting gender equality, diversity, and human rights
- Robust training and development, occupational health and safety, and employee well-being programs
- PHP44.3 million worth of group-wide investments to support occupational health and safety and employee well-being
- PHP36.1 million worth of group-wide investments to support employee training and human capital development

INTELLECTUAL CAPITAL

- PHP21.1 million worth of group-wide investments for Research and Development
- PHP94.9 million worth of group-wide investments for Intellectual Property and continued investments in digitalization, leveraging, and improving on the existing process from the previous year

SOCIAL CAPITAL

- Strong stakeholder relations



Forging collaborative pathways
for a decarbonized and
regenerative future.

OUTLOOK

Overall positive outlook for all our businesses as the economy recovers from the impacts of COVID-19 and the opportunities for our businesses that come with the need to address the impacts of climate change through decarbonization and regeneration.

OUTCOMES

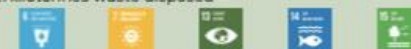
FPH as the parent does not have outputs. Instead, our outcomes are the outputs of our subsidiaries as we guide them via our value creation model, parent roles, and governance processes.

- PHP125.2 billion consolidated revenue
- PHP19.9 billion consolidated net income
- PHP10.0 billion net income attributable to parent
- PHP10.1 billion RNI attributable to parent

- 54,709.0sqm residential and commercial real estate completed
- 320,539.0sqm residential and commercial real estate leased and sold
- 3 residential and commercial properties launched
- 12,408.0sqm of ready-built factories constructed
- 1,475.80kva transformers manufactured
- Several drilling projects with 2 major clients
- Total of PHP140.9 billion in book value of assets, as of end-year 2021

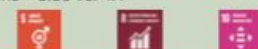


- 127,608.0ha natural forests protected
- 570.0ha new and enriched plantation
- 1.7 million tCO₂e sequestered by watershed reservations
- 9.9 million tCO₂e emissions avoided from non-use of coal
- 2,072ha and 43 sites of marine habitat protected
- By-products of our businesses:*
 - 6.6 million tCO₂e emitted
 - 11.7kilotonnes waste disposed



- Maintained and nurtured competent employees across the group
- 25.1% of group-wide employees are new hires for 2021
- 27.1 average training hours per employee across the group
- 99% of workforce are vaccinated against COVID-19
- Total recordable incident rates (TRIR) within industry benchmark

Power Generation - 0.24 vs. 1.2	Construction and Energy Real Estate - 0.0 vs. 2.1	Services - 0.31 vs. 2.4
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- Energy Solutions - 0.85 vs. 4.4



- 23 Awards and Recognition
- 14 ISO certifications for our Energy Business
- 3 ISO certifications for our Construction Business
- 3 LEED-certified properties under our Real Estate Business



- Maintained high customer satisfaction scores, averaging at 94.9%
- 4 foundations provided with financial, technical, and manpower support
- Gained 40 new environmental partners

GOVERNANCE PROCESSES

Strategy

Monitoring and
Reporting

Communication

Culture

Leadership and
Development

Policies and
Procedures

VALUE CREATION MODEL



PARENT ROLES

Strategic
Management

Portfolio Management
and Capital Allocation

Corporate
Entrepreneurship

Performance
Management

Managing
Synergies

Providing
Corporate Support

OUR EXTERNAL ENVIRONMENT

Environmental

- Accelerating climate change
- Veering away from fossil fuel
- Focus on nature's integrity

Social

- COVID-19 pandemic
- Employee health, safety, and well-being emphasized as rights during the pandemic

Technological

- Energy transition to RE

Economic

- Eventual recovery of the economy from the pandemic
- Supply chain disruptions due to the pandemic
- Increasing adoption of the TCFD Disclosures by institutions
- Growing interest in green financing
- Increasing interest in ESG valuation

OUR RISKS

Environmental

- Impacts due to climate change impacts
- Exposures related to net zero carbon goals

OUR STAKEHOLDERS

- Subsidiary customers
- Employees, suppliers, and partners
- Planet
- Host communities
- Investors
- Government

OUR OPPORTUNITIES

- Recovery of the economy from the pandemic and how our business can help
- Increase in demand for sustainable products and services, including

