



TAKING STEPS TOWARDS THE WORLD WE WANT

2017 SUSTAINABILITY REPORT



ABOUT THE COVER

The cover of the 2017 FPH Sustainability Report is an “ecological bridge” which aptly portrays the local efforts of every FPH subsidiary to contribute to the global goal of decarbonization in order to reduce climate hazards and help stabilize our planet and our society.

We believe that every small step we take in our low carbon path draws us closer to the kind of world we want to leave to future generations—one that is safe, vibrant, and prosperous. The conglomerate advocates for everyone to be a global citizen by being a bridge to a climate-resilient future.

EDITORIAL TEAM

CONTRIBUTORS

FPH Sustainability TWGs
EDC Watershed Mgt. Team
EDC Environmental Mgt. Team

COPY, DESIGN & LAYOUT
Craft Manila

EDITOR-IN-CHIEF

Agnes C. de Jesus

ASSOCIATE EDITOR

Drink Editorial & Design

WRITERS

Agnes C. de Jesus
Noelle A.G. Bautista
Nicole J.B. Hubo

PHOTOGRAPHS

George Tapan
Stephen Kenneth Guevara
Kevin Niccolo Kison
Mikaela Balita
Jashwa Sabenorio
Siege Camero

COVER DESIGN

Craft Manila

ABOUT THE REPORT

102-1, 102-10, 102-46, 102-49, 102-50, 102-54

We are pleased to present our 2017 Sustainability Report which communicates to our stakeholders the progress of our sustainability journey. In this report, we feature initiatives the First Philippine Holdings Corporation (FPH) introduced this year:

- a) Deepening of our sustainability strategy from “shared value” to “system value”;
- b) Strengthening our advocacy from the declaration of a low carbon path in 2016 to a commitment to a five-year carbon reduction program in 2017; and
- c) Aligning our business objectives in 2016 with the Sustainable Development Goals (SDGs) to identifying how we contribute to the SDGs starting 2017.

The sustainability information contained herein cover the reporting period January 1 to December 31, 2017 and discuss FPH assets where the conglomerate has majority management and operational control. This year’s report includes a new subsidiary, Asian Eye Institute (AEI) and

excludes First Philippine Industrial Corporation (FPIC) which did not operate in 2017. Even if it is a subsidiary of First Gen Corporation (First Gen), the Energy Development Corporation (EDC) is included as a separate unit in the discussion. As one of the conglomerate’s sustainability benchmarks, we are monitoring EDC to ensure that it is advancing in its own sustainability path.

This report has been prepared in accordance with Global Reporting Initiative (GRI) Standards: Core Option. Experts from the academe in the fields of environmental policy and climate change, economics and society have externally assured the report. We maintained last year’s External Review Committee (ERC) so that the experts can further guide us on our actions relative to their recommendations last year. Some of their recommendations are institutional and will require actions that have to be prepared for more than a year.

The 2017 FPH Sustainability Report must be read in conjunction with the 2017 FPH Annual Report. The online versions of both reports are available on our website (www.fphc.com).

TABLE OF CONTENTS

| | | | | | |
|--|-----------|----------------------------------|-----------|---|-----------|
| About the Report | 1 | Leading the Business | 20 | Reaching Out to Others | 39 |
| 2017 Sustainability Performance Highlights | 2 | Our Materiality Process | 22 | Contributing to Sustainable Development | 41 |
| Our Sustainability Networks | 4 | Our Sustainability Performance | 26 | Assurance Statement | 42 |
| Awards and Recognitions | 8 | Supporting the Local Economy | 27 | GRI Content Index | 45 |
| Message from the Chairman | 10 | Being Mindful of the Environment | 29 | Disclosures on Management Approach | 47 |
| Businesses Powered by Good | 12 | Our Internal Stakeholders | 33 | | |
| Our Sustainability Strategy | 14 | Partnership with Employees | 37 | | |
| Our Sustainability Roadmap | 18 | | | | |



2017 SUSTAINABILITY PERFORMANCE HIGHLIGHTS

BRINGING US CLOSER TO THE WORLD WE WANT

The First Philippine Holdings Corporation's (FPH) local efforts contribute to the global goal of stabilizing our planet and our society. In 2017, its businesses delivered the following values to the environment and the stakeholders in their respective work sites:



PHP 98.8 B ECONOMIC CONTRIBUTIONS



PHP 55.2 M ENVIRONMENTAL CONTRIBUTIONS

170,502 hectares
NATURAL FOREST & WOODED
LANDS PROTECTED

6,638,229 tons
GHG EMISSIONS
AVOIDED

10 of 96 species
THREATENED FOREST INDICATOR
SPECIES WITH IMPROVED
CONSERVATION STATUS

275.54 hectares
FOREST AREAS REHABILITATED

66%
FPH CARBON NEUTRALITY

197.71 hectares
CORAL AREAS
PROTECTED

164,622 trees
PLANTED IN
RESTORATION AREAS

3,562,204 tons
GHG SEQUESTERED IN 2017
BY FORESTS & WOODLANDS
MANAGED BY FPH UNITS



PHP 238.9 M SOCIAL CONTRIBUTIONS

JOB & LIVELIHOOD SUPPORT

58,165 JOBS
GENERATED

5,695 INDIVIDUALS
TRAINED

288 COOPERATIVES

HEALTH SERVICES

17,283 INDIVIDUALS

62 VILLAGE HEALTH
CENTERS

4 SCHOOLS

INCLUSIVE EDUCATION

47,457 INDIVIDUALS

1,897 PARENTS

130 TEACHERS

106 SCHOOLS

BASIC SERVICES FOR
INDIGENOUS PEOPLES

11,764 INDIVIDUALS

OPERATIONAL HIGHLIGHTS

49

BUSINESS UNITS

4,190

REGULAR EMPLOYEES

SERVICES OR PRODUCTS DELIVERED PER SECTOR

19,813.32 GWhr

127

807,877 sq.m.

ENERGY
GENERATED

INDUSTRIAL PARK
LOCATORS

REAL ESTATE
LEASED & SOLD

1,487,290 kVA


552,400 sq.m.

60,132

TRANSFORMERS
MANUFACTURED

AREA DEVELOPED

EYE CARE
PATIENTS SERVED

A top-down view of several people's hands, some with gold watches, holding dark, round Bokashi balls. The hands are arranged in a circle around a central pile of soil. The background is a blue surface.

"Bokashi balls" made from clay and microorganisms molded by First Balfour employees and the community which are then released to clean waterways.

OUR SUSTAINABILITY NETWORKS

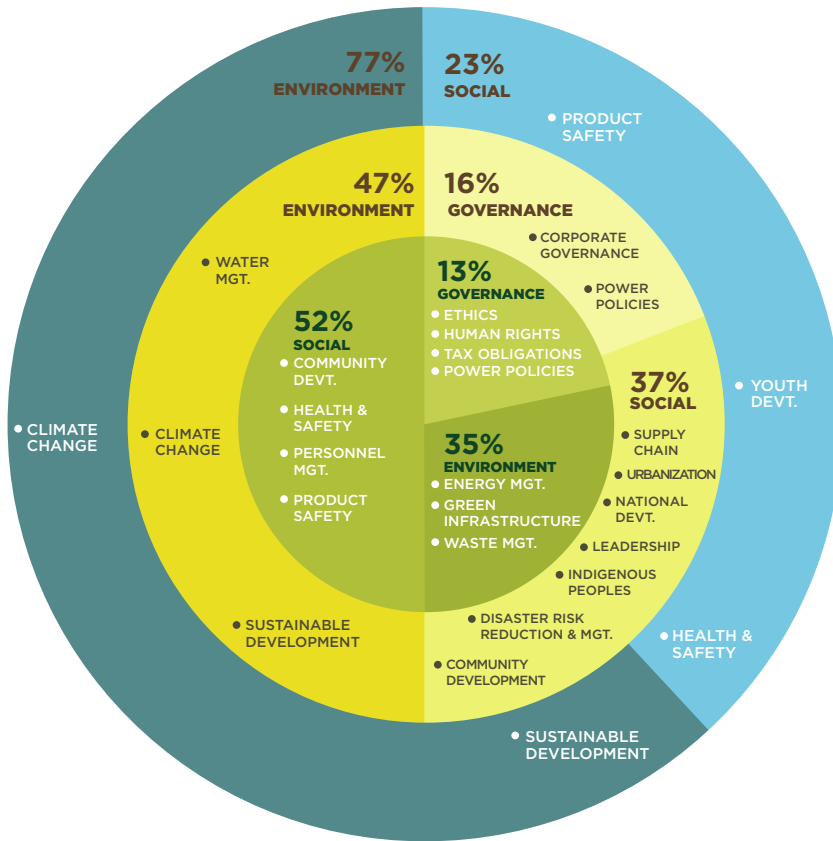
FORGING PARTNERSHIPS TO BOLSTER OUR ADVOCACIES

We forge partnerships with like-minded groups and institutions with a good track record on addressing the urgent issues that businesses face today. As of 2017, we have a total of 90 partners belonging to the environmental (51%), social (37%) and governance (12%) or ESG sectors. In terms of geographic area of interest, 24% of our engagement involves issues "inside the business fence," 52% for issues "outside the fence" and 24% for those issues "beyond the horizon" or issues of global scope. We have a limited network for corporate governance as the standards for this sector are well established in the Philippines. Nevertheless, we continue to monitor and embrace the emerging corporate governance best practices appropriate to our businesses.

