Moving Towards a Sustainable Future Through ESG

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April 20, 2021
Sustainability
Mega Trends
Key Shifts Driving Sustainability Agenda

**Regulatory Mandate**

In PH, PLCs are mandated to submit Sustainability Reports alongside Annual Reports, on the basis of a "comply or explain" approach.

BSP Circular 1080 Philippine banks and financial institutions are now required to incorporate environmental, social and governance and sustainability principles.

PSE is now a member of the Sustainable Stock Exchanges Initiative, a UN Partnership Program of UNCTAD, UNGC, UNEP and PRI.

**Investors’ Push**

Sustainability as a ‘standard’ for investing has piqued clients interest seeing USD15.5bn in flows into sustainable investing strategies e.g. (ESG)-optimized index exposures.

UN-backed international network of investors incorporating sustainability into their investment decision-making and ownership practices, with over 1,700 members representing $81.7 trillion in assets under management.

**Customer preferences**

86% of Filipino consumers are willing to pay extra for products and services in comparison to the global average of 66%.

50% of sales growth among consumer packaged goods between 2013 and 2018 came from sustainability-marketed products.


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Sustainability from the Compliance Perspective

**ASSERTIONS**

1. Manage KEY IMPACTS
2. Conduct business in an ETHICAL manner
3. Products and services CREATE VALUE to society

**ASPECTS DISCLOSED & MEASURED**

- Economic
- Environment
- Social

- Corporate Governance

**REPORTING STANDARDS**

Global Reporting Initiative
- covers Economic, Environment & Social frameworks

Sustainability Accounting Standards Board
- covers Economic, Environment, Social & Governance frameworks

Task force on Climate-related Financial Disclosures
- covers Environment framework + financial impact of climate change

International Integrated Reporting Committee
- covers Economic, Environment & Social frameworks

- Contribution to:
  - National Development Goals
  - UN Sustainable Development Goals

Philippine Development Plan 2017-2022
- Ambisyon 2040

UN SDGs

*Followed by the Philippine SEC*
Sustainability Reporting Frameworks

GLOBAL REPORTING INITIATIVE (2000)
- HQ in Amsterdam, Netherlands
- Report content: Stakeholder inclusiveness, Sustainability content, Materiality Completeness
- Defines report quality based on: Accuracy, Balance, Clarity, Comparability, Reliability, Timeliness
- Sustainability Topics: Economic, Environmental, Social

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (2011)
- San Francisco, USA
- Sustainability Topics: Business model and innovation, Leadership and governance, Human capital, Social capital, Environment
- Accounting metrics: Fair representation, Useful, Applicable, Comparable, Verifiable, Aligned, Neutral, Distributive

TASK FORCE on CLIMATE-RELATED FINANCIAL DISCLOSURES (2007)
- London, United Kingdom
- Sustainability topics: Governance of climate-related issues, Impact of climate-related issues on strategy & financial planning, Management of climate-related risks, Use of climate-related metrics and targets

The International INTEGRATED REPORTING Framework (2009)
- London, United Kingdom
- Report content: Strategic focus and future orientation, Connectivity of information, Stakeholder relationships, Materiality, Reliability and completeness, Consistency and comparability
- Sustainability topics: Financial capital, Manufactured capital, Intellectual capital, Human capital, Social and relationship capital, natural capital
“Our wealthiest clients want to know their investments are making a difference to make the world a better place”
- Rina Kupferschmid-Rojas, Global Head of Sustainable Finance at UBS Group (largest wealth-management business in the world, at $2.4 trillion)

“Responsible investment is central to our investment philosophy. Portfolio managers are accountable for assessing every investment in the context of risk, return, costs, and ESG. This has been an internal cultural evolution”
- Claudia Kruse, Managing Director of Global Responsible Investment and Governance for APG (world’s largest pension investors, at EU570 billion)

“ESG issues have become much more important for us as long-term investors. We seek to analyze material issues such as climate risk, board quality, or cybersecurity in terms of how they impact financial value in a positive or a negative way. That’s the integrative approach we are increasingly taking for all of our investments”
- Cyrus Taraporevala, President and CEO of State Street Global Advisors

“To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Purpose is not the sole pursuit of profits but the animating force for achieving them. Profits are in no way inconsistent with purpose—in fact, profits and purpose are inextricably linked”
- Larry Fink, CEO at BlackRock
MPIC: Future Proofing Our Group Through Sustainability
MPIC: Who We Are

**Affiliates & Associates**

**Metro Pacific Investments**

**Toll Roads**
- **Network of toll roads**
  - **MPTC** (Metro Pacific Tollways)
    - 99.9%
  - **Philippine Toll Roads**
    - 75.1% to 100%
  - **International Investments**
    - 29.5% to 76%
    - Indonesia
    - Vietnam
    - Thailand