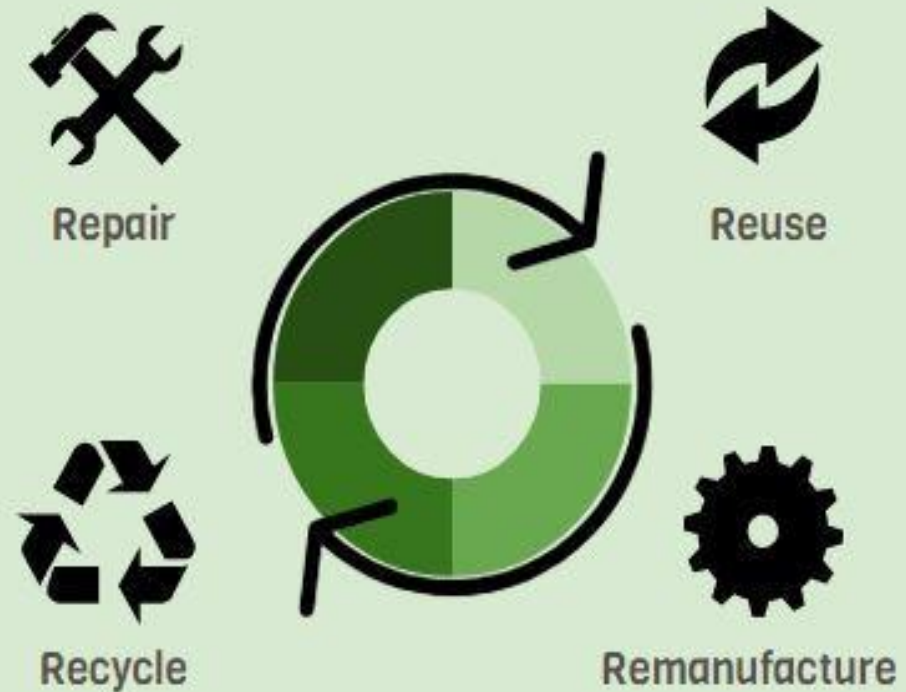
What We Put in Place

Sustainability – Mitigation Strategies	<p>Shift to Renewables</p> <p>50% renewable energy sourcing by the end of 2022 for SM Prime</p> <p>NEO Group achieved 5-star certifications under the “Advancing Net Zero Philippines (ANZ/PH) program”</p> <p>10.6MW capacity of installed solar panels by SM Prime</p> <p>NEO Group receives the world’s first International Finance Corporation’s EDGE Zero Carbon certification</p>	<p>LEED Buildings</p> <p> Gold LEED certified – SM Aura, Conrad Hotel, and Three E-com</p> <p> 2 buildings in process - Four E-com and Mega Tower</p>
Resiliency – Adaptation Strategies	<p>Disaster Resilient Designs</p> <p>10% Capital Expenditure allotted by SM Prime to incorporate disaster resilient features in mall designs</p> <p>Provision of rain water catchment and underground water reservoir in SM Supermalls</p> <p>SM Mall of Asia Complex incorporated resiliency design features such as wick drains, seawall to avert storm surges or sea level rise, excavation method to provide protection against liquefaction and seismic events</p> <p>SM Marikina located 120-meter distance from centerline of Marikina river, 20 meters beyond safety compliance, 20.5 meter above natural ground level elevation with use of 246 stilts</p>	
Capacity Building – Sustainability and Resilient People and Partners	<p>Disaster Preparedness trainings for communities and persons with disabilities</p> <p>Lead Convener for UN ARISE, private sector alliance for disaster resilient societies</p> <p>SM Sustainability School with modules from Introductory, Basic, Intermediate and Advanced (industry specific) open to all SM group-wide employees</p> <p>Partnered with GRI, UN Global Compact and other global and local organizations to promote climate change, its impact and our role in mitigating climate change</p>	
Campaigns – The SM Green Movement	<p>The SM Green Movement is a group-wide, multi-year campaign working together toward the improved quality of life for our communities through priority initiatives of Green Planet, Green Living and Green Culture:</p> <p>Green Planet - We will focus on practical sustainable solutions on water, waste and energy management to promote resource conservation and environmental protection. We continue to build our resiliency to the effects of climate change.</p> <p>Green Living - We will provide green options for our customers through the SM Green Finds – promoting products that are eco-friendly, made from natural and local ingredients and support local communities. We will also help empower our MSME partners in their own green practices.</p> <p>Green Culture - We will inculcate sustainability in our people culture by equipping them with sustainability knowledge, promoting green practices at work and recognizing their “greenovations” through the SM Green Movement Day and Awards.</p>	

Linear Vs. Circular Economy



The Linear Model



The Circular Model

Circular economy principles aligned with sustainability offer the following advantages:

Reducing GHG emissions/ improved air quality



9.3B tonnes of CO₂e could be prevented by 2050 if circular economy strategies are applied across steel, aluminum, cement, food, and plastic sectors.

Preserving long-term biodiversity



~50% decrease in harmful effects on farm-level biodiversity.