Our main advocacies include climate change, biodiversity, ecosystem protection, community development, indigenous peoples (IPs), safety, human rights, national economic growth and the attainment of the Sustainable Development Goals (SDGs) of the United Nations. Our leaders sit as officers of key organizations. The FPH Chairman is a trustee of the World Wide Fund for Nature (WWF)-Philippines and the Forest Foundation Philippines (FFP). The FPH President is a trustee of the Philippine Business for Social Progress (PBSP) and the EDC President is the head of the Philippine Business for the Environment (PBE) which is one of the organizations that assist the private sector in corporate sustainability. Our Chief Sustainability Officer is an Advisor of the PBE and a member of the Program Committee of the FFP.

ADDRESSING KEY ADVOCACIES WITH OUR NETWORK

102-13



The figure shows our partners, mapped according to sector (ESG), theme and geographic area of interest. Consistent with our advocacies, we have the highest engagement with environmental groups followed by social groups across the geographic boundaries from "inside the business fence" to "beyond the horizon" or global scope.



OUR SUSTAINABILITY NETWORK GOVERNANCE

BUSINESS ETHICS

- St. Francis Cabrini Medical Center

HUMAN RIGHTS

- University of Asia and the Pacific-Center for Social Responsibility

CORPORATE GOVERNANCE

- Good Governance Practitioners of the Philippines
- Institute of Corporate Directors
- Philippine Association of Publicly-Listed Companies

TAX OBLIGATIONS

- Tax Management Association of the Philippines

POWER SUPPLY

- Philippine Independent Power Producers Association

POWER SUPPLY

- National Geothermal Association of the Philippines
- Philippine Independent Power Producers Association
- Renewable Energy Coalition
- Wind Energy Developers Association of the Philippines
- Philhydro Association

INSIDE THE BUSINESS FENCE
OUTSIDE THE BUSINESS FENCE

OUR SUSTAINABILITY NETWORK
ENVIRONMENT

102-13

INSIDE THE
 BUSINESS FENCE

OUTSIDE THE BUSINESS FENCE

BEYOND THE HORIZON
 (GLOBAL SCOPE)

ENERGY MANAGEMENT

- Philippine Energy Efficiency Alliance

GREEN INFRASTRUCTURE

- Philippine Green Building Council

WASTE MANAGEMENT

- Earth Day Network
- National Solid Waste Management Commission
- Philippine Business for the Environment

- Philippine Chamber of Commerce-Environment Committee
- Pollution Control Association of the Philippines
- Association of FPIP Locators, Inc.

CLIMATE CHANGE

- Manila Observatory
- Oscar M. Lopez (OML) Center for Climate Change Adaptation & Disaster Risk Management Foundation and its local networks, namely:
 - Ateneo de Manila University
 - De La Salle University
 - Isabela State University
 - National Academy of Science & Technology
 - Philippine Atmospheric, Geophysical & Astronomical Services Administration
 - Silliman State University
 - University of the Philippines Research Foundation
- University of the Philippines-Nationwide Operational Assessment of Hazards

SUSTAINABLE DEVELOPMENT

- Green Convergence
- Flora and Fauna International
- Forest Foundation Philippines
- Foundation for the Philippine Environment
- Philippine Business for the Environment
- Institute of Biology, University of the Philippines, Quezon City
- University of Asia and the Pacific-Center for Social Responsibility
- UP-NEC Philippine Learning Center on Social and Environmental Sustainability

WATER MANAGEMENT

- Water Alliance

WATERSHED MANAGEMENT

- +B WISER , US Agency for International Development
- College of Forestry, University of the Philippines, Laguna
- Society of Philippine Foresters
- MTSC San Juan River Protection Foundation

CLIMATE CHANGE

- National Institute for Environmental Studies, Japan
- Oscar M. Lopez (OML) Center for Climate Change Adaptation and Disaster Risk Management Foundation Inc. and its international networks, namely:
 - Asia Pacific Network for Global Change Research
 - Commonwealth Scientific and Industrial Research Organization, Australia

- Consultative Group on International Agricultural Research
- Earthquake and Megacities Initiative
- International Rice Research Institute
- Ministry of Agriculture and Fisheries, Cambodia
- World Agroforestry Center, Asia Pacific
- Global Climate Adaptation Partnership, United Kingdom
- Grupo Laera, Colombia
- Start International Inc., U.S.A.

- University of Wollongong, New South Wales, Australia
- Total Carbon Column Observing Network

SUSTAINABLE DEVELOPMENT GOALS

- World Bank
- World Wide Fund for Nature-Philippines
- UN Development Programme

COMMUNITY DEVELOPMENT

- University of Asia and the Pacific-Center for Social Responsibility

HEALTH & SAFETY

- Safety and Health Association of the Philippines Energy Sector
- Safety Organization of the Philippines
- Occupational Health Nursing Association of the Philippines

- Occupational Safety and Health Center

PERSONNEL MANAGEMENT

- Employers Confederation of the Philippines
- People Management Association of the Philippines
- Philippine Society for Training and Development

- Innogy Solutions / ARIVA

PRODUCT SAFETY

- Association of Safety Practitioners
- Semiconductor and Electronics Industries in the Philippines
- Eco-Industrial Exchange Network

UNIFYING SOCIETY

- Orchestra of the Filipino Youth

COMMUNITY DEVELOPMENT

- Gawad Kalinga Foundation
- Habitat for Humanity
- League of Corporate Foundations
- Philippine Business for Social Progress
- SIKAT Solar Challenge Foundation

DISASTER RISK MANAGEMENT

- Association of Structural Engineers of the Philippines
- Corporate Network for Disaster Response
- Philippine Disaster Recovery Foundation
- Philippines Red Cross

INDIGENOUS PEOPLES

- Mt. Apo Foundation Inc.

LEADERSHIP

- Makati Business Club
- Management Association of the Philippines

NATIONAL DEVELOPMENT

- American Chamber of Commerce-The Arangkada Project Philippines

SUPPLY CHAIN

- International Council of Shopping Centers
- Philippine Retailers Association

URBANIZATION

- Makati Commercial Estate Association
- Organization of Socialized Housing Developers of the Philippines