**Power**
- **Distribution & Generation**
  - **Meralco**
    - 45.5%

**Water**
- **Treatment & Distribution**
  - **Maynilad**
    - 52.8%
  - **Metro Pacific Water**
    - 100%

**Others**
- **Logistics**
  - **MetroPac Shipping Inc.**
    - 100%
  - **Light Rail**
    - 35.8%
  - **Healthcare**
    - **Metro Pacific Hospitals**
      - 20.0%
  - **Oil Storage**
    - **Philippine Coastal Storage & Pipeline Corporation**
      - 50%
1Q21 Sustainability Milestones

1. Formalized Sustainability and Corporate Governance Committee in MPIC Board

2. Established MPIC Group Sustainability Council governed by approved Sustainability Charter

3. Enhanced the MPIC & MPIC Group Sustainability Framework

4. Committed to adhering to global sustainability standards and investor disclosure requirements on top of GRI

   - Admitted as the first conglomerate Sustainability Accounting Standards Board (SASB) alliance member globally
   - Aligned with SASB Industry Standards in MPIC’s 2020 Sustainability Report
   - Accepted as a TCFD supporter – one of the pioneers in the Philippines
   - Will align with TCFD framework in 2021 Sustainability Report
   - Committed to the UNGC principles – as a Participant (global engagement)
   - First and only CDP supporter in the Philippines
   - Will participate in 2021 disclosure cycle
MPIC Group Sustainability Framework

CONTRIBUTE TO NATIONAL PROGRESS & IMPROVE THE QUALITY OF LIFE OF FILIPINOS

Our Purpose

Our SDG Anchor

Our Portfolio Management

Our Stakeholders

Our Sustainability Thrusts

Global Sustainability Central Themes

Our Operating Sustainability Pillars

Our Focus Areas

Our Impact

CONTRIBUTE TO NATIONAL PROGRESS & IMPROVE THE QUALITY OF LIFE OF FILIPINOS

# 9 Industry, Innovation & Infrastructure

1. Investment screening
2. Due Diligence
3. Acquisition decision
4. Transition
5. Asset management
6. Monetization & exit

Our Portfolio Management

Customers

Employees

Communities

Shareholders & Investors

Partners & Suppliers

Government & Regulators

Transform

Perform

Grow

Economic

Environment

Social

Governance

Enable genuine progress & development through our services & businesses

- Reliable, affordable & low-carbon power
- Clean water & sanitation
- Infrastructure development
- Digital transformation
- Excellent customer experience
- Livelihood generation
- Climate adaptation & flood control

Protect our planet in conducting our business & through technology

- Decarbonization & green technology adoption
- Climate & disaster resilience
- Resource efficiency
- Waste & effluents management
- Environmental protection initiatives

Build resilience through human capital & strong communities

- All-inclusive & affordable health care
- Quality education
- Leadership & youth advancement
- Sports development
- Employee welfare and safety
- Governance & anti-corruption

PROGRESS

PLANET

PEOPLE
MPIC Group Sustainability – FOCUS AREAS

1. **Sustainable Development Contributions of Core Products and Services**
   - Reliable & affordable power
   - Clean water & sanitation
   - Infrastructure development
   - Digital transformation

2. **Managing Key Impacts of Business Activities**
   - Excellent customer experience
   - Decarbonization & green technology adoption
   - Climate & disaster resilience
   - Resource efficiency
   - Waste & effluents management

3. **Community Impact & Social Advocacy**
   - Livelihood generation
   - Climate adaptation & flood control
   - Environmental protection initiatives

**PROGRESS**
- Enable genuine progress & development through our services & businesses

**PLANET**
- Protect our planet in conducting our business & through technology

**PEOPLE**
- Build resilience through human capital & strong communities

**COMPANY-BASED INITIATIVES**
- How our businesses’ core products and services directly address key sustainability issues at scale.
- How we manage our impacts from business operations across the whole value chain.
- How we participate in meaningful activities not directly related to our core products and services.
Gabay Kalikasan (Group Anchor Program)

CELEBRATING
WORLD WETLANDS DAY 2021
INSEPARABLE WATER, WETLANDS AND LIFE
Ceremonial Turn-over of Equipment for the Protection, Conservation and Sustainable Use of Peatlands in Agusan Marsh Wildlife Sanctuary (AMWS)
29 January 2021
Tea House - Ninoy Aquino Parks and Wildlife Center,
Davao City

DENR with MPIC, Maynilad, MPW, PLDT, Smart

Mangroves Conservation Campaign with Ms. Pops Fernandez - DENR with MPIC/Shore It Up, PLDT-Smart

Climate change is a very serious matter.