Improving ocean health & water quality

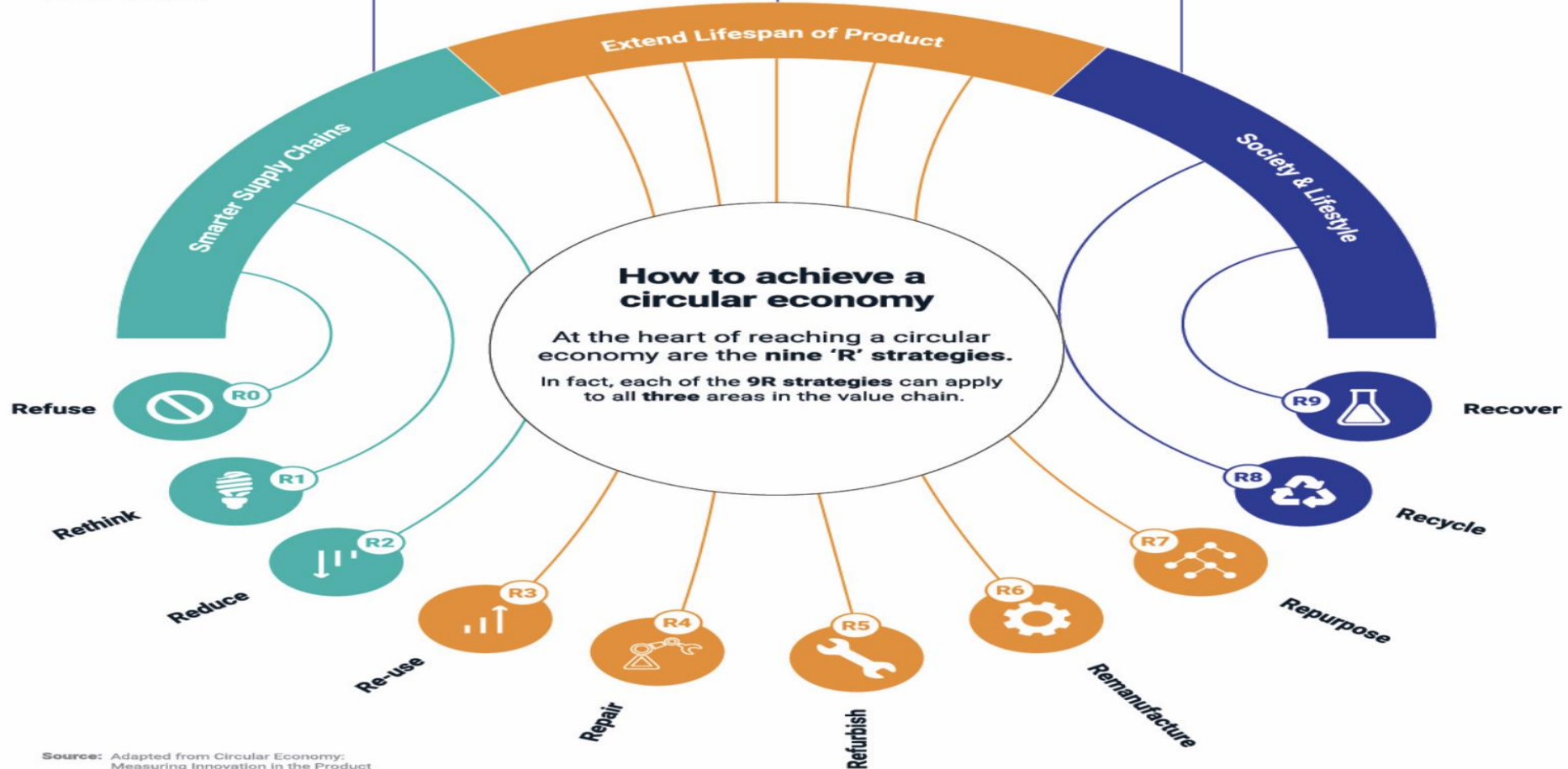


80% reduction in plastics entering the ocean globally by using reclamation, recycling, and reduction strategies, among others.

Economic growth & job creation



\$4.5T global economic opportunity by 2030 through spurring innovation in waste reduction.



Doing Well by Doing Good

Paying attention to environmental, social, and governance (ESG) concerns does not compromise returns—rather, the opposite.

Results of >2,000 studies on the impact of ESG propositions on equity returns

Business Transitions CAN Create Profit

15 transitions in the three socio-economic systems could deliver \$10.1 trillion of annual business opportunities and 395 million jobs by 2030

**Doing Well by Doing Good is both possible and practical,
but it will require a new lens – STEWARD LEADERSHIP**

Source: Gossat Friede et al., "ESG and financial performance: Aggregated evidence from more than 2000 empirical studies," *Journal of Sustainable Finance & Investment*, October 2015, Volume 5, Number 4, pp. 210–33; Deutsche Asset & Wealth Management Investment; McKinsey analysis

McKinsey
& Company

SOURCE: Literature review; Market research; Expert interviews; AlphaBeta analysis