PRODUCT SAFETY

- ASEAN Association of Eye Hospitals
- World Association of Eye Hospitals

YOUTH DEVELOPMENT

- World Economic Forum-Ten Youth Movement

HEALTH & SAFETY

- American Safety & Health Institute
- American Heart Association

2017 AWARDS & RECOGNITIONS

| AWARD | COMPANY | AWARD GIVING BODY | DESCRIPTION OF RECOGNITION |
|--|---|--|---|
| Bell Award on Sustainability | FPH | Philippine Stock Exchange (PSE) | A maiden award for the best sustainability program among 252 publicly listed companies in the Philippines |
| Carbon Clean 200 | EDC | Corporate Knights, Canada and As You Sow, U.S.A | Given to the world's 200 biggest public companies ranked by clean energy revenue and which are considered as leading the way to a clean energy future |
| Green Company of the Year | First Gen | Asia CEO Awards | For the company's leadership in environmental management in the Philippines |
| Trusted Brand | Asian Eye Institute | Reader's Digest, U.S.A. | The award is based on an annual consumer survey which assesses brands across different industries guided by the criteria of trustworthiness, credibility, value, quality, understanding of customers' needs, innovation and social responsibility |
| Anvil Awards, Hall of Fame | EDC | Public Relations Society of the Philippines | For winning the Anvil Awards of Excellence for their annual performance reports for five years |
| Anvil Awards - Gold | EDC | Public Relations Society of the Philippines | For EDC's "BINHI-Tree for the Future Project" which brings back to abundance 96 premium threatened tree species |
| Outstanding Safety and Health Professional Award, Hall of Fame | EDC | Safety Organization of the Philippines | For winning the Outstanding Safety and Health Professional Award for three consecutive years, from 2015 to 2017 |
| Award of Honor | First Balfour Inc. | Safety Organization of the Philippines | For 3,358,815 safe man-hours without loss time accident in 2017 |
| Outstanding Corporate Citizen of Makati | Rockwell Land Corporation | Makati City Government, Philippines | In recognition of the corporation's contribution to city-building and for sharing the benefits of progress with the people of Makati |
| Saringaya Award | EDC (BacMan Geothermal Inc.) | Department of Environment and Natural Resources, Philippines | In recognition of the company's invaluable contribution in shaping climate-resilient communities as well as in conserving and enhancing the existing biodiversity in the geothermal reservation |
| Corporate Safety and Health Excellence Award, Hall of Fame | First Gen (First Gas San Lorenzo and Sta. Rita) | Safety and Health Association of the Philippines Energy Sector in collaboration with the Department of Energy, Philippines | For winning the Corporate Safety and Health Excellence Award for three consecutive years, from 2015 to 2017 |

INSPIRING US TO STAY ON THE SUSTAINABLE PATH

We are grateful for the benefits and opportunities that our sustainable path brings to our business operations. In 2017, we received 21 awards and recognitions that strengthen our resolve to continue our sustainability journey.

| AWARD | COMPANY | AWARD GIVING BODY | DESCRIPTION OF RECOGNITION |
|--|---|--|---|
| Corporate Safety and Health Excellence Award, Hall of Fame | EDC | Safety and Health Association of the Philippines Energy Sector in collaboration with the Department of Energy, Philippines | For winning the Corporate Safety and Health Excellence Award for three consecutive years, from 2015 to 2017 |
| Corporate Safety and Health Excellence Award, Hall of Fame | EDC (Green Core Geothermal Inc.) | Safety and Health Association of the Philippines Energy Sector in collaboration with the Department of Energy, Philippines | For winning the Corporate Safety and Health Excellence Award for three consecutive years, from 2015 to 2017 |
| Corporate Safety and Health Excellence Award | EDC (BacMan Geothermal Inc.) | Safety and Health Association of the Philippines Energy Sector in collaboration with the Department of Energy, Philippines | For attaining zero lost time accident from November 1, 2016 to October 31, 2017 |
| Perfect Safety Record Award | First Gen (FG Bukidnon Power Corporation) | Safety Organization of the Philippines | For achieving 80,270 man-hours with zero loss time accident from January 1, 2014 to August 30, 2017 |
| Best Adoptor Award | EDC (Mt. Apo Geothermal Inc.) | Environmental Management Bureau of the Department of Environment and Natural Resources- Region XII, Philippines | For the company's invaluable support of "Adopt-an-Estero/Water Body Program" for protecting and preserving the environment |
| Ruby Partner Award for Safety Services | EDC | Philippine Red Cross (PRC) | For facilitating First Aid and Basic Life Support Training for Workers |
| Safety Service Retained Partner | EDC | Philippine Red Cross (PRC) | For supporting the PRC in delivering humanitarian services to the most vulnerable |
| Award of Recognition | First Gen (First Gas San Lorenzo & Sta. Rita) | Environmental Management Bureau of the Department of Environment and Natural Resources -Region IVA, Philippines | For the company's invaluable contribution and support to the "Adopt-an-Estero/Water Body Program" for protecting and preserving the environment |
| Pearl Partner Award for Blood Services | EDC | Philippine Red Cross (PRC) | For facilitating mass blood donation among its workers and the collection of 100 bags of blood |
| Entrepreneur of the Year | EDC (Leyte Geothermal Inc.) | Ormoc City Government, Philippines | For contributing to the city's economy |





MESSAGE FROM THE
CHAIRMAN

102-14

Federico R. Lopez
*Chairman and Chief Executive Officer
First Philippine Holdings Corporation*

These are tough times. Our world is undergoing seismic shifts in all areas. Companies are revisiting commitments and recalibrating direction. And the people who drive these companies are finding the need to question, reconfirm, and reaffirm the platforms and policies previously put in place.

Tough times can work both ways, for better or for worse. They can test resolve and put pressure on existing norms. But they can also reveal and heighten the strength of your values and your commitments. At FPH, our values and our commitments remain strong and unwavering.

Our theme in this report is an "ecological bridge," portraying the efforts of every FPH subsidiary to support the global goal of decarbonization. We believe that every small step we take on our low carbon journey draws us closer to the kind of world we need to leave for future generations—one that is safe, vibrant, and prosperous.

We remain committed to being advocates for sustainability by being a "bridge" from the present day challenges, to a climate-resilient future we need so urgently.

Our 2017 report highlights the strengthening of our advocacy from the declaration of a low carbon path in 2016, to a commitment to a five-year carbon reduction program in 2017; and aligning our

- This move is not only consistent with the Lopez Group's value of "social justice," which is about doing what is right for society and the world, but this also supports our long-term aspiration for a low-carbon future.
- Energy sources of the future need to be both clean and resilient to help our planet adapt to the effects of climate change. We envision that in time, all of our subsidiaries will be powered by low carbon and renewable energy sources.

In 2017, we heightened our climate actions with each subsidiary committing to GHG reduction, transitioning to renewable energy, and planting indigenous trees to protect project areas.

And while we don't systematically seek accolades, we do find comfort in recognition from various groups, reminding us that we are not alone in our commitment: last October 2017, in the Asia CEO Awards, First Gen was awarded the Green Company of the Year; the parent company, First Philippine Holdings, was also honored last November with the 2017 PSE Bell Award for Best Sustainability Program; back in 2011, our geothermal company EDC was bestowed the IFC Client Leadership Award for its commitment to environmental stewardship, social sustainability and good corporate governance.



We remain committed to being advocates for sustainability by being a "bridge" from the present day challenges, to a climate-resilient future we need so urgently.

business objectives in 2016 with the Sustainable Development Goals (SDGs) to identifying how we contribute to the SDGs starting 2017.

We also need to constantly emphasize the "why" of all these efforts in order to keep them at the forefront of our awareness:

- The world is now 1.1°C warmer than it was in pre-industrial times, which means we only have 0.9°C to go before we exceed the Paris COP 21 commitment of restraining the average global temperature rise to less than 2°C. Beyond this threshold, scientists acknowledge that the world becomes extremely dangerous for all of us.
- In 2016, we publicly declared our commitment for First Philippine Holdings (FPH) and its subsidiaries not to build, develop, or invest in any coal-fired power plant. We were the only large energy company in the Philippines to declare unconditionally that we would not do coal-fired power.

Just recently, EDC was included among the Carbon Clean 200 - a global list of publicly traded companies above a billion dollars market cap that are "leading the way with solutions for the transition to a clean energy future." To date, EDC is the only Filipino company on this list.

At FPH we constantly strive to excel at everything we do. And sustainability is key—driving every action we take to contribute to a thriving business platform, an empowered workforce, and a better world.

Federico R. Lopez
Chairman and Chief Executive Officer
First Philippine Holdings Corporation

BUSINESSES POWERED BY GOOD

102-2

ASIAN EYE INSTITUTE



is a world class eye care and research institute that provides safe, effective and quality eye care services

ENERGY DEVELOPMENT CORPORATION



is a subsidiary of First Gen and is the country's leading renewable energy company

FIRST BALFOUR INC.



delivers world-class engineering and construction services that build a better Philippines

FIRST GEN CORPORATION



is a company that is committed to using and developing clean, reliable, and affordable energy

BUILT TO LAST THROUGH OUR LOPEZ VALUES

102-5, 102-6, 102-16

First Philippine Holdings Corporation (FPH) is listed with the Philippine Securities and Exchange Commission (SEC) with a business portfolio covering energy generation, real estate development, construction and energy services, manufacturing and eye care services. All of the FPH subsidiaries embrace the distinctive Lopez values of business excellence, pioneering entrepreneurial spirit, nationalism, social justice, integrity, unity and employee welfare and wellness.