Mangroves are extremely important to our own well-being.

By protecting them, we can help curb the effects of climate change.
Power: Sustainability & Waste Management

- Use of fly ash as a raw material in cement production
- Composting to reduce landfill waste
- Creative recycling and upcycling
Digital and Data Strategy: Frustration-Free Customer Experience

▶ Empower the customers and customer service personnel with the right tools and information

Customer experience and sustainability at the heart of digitalization and analytics

**SUSTAINABILITY & CUSTOMER EXPERIENCE**

- **Reduced Travel Time**
  - Less traffic = less gas consumption, less carbon emissions
  - Higher productivity
  - More time for family and personal well-being

- **Fewer complaints; reduced reloading issues**
  - Improved mental health
  - Reduced stress

- **Greening initiatives**
  - Help curb pollution and climate change
  - Health & wellness
AN ALL IN ONE ACCESS CARD

- Employee Identification
- Main Office Access Card
- Visa/Mastercard Enabled Card for Purchases In Store or Online
- Wallet for Online Transactions
- Access to HRIS via QR System
- Access to MPIC Benefits via QR Code Scanning
- Tollways and Train Connection/Payments via Paymaya Facility
- Connection to Thousands of Facilities Accepting Paymaya Cards
Finance & Sustainability Transformation

We will embed sustainability as a new dimension of success into analytical and transactional applications to enable an Intelligent Enterprise to minimize CO₂ across entire value chains – from cradle to gate.
The PLDT Group
Sustainability Story
Sustainability Reporting Journey

2008
- Initial SR meetings were held to encourage organizational buy-in
- Workshops were held & a Task Force was formed
- A final SR was made but not finalized and printed

2010
- SR work resumed with inquiries from analysts/investors after Typhoon Ondoy
- Workshops were held & a Task Force was formed
- A final SR was made but not finalized and printed

2015
- Included PLDT & Smart entities only and on GRI Economic & Social Indicators
- Determined initial material topics
- SR Team sponsored by MVP
- Determined gaps & improvement opportunities
- Report on disclosures only, no SGV assurance yet

2016
- Added ePLDT & Voyager groups
- Expanded report on material topics
- Performance disclosures based on expanded material topics
- First SGV assurance on 8 indicators only

2017
- Standard disclosures were made across the PLDT Group entities
- Included detailed disclosures on material topics including management approach
- Adopted new GRI standards
- Aligned with First Pac’s SR HKEX-based requirements
- SGV assurance on 12 indicators

2018
- Updated material topics
- UN-SDG contributions clearly defined
- Comparative 4-year performance disclosed
- Aligned and benchmarked with First Pac’s SR
- SGV assurance on 13 indicators

2019
- Philippine SEC mandated SR reporting & compliance for year end 2019
- First SEC official filing together with Form 17-A
- Expanded disclosures _GRI, SASB (Telco Industry) & UNGC
- SGV assurance on 17 indicators

2020
**Linking Sustainability to Business**

### Sustainability Pillars

- **Awesome Customer Experience & Quality of Service**
  - To provide reliable customer experience and improve access to and quality of services

- **Growth-Driven Innovation**
  - To develop innovations that create value to consumers and society

- **Responsible & Efficient Operations**
  - To achieve resource efficiency in all facets of business operations

- **Effective Environmental Stewardship**
  - To protect our environment and our country’s natural resources for sustainable development

- **Positive Community Impact**
  - To contribute to nation-building through community and volunteer programs that support key priorities and engagements

- **Excellence in Human Capital**
  - As an equal opportunity employer, to cultivate a diverse and inclusive culture to develop transformational leaders

- **Good Governance & Ethical Business Practices**
  - To commit to the highest standards of business ethics and corporate governance requirements

### Specific Business Objectives

- **Fixed and Wireless network capacity**
- **Network coverage**
- **Speed score**
- **Net promoter score**
- **Customer satisfaction survey**
- **Data Privacy and Cybersecurity incidents**
- **Data Privacy and Cybersecurity awareness programs**

- **4G & 5G coverage percentage**
- **Smart cities coverage**
- **Smart Wi-Fi coverage; no. of APIs**
- **Innovative products and services launched**

- **Electricity and fuel consumption**
- **GHG emission and intensity**
- **Water and waste management**
- **Energy reduction initiatives**
- **Use of environment-friendly alternatives for merchandising materials**
- **Use of renewable energy sources in operations**
- **Paperless billing**

- **Carbon offsetting initiatives**
- **Waste and recycling programs**
- **Environmental awareness programs**
- **Strategic partnerships and alliances**