<https://www.weforum.org/agenda/2020/07/future-nature-business-action-agenda-blueprint-climate-change-biodiversity-loss/>

Not just leadership, we need STEWARD LEADERSHIP

LEADERSHIP

Leadership is the genuine desire and persistence to create a better future

+

STEWARDSHIP

Stewardship is creating value by integrating the needs of stakeholders, society, future generations, and the environment

Sustainability, Societal Benefit, Responsible Investment and Governance, and Employee Welfare are all different forms of Stewardship

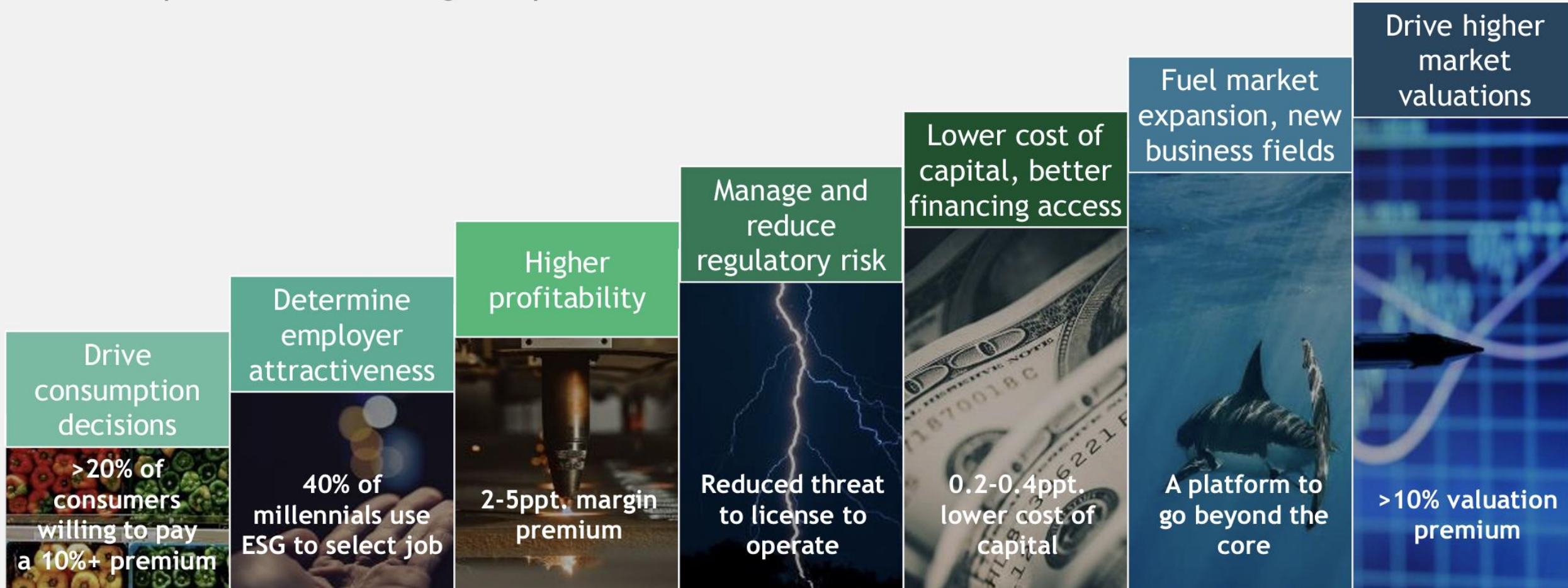
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STEWARD LEADERSHIP

is the genuine desire and persistence to create a collective better future

Changing global landscape drives the importance of adopting sustainability strategies for companies

A social impact lens & a strong ESG performance



Priority Programs – Incoming Marcos Admin

- Agricultural and food security – establish and support agricultural coops; encourage backyard or home gardens; utilize vacant lots in urban areas for food production; buy local products
- Climate change adaptation – revive mangrove areas, reforestation; waste management – > 4 Rs – refuse, reduce, reuse, recycle, urban mobility; water conservation
- Economic recovery – adapt, mentor, fund MSMEs; continue WFH as alternative;
- Improved health care & education – in house health programs; dual or on the job training; provide assistance to schools

Priority Programs – Incoming Marcos Admin

- Enhanced infrastructure projects – resilient buildings and structures against extreme weather events; evacuation centers with solar and battery power sources in coastal areas.
- Utilization of renewable energy sources – energy efficiency and conservation; rooftop solar; intelligent buildings; microgrids & smart grids; accelerate EV deployment
- Strengthened tourism and jobs creation – eco tourism; utilization of indigenous materials & revitalizing traditional handicrafts
- Sustainable development – commitment to the SDGs

THANK YOU!

Pete H. Maniego, Jr., *FICD, PIE, AE, Esq*

Trustee, Institute of Corporate Directors

23 June 2022

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