FIRST PHILIPPINE ELECTRIC CORPORATION



is the pioneer and leader in transformer solutions providing components of progress

FIRST PHILIPPINE INDUSTRIAL PARK INC.



aims to advance national development and job creation by catalyzing industrial growth

FIRST PHILIPPINE REALTY CORPORATION



aims to be a premiere management training venue that provides a positive learning environment to improve the effectiveness and productivity of human resources

ROCKWELL LAND CORPORATION



develops master-planned communities delivering beyond ordinary experiences

THERMAPRIME DRILLING CORPORATION



is a subsidiary of First Balfour which provides drilling services that give paramount importance to health and safety to minimize the impact of its operations to its crew, the community and the environment where it operates



OUR
SUSTAINABILITY
STRATEGY

PREPARING FOR THE FUTURE

GOING ONE NOTCH HIGHER

For several years up to 2016, FPH has embraced the sustainability strategy of “shared value” in its operation where a business considers not only its economic value but also the value it creates for society and the environment. At its core, the principle posits the social value proposition as a differentiator, and is therefore a competitive advantage. While we continue to recognize the advantage of this strategy, several conditions compelled us to examine a more appropriate approach. The accelerated deterioration of the environment, the continuing onslaught of extreme weather with grave impacts on our assets, as well as our advocacy for a low carbon industry and for the Sustainable Development Goals (SDGs) of the United Nations (UN) all require a different focus. This time, it must be centered on nature. For 2017, the FPH and its subsidiaries decided to shift their strategy from “shared value” to “system value”.¹

In the “system value” approach, we recognize that nature is the foundation for all the needs of man and business. As assessed by experts, the basis for this strategy lies in the fact that business needs society to prosper so that people can continue to buy its products and services. However, man and business can only prosper if they live within the carrying capacity of the environment. This means that there is not just an overlap among business, environment and society—instead, business and society depend on the environment. To us, adopting the “system value” strategy means protecting the integrity of the natural habitats where we operate to maintain the



environmental services that only nature can offer. Nature provides the goods and services to fulfill the needs of both our business and our stakeholders in terms of protecting the integrity of our assets, providing our raw material requirements and ensuring a healthful environment for our employees and the host communities in our areas of operation.

The strategy informs our company processes which are delivered through our robust corporate governance structure and guided by a strong leadership team. Since 2016, because of unanimity in belief, every FPH subsidiary has committed to contribute local actions that will minimize the impacts of climate change. The Global Reporting Initiative (GRI) parameters selected for this report form part of those commitments. We are one in doing our share to protect the environment so that we can leave future generations a planet that will deliver the same benefits that we have enjoyed.

¹ Future Fit (2016). Retrieved from <http://futurefitbusiness.org/wp-content/uploads/2015/05/Future-Fit-Business-Benchmark-Part-1-Concepts-Principles-and-Goals-R1.pdf>, <http://futurefitbusiness.org/wp-content/uploads/2017/04/Future-Fit-Business-Benchmark-Creating-System-Value-Concept-Note-V1.pdf>

HOW WE CONTRIBUTE TO GLOBAL GOALS

Understandably, our adoption of the “system value” strategy leads us to two global goals—the UN Conference of Parties (COP) 21 goals of December 2015 and the UN Sustainable Development Goals (SDGs) of September 2015. The goal of the COP 21 Paris Agreement is a 49-72% reduction in carbon emissions by 2050 from the 2010 level. The SDGs, on the other hand, are targeted to be achieved by 2030. The goals and milestones which will guide us are shown below.

**YEAR
2015**

**COP 21
PARIS
AGREEMENT
ADOPTED**



**YEAR
2016-2030**

**CLIMATE
ACTIONS**



**YEAR
2030**

**SUSTAINABLE
DEVELOPMENT
GOALS (SDG)
ARE MET**

FPH INITIATIVES



Climate indicators were selected in 2016.

FPH subsidiaries set Carbon Reduction Targets in August 2017 which shall come from the following FPH climate change indicators identified in 2016:

-  Renewable Energy
-  Green Infrastructure
-  Waste Management
-  Green Supply Chains

FPH aligned its business goals with the SDGs in May 2016



FPH networked with local and international organizations from July to November 2017 to

craft the protocols for reporting its contributions to the SDGs consistent with the UN methods for comparability with other nations

FPH integrated the SDGs as one of its parameters for Corporate Social Responsibility in September 2017

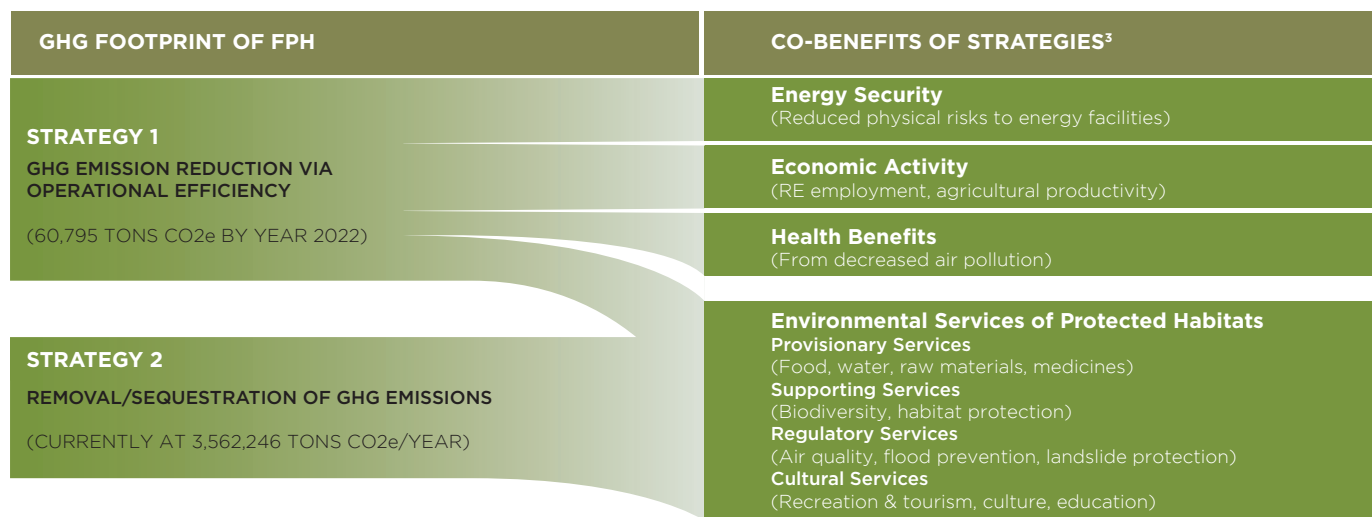
PREPARING FOR THE FUTURE

SHIFTING FROM INDICATORS TO CARBON REDUCTION TARGETS

In 2016, we committed to promote low carbon operations in our businesses in order to contribute to the world's decarbonization goal. To track our efforts, we identified several climate indicators, namely the greenhouse gas (GHG) footprinting of our operations, energy management, waste management and greening the supply chain. Water management was also identified as a major concern arising from climate change.

Progressing from the climate change indicators identified in 2016, each and every FPH subsidiary has set its carbon reduction target for the next five years with 2017 as the baseline year. This is consistent with our aspiration for a low carbon future and will serve as our contribution to the goal of the COP 21 Paris Agreement to reduce the world's carbon emissions in order to hold the global average temperature at 2°C above pre-industrial levels by 2050 and to pursue efforts to limit the temperature increase by 1.5°C.² The FPH target is to reduce the emissions by 68,795 tons CO₂e by year 2022. We intend to revisit and refine this target during our session on the five-year Sustainability Plan for each FPH subsidiary in 2018.

To meet the carbon reduction target, the COP 21 Paris Agreement further prescribes the reduction of emissions to a level where there is a balance between the sources of manmade emissions and the removal by carbon sinks and other technologies. FPH is acting on both prescriptions.



² UNFCCC (2015). Conference of Parties (COP) 21 Paris Agreement.