- **Number of communities reached**
- **Number of initiatives conducted**

- **Attrition rate**
- **Employee composition by age, rank, and gender**
- **Training hours**
- **Management development programs**
- **Employee benefits**
- **Employees engagement initiatives**

- **Number of communities reached**
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- **Carbon offsetting initiatives**
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- **At risk of attrition**
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### Business Metrics

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### Collaboration with

- CRO, Network, IT
- CRO, Network, IdeaSpace, QBO
- All BUs
- PDRF, Network, Facilities, ComRel
- PDRF, PSF, ComRel
- People Grp
- CGO, Legal, CSOG, DPG

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**SUSTAINABILITY REPORT** – assured by SGV, compliant with Global Sustainability Standards, subject to ESG rating
PLDT is the First Telco to be an Alliance Member worldwide; First Company in Asia Pacific
- Shows our Sustainability Commitment to global investors

PLDT was approved as a pioneer Company in the Philippines to be a TCFD Supporter
- 8th Telco globally
- Quantified PLDT Group’s Transition, Market and Physical Risks in 2020

Only member company in the Philippines
- Will give us access to tech innovation and futures labs, more resilient business strategies & sustainable business models; access to global, grant-funded sustainability initiatives & researches

Part of the GSMA-Climate Action Task Force:
- Science-based pathway to reach zero net emissions via an Climate Action Toolkit
- Enablement effect of mobile and energy efficiency of 5G
- Setting renewable energy targets
- Sharing of programs, best practices and innovations
“Overall, our investor feedback participants commended PLDT for a great first SASB report and for being such an industry and regional leader.” - SASB

Deep Dive #2 – PLDT
Summary of Investor Feedback

- Praised for leadership in the Philippines market

“I was very impressed with the substance and that it was a very comprehensive report. It is rare to see this level of transparency in these markets, and novel to have the richness of the data. It shows a self-confidence of the company to share, track, and capture all this data. Gives a strong perception that the company is run well and has reporting embedded in the culture.”

-Director of Responsible Investing at an Australian-based investment manager
Need for Climate Action

2020 Is Our Last, Best Chance To Save The Planet
- Time Magazine, July 2020

Climate Vulnerability
According to the Global Climate Risk Index (CRI) 2020, the Philippines was ranked the second country most affected in 2018 and the fourth country most affected in the last two decades by climate change.

IMPACT TO BUSINESS
- Damage to infrastructure
- Higher repairs & maintenance cost
- Service disruption
- Reputational risk
- Employee and customer health and safety
- Supply chain disruption
- Constraints on available resources
**Carbon Footprint Management**

**CARBON EMISSIONS**

460,000 Metric Tons

Flattish in the last 3 years (Scopes 1 & 2)

**RACE TO ZERO PLAN**

1. **Operational and organic efficiencies**
   - Reduction in average aircon temperature (3% savings) – Office, Network facilities, Data centers
   - Paperless billing & transactions
   - Digitalization – BTO/IT
   - Re-usable tarpaulins/merchandising materials; redesigned SIM/SIM-jackets

2. **Use of renewable energy in operations**
   - Solar power and fuel cells for cell sites
   - Use of hybrid generators – more of solar energy, fuel only when necessary
   - Energy Efficiency Collaboration: CSO, Enterprise Innolab, Network, Facilities with ADB Ventures
   - POC for Tawi-Tawi: marine renewable energy (using underwater current, tides/waves energy)

3. **Investment in environmental programs**

**CORE/DATA NETWORK SITES**

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<th>Year</th>
<th>2017</th>
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<td>BASE STATIONS</td>
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<tr>
<td>CORE/DATA NETWORK SITES</td>
<td>54</td>
<td>55</td>
<td>43</td>
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“Companies should disclose a plan on how their business model will be compatible with a net zero economy and their plan should be incorporated in the long-term strategy”

- Larry Fink, CEO
How much do your *monthly bills* really cost?
“Nature is the foundation of economic growth. Leaders of the world today have a moral and pragmatic imperative to take bold decisions that protect, restore and sustainably manage the only planet we have and safeguard it for present and future generations.”

Global Wins for 2020

2020 GSMA DIGITAL DIVIDENDS

Rainforest Connection

Natural Resource Management

GSMA featured 2 of our Sustainability programs in their 3 Case Studies

2020 SUSTAINABILITY INITIATIVE OF THE YEAR

2020 WBA – DIGITAL INCLUSION

2020 A4S SUMMIT

Speaker & Panelist at the 2020 A4S Summit – Measuring Public Sector Contribution Towards & Sustainable Development with the UN, WBA & BSR