³ Deng, H. et al. (2017). Co-benefits of greenhouse gas mitigation: a review and classification by type, mitigation sector and geography. Environ. Res. Lett. Vol.12, No.12. Retrieved from <https://doi.org/10.1088/1748-9326/aa98d2>



OUR SUSTAINABILITY ROADMAP

2015
TO
2016

UNDERSTANDING CAPACITIES & POTENTIAL

Benchmarking
Baseline Profiling
Gap Analysis
Pilot Study

Sustainability Policy
Selection of Indicators
Capacity Building
Sustainability Report

2017

PREPARING THE ORGANIZATION

Deepening Sessions
Employee Embedding
Continue Capacity Building
Sustainability Operational Procedures

Carbon Reduction Targets
Sustainability Monitoring
Sustainability Report

BUILDING ON PAST INITIATIVES FOR OUR NEXT STEPS

The sustainability journey of FPH has been challenging. The introduction of a new philosophy last 2016 needs a change of our hearts and minds. The FPH portfolio is diverse and we have to ensure that all units gain the knowledge and develop the skills needed to reap the benefits of a sustainable operation.

Since 2015, we have been empowering the subsidiaries by transferring relevant technical knowledge through information drives, consultations and capacity building workshops on sustainability skills. We tap in-house experts as well as outside experts to help us interpret and customize key sustainability principles and protocols for each subsidiary.

In 2017, a conglomerate-wide “Employee Embedding Program” was launched to reach out to all employees. The most important element of our journey is the action by our FPH leaders, who serve as models to their respective teams. By going through the process together, the FPH subsidiaries have the advantage of getting needed support from each other. Promoting the motto, “No one left behind,” all FPH subsidiaries are making good progress in their uptake of the corporate sustainability philosophy.

The ongoing social process is aided by structures we have put in place. A “Corporate Sustainability Policy” was issued in November 2016 after a whole year of consultations. To streamline the process, we developed a subsidiary-level sustainability structure and charter in 2017. For the next two years (2018-2019), we will update the conglomerate’s sustainability governance policies and install appropriate metrics to estimate the financial and non-financial values of our sustainable actions. Armed with the right mindset, the needed skills and the next practice policies and protocols, we are also set to develop the five-year Sustainability Plan for the FPH businesses in 2018.

2018

**ENHANCING GOVERNANCE
POLICIES & METRICS**

2019
ONWARDS

**CAPTURING BUSINESS VALUES,
MEASURING PERFORMANCE & SUSTAINING
GAINS**



LEADING THE BUSINESS

TO BENEFIT THE COMPANY AND ITS STAKEHOLDERS

DELIVERING STRATEGY THROUGH GOOD CORPORATE GOVERNANCE

We continue to abide by the basic tenets and principles upheld in our distinct *Lopez values, Manual of Governance, Corporate Code of Conduct* and the *ASEAN Corporate Governance Scorecard (ACGS)*. All of these principles are embedded in how we do things, guided by our corporate governance structure and processes. To complement these, we developed the five-step *Sustainability Operational Procedures (SOP)* in 2017 to execute our sustainability programs and initiatives. We have implemented most of the prescriptions in these procedures.

For the systematic execution of corporate sustainability across the conglomerate, subsidiary-level Sustainability Technical Working Groups (TWGs) were assigned by their respective subsidiary presidents. The TWG is the mechanism by which programs and initiatives are cascaded to the Management Committee and the employees. The TWGs coordinate with the Corporate Sustainability Group (CSG) under the Office of the Chairman for all data exchange and concerns as well as provide the context and perspectives of their subsidiaries. They also collaborate with CSG to prepare the Sustainability Report for the year. In parallel, employees are oriented on our sustainability philosophy so that they can support and enrich their subsidiary's actions. Our initiatives shall be coordinated with the government through National Economic Development Authority (NEDA) for our contributions to the UN SDGs. Starting 2018 through 2019, we will develop the sustainability performance criteria of the company and our employees in consultation with the human resources group at the Head Office and in the various subsidiaries.

SUSTAINABILITY OPERATIONAL PROCEDURES (SOP)

1. Sustainability TWG per subsidiary assists in installing sustainability programs and capacitating their employees
2. Employee Embedding Programs are developed to create habits on sustainable living that employees can practice in the office, at home and in their community
3. FPH Data Warehouse shall serve as a repository for reportorial requirements and record of the company's achievements
4. Sustainability Reporting shall be done regularly to communicate to stakeholders (employees, investors, government, host communities, Non-governmental Organizations, and Civil Society Organizations) the company's sustainability performance and to get feedback from the stakeholders and third party experts
5. Contributions to the UN Sustainable Development Goals shall be submitted to government and shall be derived from the material sustainability indicators monitored by FPH

In addition to our policies and protocols, we also subscribe to the following local and international charters and conventions with sustainability context:

VOLUNTARY

International Organization for Standardization (ISO)
Manila Declaration on COP 21
National Greening Program
Philippine Imperative for Climate Change
Quality Management Systems
UN Forest Principles
Water Alliance
WBCSD Guidelines
WWF's Social Principles

BINDING* 102-12

IFC Environmental and Social Safeguards
ILO Conventions
UN Biodiversity Convention
UN Declaration on Human Rights
UN Declaration on the Human Rights of Indigenous Peoples
UN Framework for Climate Change
UN Sustainable Development Goals

Montreal Protocol
Basel Convention
National Biodiversity Strategies and Action Plan
National Climate Change Action Plan
National Disaster Risk Reduction Management Council Framework
Philippine Agenda 21

*A national policy or an international convention signed by the Philippines



OUR MATERIALITY PROCESS

DEFINING WHAT MATTERS

ENGAGING OUR STAKEHOLDERS

102-21, 102-40, 102-44

To determine the material issues, we conducted consultations with the nine FPH subsidiaries and their stakeholders from January to February 2017. A total of 28 material issues (3 financial, 13 environmental and 12 social) were identified as common to all FPH subsidiaries and are discussed in this report with special attention to the climate indicators selected in 2016 as FPH's sustainability focus.

The most critical stakeholders across the subsidiaries are the regulatory agencies, suppliers, employees and customers.

| STAKEHOLDERS | First Gen | EDC | FPIP | FPRC | Rockwell | First Philec | First Balfour | ThermaPrime | Asian Eye | FPH Head Office |
|---|-----------|-----|------|------|----------|--------------|---------------|-------------|-----------|-----------------|
| FPH | • | • | • | • | • | • | • | • | • | • |
| Shareholders | • | • | | | • | | | | | • |
| Local Government Units | • | • | • | • | • | • | • | • | • | • |
| National Government/Regulatory Agencies | • | • | • | • | • | • | • | • | • | • |
| Employees | • | • | • | • | • | • | • | • | • | • |
| Communities | • | • | • | • | • | • | | | | |
| Indigenous Peoples | • | • | | | | | | | | |
| Customers/Clients | • | • | • | • | • | • | • | • | • | |
| NGOs | | • | | | | • | | | • | |
| Joint Venture Partners | | | | | | | • | | | |
| Employees' Trade Unions | | • | | | | | • | | | |
| Contractors | • | • | • | | • | | • | • | | |
| Suppliers | • | • | • | • | • | | • | • | • | |
| Media | • | • | | | • | | | | | • |



DEFINING WHAT MATTERS

CONSULTING THIRD PARTY EXPERTS



EXTERNAL REVIEW COMMITTEE

INTERVIEWS AND INSPECTIONS OF FPH UNITS

102-56

For this year's report, we tapped an External Review Committee (ERC) composed of experts from the academe in the fields of environmental policy and climate change, economics and society. For the sustainability context of the business, the experts interviewed the key officers of the conglomerate, namely the FPH President who oversees the day to day operations, the Chief Financial Officer, the Chief Risk Officer and the Chief Sustainability Officer. At the subsidiary level, the experts validated the data with their executives and the TWG, reviewed the subsidiary reports and conducted actual site inspections and stakeholder interviews.

We take the opportunity to learn from the ERC. Hence, we opted to maintain the 2016 ERC this year to further guide us on our actions relative to their 2016 recommendations. As we share in this 2017 Sustainability Report our action on their recommendations last year, we will be ready to act on their new insights this year as contained in the External Assurance Statement at the end of this report.

2016 EXPERT RECOMMENDATION

FPH ACTION

| | | |
|---|---|---|
| 1 | Sustainability Plan and Road Map | <p>To better prepare the FPH subsidiaries for this task, we substantially completed the capacity building of the various FPH subsidiaries on basic sustainability skills in 2017.</p> <p>We will prepare the five-year Sustainability Plan and Roadmap for each FPH subsidiary in 2018.</p> |
| 2 | Inclusion of the indicators for labor, human rights, and gender issues in the Sustainability Plan | <p>As part of the foundation for the five-year Sustainability Plan, the policies on the sustainability best practices are programmed to be enhanced or updated, consulted with various FPH subsidiaries and issued in 2018. The themes recommended by the ERC are part of the policy program.</p> |
| 3 | Program for the supply chain to adopt sustainable practices | <p>Pre-work in terms of research and networking with organizations have been conducted. In addition, due to the scarcity of local experts, FPH tied up with the academe to mobilize external experts which are available only by 2018.</p> |
| 4 | Integrated approach to business-community engagement | <p>Consultations with the nine FPH subsidiaries were conducted in 2017 resulting in an agreement to have a unified CSR policy. This will strengthen the benefits of the program to the host communities and the business as assessed by the ERC. The draft policy was completed in November 2017.</p> |

OUR SUSTAINABILITY PERFORMANCE

HEADING FOR THE TOP



SUPPORTING THE LOCAL ECONOMY

CREATING VALUE FOR OUR STAKEHOLDERS

■ SDG1 ■ SDG2 ■ SDG8 ■ SDG9 ■ SDG10 ■ SDG17

For 2017, FPH has the following contributions to the local economy:

| | | |
|--|---|---|
|  <p>Distributed PHP 98.8B in economic value through FPH's operations</p> |  <p>Sourced 86.8% of supplies locally, thus retaining the value within the Philippine economy</p> |  <p>Spent less on social and environmental projects as habitats have been sufficiently restored and some host communities have become self-sufficient</p> |
|--|---|---|

FPH infuses value into the Philippine economy not only through financial investments, but also through deliberate choices and actions that help local economies thrive.

ECONOMIC VALUES GENERATED, DISTRIBUTED AND RETAINED 102-7, 201-1

FPH continued to create wealth for the shareholders and stakeholders in 2017. From the economic value distributed this year, about Php238.9 million were spent for social services and another Php55 million were allocated for environmental protection and enhancement.

| PARAMETER | 2016 (in Php billion) | 2017 (in Php billion) |
|---------------------------------|-----------------------|-----------------------|
| Direct economic value generated | 100.50 | 112.4 |
| Economic value distributed | 79.05 | 98.8 |
| Economic value retained | 21.46 | 13.6 |

If we examine the sustainability components of the economic value distributed by the conglomerate, we see a reduction in both social and environmental investments in year 2017. Environmental expenses went down by 40% from Php92.8 million in year 2016 to Php55.16 million this year due to the completion of all major habitat restoration activities in EDC's various geothermal concession areas. The investments in forest restoration made in the past two decades now deliver the needed goods and ecosystem services annually with a lower investment level. Our social investments have also been reduced by 36% from Php376.2 million in 2016 to Php238.9 million in 2017 due to the self-reliance of some assisted community associations in power projects and the decrease in small scale projects awarded to them because of the stabilization of business operations.

FINANCIAL IMPLICATIONS OF CLIMATE CHANGE 102-15, 201-2

Another material issue important to FPH and its stakeholders is the financial implications of climate change risks to the integrity of the conglomerate's Php166.3 billion worth of assets. The geographic location of the country exposes these assets and our operations to extreme weather events. High velocity winds, increased precipitation and flooding are common climate factors that can adversely affect the

integrity of assets, site accessibility and the safety of our employees and host communities. The condition may lead to supply chain disruptions, operational delays and related reduction in revenues. Extreme temperatures may affect the functionality of our equipment. First Philec may slightly benefit from hotter temperatures where less humidity is conducive to their equipment but Asian Eye Institute's instruments will require more care. The effects on the power sector are variable and are discussed in their report to the Carbon Disclosure Project (CDP).

However, while climate change brings risks, it also presents opportunities to various FPH businesses. For one, climate change creates greater opportunities for renewable energy and geothermal drilling services. The property development sector can also benefit through the construction of green buildings, which promise long-term savings for clients. The possibility of more eye irritations, eye trauma, and other eye conditions warrant more eye care which translates to more services that our health care business can provide.

Like the disclosure of our power subsidiaries to CDP, an exercise in quantifying the risks and opportunities arising from climate change will be one of the issues that will be discussed in the workshops for the five-year Sustainability Plan for the business sectors of FPH in 2018.

86.8%

SPENDING ON LOCAL SUPPLIERS

204-1, 308-1

Where appropriate, suppliers are sourced within the locality, province, or region of a project site. These include locally-based international companies.

FPH subsidiaries have varying levels of supplier screening with regards to environmental criteria, ranging from the use of quality, environmental, health and safety parameters, to keeping a roster of materials with adverse impacts on the environment that should not be procured. To standardize the practice, FPH will develop a comprehensive Green Supply Chain Management Program in 2018-2019.

FEATURE STORY: FPH NETWORK AIDS CLIMATE RESEARCH

Recognizing the financial impacts of climate change to our businesses, to the local economy and the world, our sister organization, the *Oscar M. Lopez (OML) Center for Climate Change Adaptation and Disaster Risk Management Foundation Inc.* provides the research platform to generate scientific information for decision-making. Inside the business fence, weather alerts are issued to FPH units based on models analyzing the effects of incoming weather disturbances to FPH assets and the employees' abodes. Outside the fence, a basic reference for FPH and other organizations is the Center's yearly *Philippine Climate Change Assessment Report* issued in cooperation with the Philippines' *Climate Change Commission*.



OML Center's Climate Change Report

FPH and EDC also collaborated with the National Institute for Environmental Studies of Japan and the University of Wollongong in Australia to host the 25th Total Carbon Column Observing Network (TCCON) at the EDC's Burgos Wind Project since March 2017. The TCCON station at EDC site measures the carbon level of Asia Pacific to contribute to the estimation of the global carbon level.







TCCON instrument at EDC's Burgos Wind Project

BEING MINDFUL OF THE ENVIRONMENT

FROM MANAGING COMPLIANCE INSIDE THE FENCE TO BUILDING ROBUST HABITATS

■ SDG6 ■ SDG7 ■ SDG12 ■ SDG13 ■ SDG14 ■ SDG15 ■ SDG16 ■ SDG17

We adhere to key environmental guidelines in our operation, namely the "mitigation hierarchy" which gives primacy to the avoidance of adverse impacts and the "precautionary principle" which requires the certainty of decisions through science. The following are our environmental outcomes for 2017:

| | | |
|--|---|--|
|  <p>Carbon Neutrality increased from 53% in 2016 to 66% in 2017</p> |  <p>FPH Manual on Environment, Health and Safety was issued, unifying the policies of FPH subsidiaries</p> |  <p>Encouraged by our clean energy business, our other subsidiaries are migrating to renewable energy starting this year</p> |
|  <p>Due to our two-decade restoration efforts, our forest habitats within our geothermal concession areas now provide the level of ecosystem services needed to protect them. Thus, we have a lower budget allocation for habitat maintenance. This is evidenced by the improved biodiversity status of our forest indicator species.</p> | | |

Last year, we identified climate change as a major risk to FPH personnel, assets and operations. A changed climate triggers scarcity of raw materials and extreme weather events. Hence, the conglomerate chose materials, emissions, wastes and water as GRI parameters to guide its sustainability endeavors.

MATERIALS USED BY WEIGHT 301-1

Climate change is expected to cause the scarcity of natural resources, which are critical raw materials for our businesses. Thus, there is a bias towards the conservation and sustainable use of renewable resources to ensure their long term input to the value chain. The non-renewable materials are also tracked to improve material use efficiency in our products and services. While our growth activities drive the level of non-renewable materials, we have seen that we have improved in managing our renewable sources which decreased from 2.5 billion tons in 2016 to 1.8 billion tons in 2017.

1.9 MILLION TONS OF NON-RENEWABLE MATERIALS



Includes fuel, oil, casing, rockbits, additives, cement, rebar, etc.

1.8 BILLION TONS OF RENEWABLE MATERIALS



Includes steam and water from the energy sector



WATER WITHDRAWAL 102-48, 303-1

According to the water study of the Asian Development Bank (ADB) in 2016, the region is expected to experience water scarcity in 10 years.⁴ The 80 % water consumption by the Philippine agriculture sector and our country's population growth will put a constraint on the business sector. Thus, we monitor our water footprint to help in the efficient use of water. We also participate in the Water Alliance Project of the Philippine Business for Social Progress to learn best practices.

| | ENERGY | REAL ESTATE | MANUFACTURING | CONSTRUCTION | HEALTHCARE SERVICE | FPH HOLDINGS | TOTAL |
|---|--------------------------------|--------------------------------|---|--|--------------------|--------------------------------------|-------------------------|
| Surface Water | 2,800,519,688.70 | | | | | | 2,800,519,688.70 |
| Ground Water | 928,106.63 | 59,123.00 | | | | | 987,229.63 |
| Rainwater | 331,312.00 | | | 1,326.00 | | | 332,638.00 |
| Local Water Utility | 8,244.60 | 335,459.00 | 5,129.00 | 15,595.00 | 2,415.00 | 5,499.00 | 372,341.00 |
| 2017 Total Water Consumption (m³) | 2,801,787,351.93 | 394,582.00 | 5,129.00 | 16,921.00 | 2,415.00 | 5,499.00 | 2,802,211,898.00 |
| 2016 Total Water Consumption (m ³) | 2,632,635,804.38 | 370,308.00 | 6,137.00 | 13,597.00 | | 3,952.00 | 2,633,029,798.00 |
| Causes of variance | ↑ 6.4% NEW PROJECTS | ↑ 6.6% NEW PROJECTS | ↓ 16.4% STREAMLINED OPERATIONS | ↑ 24.4% NEW REPORTING UNITS | Baseline | ↑ 39.1% INCREASED TENANTS | ↑ 6.4% |

The manufacturing sector decreased its water consumption by 16.4% while the rest of the sectors increased their water consumption compared to last year, generally due to more business activities.

Nearly all water consumed is extracted from surface water for use in energy production by EDC's Pantabangan hydroelectric power plant and in the cooling towers of First Gen's natural gas power plants. The water used however is returned to the environment after use with little alteration in water quality. Compared to 2016, water use by the energy sector increased by 6.4% with the full operation of First Gen's new 511-MW natural gas power plants. Likewise, the FPH Head Office's water consumption had increased by 39.1% due to the increase in tenant occupants in the building. Increase in the water consumption from the construction sector was mainly due to the expansion of the coverage of their reporting which now included their projects in multiple sites.

waste treaters accredited by the Department of Environmental and Natural Resources (DENR).

Wastes from the real estate sector generally comprise of the solid waste disposed by its tenants. Waste from the construction sector, on the other hand, primarily came from the operation and maintenance of heavy equipment as well as scrap metals which were then sold to recyclers. Significant wastes from the health service sector were the medical wastes, which were collected and disposed of by DENR-accredited waste treaters.

While the manufacturing process itself has no by-products and generates little waste, the manufacturing sector posted an increase in waste materials in 2017. This is due to the consolidation of three buildings into one, to allow for more streamlined operations for the long-term benefit of the business. Wastes came from the subsequent disassembly and disposal of excess scrap materials and unusable stock products, also disposed by DENR-accredited waste treaters.



WASTE AND DISPOSAL 306-2, 306-4, 307-1

FPH had an increase in waste produced in 2017, mainly from one time clean-ups. EDC's power plant in Leyte had to be cleaned up following the 6.5 magnitude earthquake that occurred in July 2017. Wastes from the energy sector were collected and disposed by

In 2017, two subsidiaries had problems related to labeling and an operational upset. While no case arose from the incidents, we deem it appropriate to give additional attention to this aspect. It is timely, that the FPH Environmental, Safety, and Health Committee has scheduled its compliance audit in early 2018 to identify areas where the process can be enhanced.



HAZARDOUS
2017 **728.45 tons**
2016 **499.18 tons**



NON-HAZARDOUS
2017 **35,792.19 tons**
2016 **19,130.18 tons**

TOTAL
2017 **36,520.64 tons**
2016 **19,629.36 tons**

Clean up due to earthquakes
More construction scraps due to project completion

NO HAZARDOUS WASTE IS TRANSPORTED BEYOND LOCAL BOUNDARIES IN COMPLIANCE WITH THE BASEL CONVENTION.

⁴ADB (2016), Water Security and Asian Water Development Framework



ENERGY CONSUMPTION 102-48, 302-1

FPH derives 80% of its energy from renewable sources and the rest from non-renewable sources. Apart from FPH's energy sector which produces renewable energy, other subsidiaries utilize mostly non-renewable energy sourced from the grid. Despite this, FPH subsidiaries have begun the transition based on their agreement with the Chairman in 2016 that FPH will veer away from the use of coal. In 2017, utilization of renewable energy in the subsidiaries excluding the energy sector rose to 3.8% from zero in 2016. Rockwell has begun with three of its sites powered by geothermal energy, effectively avoiding 3,990,814 kg CO₂e than if they were using energy from the grid. Other subsidiaries have followed suit with the installation of solar panels atop some of their facilities. Where appropriate and depending on future policies, we plan to source renewable energy for all our electricity needs.

NON-RENEWABLE ENERGY CONSUMED

Natgas, Diesel, Gasoline, LPG, Purchased Electricity

2017 71,177,839.00 GJ 0.8%
2016 70,881,208.00 GJ

Increase is from operation of new natural gas projects

RENEWABLE ENERGY CONSUMED

Geothermal, Hydro, Wind, Solar

2017 118,581,601.37 GJ 29.9%
2016 169,234,422.42 GJ

Decrease is from business interruption due to earthquake and typhoon

ENERGY SOLD

2017 71,311,679.42 GJ 7.8%
2016 66,128,561.72 GJ

TOTAL 2017 ENERGY CONSUMPTION*

2017 118,447,760.94 GJ 31.9%
2016 173,987,068.70 GJ

*Electricity from manufacturing sector is not included in the total as this is already recorded under the industrial park (real estate sector) where it is located. The total is updated from 2016 Sustainability Report to reflect the non-inclusion of manufacturing sector electricity use.



CARBON EMISSIONS 102-48, 302-4, 302-5, 305-1, 305-2, 305-5

This year, FPH had an increase in GHG emissions due to growth of the business through the full time operation of First Gen's new 511-MW natural gas power plants and the construction of a new business, the Liquefied Natural Gas (LNG) terminal. Outside the energy sector, there is a general trend of decreasing emissions. Primarily driven by electricity use, emissions from the real estate sector decreased as less electricity was used by the locators within FPIP and by Rockwell's use of renewable energy in three locations: 8 Rockwell, Edades and The Grove. Emissions from the construction sector decreased due to fewer projects in 2017 than in 2016. Emissions are primarily produced by the sector's vehicle fleet and heavy machinery. Emissions from the Head Office are driven by electricity consumption, which increased in 2017 when more office spaces became occupied by more tenants in the building. The health care services sector, which is new in FPH, presents their 2017 emissions as the baseline.

| | ENERGY | REAL ESTATE | MANUFACTURING* | CONSTRUCTION | HEALTHCARE SERVICE | FPH HOLDINGS | TOTAL 2017 | TOTAL 2016** | VARIANCE |
|--|------------------------|---|---------------------------------|-------------------------|--------------------|------------------------|---------------------|---------------------|---------------|
| Scope 1 | 5,328,973.61 | 1,287.29 | 176.77 | 15,670.31 | 19.75 | 110.61 | 5,346,238.34 | 4,773,174.60 | 12.01% |
| Scope 2 | 13,189.47 | 16,281.27 | 1,340.26 | 540.09 | 1.90 | 1,357.74 | 31,370.47 | 30,985.55 | 1.24% |
| 2017 Total (tons CO₂e) | 5,342,163.08 | 17,568.56 | 1,517.03 | 16,210.40 | 21.65 | 1,468.35 | 5,377,608.80 | 4,805,538.19 | 11.90% |
| 2016 Total (tons CO ₂ e) | 4,747,768.64 | 22,705.13 | 1,586.25 | 32,268.76 | | 1,209.41 | 4,805,538.19 | | |
| Causes of variance | 12.52% NEW PROJECTS | 22.62% LESS CONSUMPTION & TRANSITION TO RE | 4.36% STREAMLINED OPERATIONS | 49.76% LESS PROJECTS | Baseline | 21.41% MORE TENANTS | | 11.90% | |

*Scope 2 emissions from manufacturing are not included in the total as this is already counted under the industrial park (real estate sector).

** Updated from the 2016 Sustainability Report to reflect the non-inclusion of the manufacturing sector's Scope 2 emissions as well as other corrected values.

Emission reductions were also achieved by FPH attained through various activities aimed at reducing energy consumption. These include: a) switching Compact Fluorescent Lamp (CFL) bulbs to Light Emitting Diode (LED) lights, b) shutting of air conditioning past 5:00 pm, c) wise planning of trips to reduce vehicle fleet fuel consumption, d) office space optimization during the transfer of EDC offices from One Corporate Center to Rockwell Business Center, e) space and operations optimization in First Philec where the operations in three buildings were collapsed into one building and f) use of simulators for training on operating machineries before training on actual equipment, so as to consume less fuel.

FPH offsets carbon from its operations through energy efficiency measures and mainly carbon sinks created by the vegetation nurtured by First Gen and EDC consisting of the natural forests (tropical forests and mangroves) and woodlands in their concessions. These are augmented by tree parks planted by the rest of the subsidiaries. All of these vegetation have an estimated carbon sequestration capacity of 3,562,204 tons for 2017 and have been able to offset part of the conglomerate's carbon footprint of 5,377,609 tons CO₂e, which increased FPH's carbon neutrality from 53% in 2016 to 66% in 2017.

An important benefit of growing carbon sinks is our contribution in improving the biodiversity in our areas. In 2017, we observed signs that our environmental investments for the past two decades have shown positive results. In this connection, there was improvement in the conservation status of 10 of the 96 indigenous forest indicator species nurtured by EDC under its BINHI restoration program. These forest indicator species are also propagated across the other FPH subsidiaries. The indicator species improved in their conservation status from "critically endangered" to just "vulnerable" and "nearly threatened" status. The registration of their amended status in the Philippines is ongoing with the *International Union for the Conservation of Nature (IUCN)* through the *Philippine Plants Conservation Committee* of the Department of Environment and Natural Resources. This positive environmental outcome is coupled with the 40% reduction in the overall environmental expenditure as forest restoration measures in the geothermal concessions have been completed the past two decades. The present focus is now on the maintenance of the restored areas and ecosystems as well as the conduct of biodiversity audits. We are now reaping the benefits of these restored areas and protected natural forests through their carbon sequestration, which offsets the FPH carbon footprint.

2016 to 2017 EDC Inventory of 10 Priority Forest Species Showed Improvement of their Conservation Status



MAPILIG
Xanthostemon bracteatus

CR to VU



BAGADLAU
Xanthostemon philippinensis

CR to VU



SIERRA MADRE MANGKONO
Xanthostemon fruticosus

CR to VU



PALAWAN MANGKONO
Xanthostemon speciosus

EN to NT



MANGKONO
Xanthostemon verdugonianus

EN to NT



SAMAR GISOK
Hopea samarensis

CR to EN



DALINGDINGAN
Hopea foxworthyi

CR to EN



MALABAYABAS
Tristaniopsis decorticata

CR to NT



YAKAL-MALIBATO
Shorea malibato

CR to EN



YAKAL-KALIOT
Hopea malibato

CR to NT

IUCN Conservation Status (Most to Least Threatened)




OUR INTERNAL STAKEHOLDERS

OUR EMPLOYEES ARE THE KEY TO OUR SUCCESS



■ SDG3 ■ SDG5 ■ SDG8 ■ SDG10 ■ SDG16 ■ SDG17

Our strength lies in our employees' expertise and their resolve to join us in creating a sustainable future for our conglomerate and for our society. Among the social aspects identified as material to our business and our stakeholders, the more important findings we recorded for 2017 are as follows:



PHP 18M
in impact savings from voluntary sustainable actions of employees

70%
of new hires are millennials

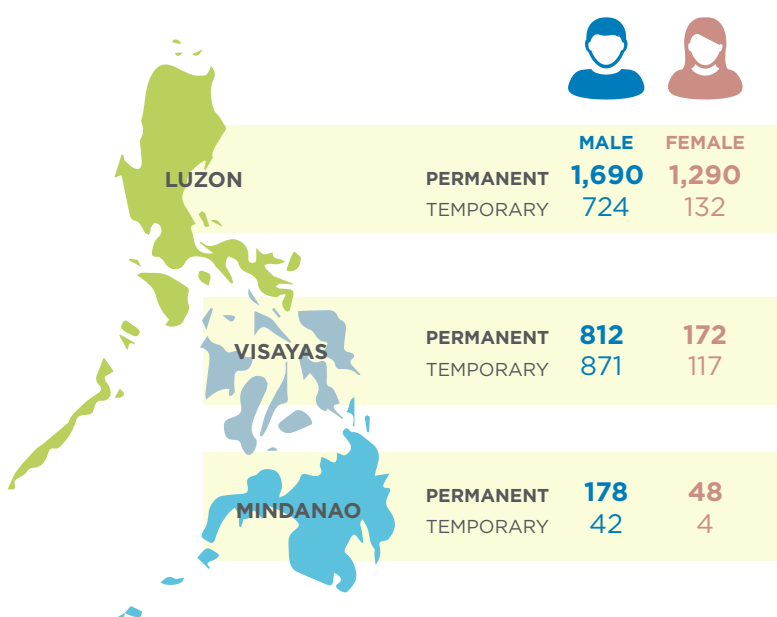



High return to work rate after parental leave indicating feeling of job security



INFORMATION ON EMPLOYEES 102-7, 102-8

Our employees are our partners in shaping the business and the source of our strength as a company, which is why tracking our human resources is critical.



| GRAND TOTAL | |
|-------------|-----------|
| PERMANENT | TEMPORARY |
| 4,190 | 1,890 |

In general, our employees are still coming mostly from Luzon where most of our work sites are located. The temporary employees were hired for short-term construction and drilling activities of First Balfour, ThermaPrime and EDC. Because of the nature of our businesses, except for Rockwell, most of our employees are males numbering up to 64% for the regular jobs and up to 87% for the project-based contractual jobs. This ratio is almost similar to last year. While majority of our employees are males, livelihood options are available for females in the community as part of our CSR programs in our various power projects.

There are a total of 4,336 full time employees of which 96.6% or 4,190 have regular status. In terms of rank, the gender ratio of regular management to non-management full time positions is 2:1 (male to female) while the gender ratio for project-based work force is approximately 6:1 (male to female). Gender equality to FPH is not only in number of female versus male employees. Though the number is driven by the nature of the business, we ensure that women have equal benefits, have a safe workplace and can actively participate in all company activities. We will define our gender protocols next year when we review the governance policies.

TOTAL NUMBER BY EMPLOYMENT TYPE, RANK AND GENDER 102-8



| | | FULL TIME | | | | |
|---|--------|------------------------------|---------------------------------|----------------------------------|---------------------------------------|------------|
| | | Sr. Management (VPs & Up) | Management (Managers to AVP) | Supervisors to Asst. Managers | Rank and File (Staff to Assistant) | Consultant |
|  | MALE | 82 | 305 | 795 | 1638 | 27 |
|  | FEMALE | 24 | 178 | 466 | 848 | 17 |

| | | PART TIME | | | | |
|---|--------|------------------------------|---------------------------------|----------------------------------|---------------------------------------|------------|
| | | Sr. Management (VPs & Up) | Management (Managers to AVP) | Supervisors to Asst. Managers | Rank and File (Staff to Assistant) | Consultant |
|  | MALE | 0 | 1 | 19 | 1421 | 28 |
|  | FEMALE | 0 | 0 | 3 | 220 | 8 |



NEW HIRES AND EMPLOYEE TURNOVER 401-1

Our plans for growth and stable revenues can only be realized through the quality of the people who stay with us and whom we recruit. In 2017, there was a five percent increase in the regular employees in EDC and Rockwell. The hiring rates are almost the same the past two years at 16% in 2016 and 15% in 2017.

In terms of hiring, 612 joined the conglomerate, equivalent to 15% of our regular work force. Of our new hires, 55% are male while 45% are female. A significant proportion of our new hires, at 70%, are from the millennial bracket. This is a positive development as millennials have high participation and engagement in our environmental and societal campaigns.

|  | NEW HIRES | | |  |
|---|-----------|-----------------------|------------|---|
| | Count | Age Group | Percentage | |
| MALE | 211 | 30 YEARS & BELOW | 70.42% | FEMALE |
| | 103 | BETWEEN 31 - 50 YEARS | 25.33% | |
| | 24 | BEYOND 50 YEARS | 4.25% | |
| 338 | | | | 274 |

The employee turnover rate for regular employees went down from 19% in 2016 to 17% in 2017. Of this proportion, about 54% are male and 46% are female. Of the 570 employees who resigned, 58% percent belonged to the age group 30 years and below, 31% percent from the middle group of 31-50 years old and only 11% from 50 years and above. The tendency of millennial employees to seek new opportunities is well studied across industries but we are determined to craft measures to retain these young talents.

|  | EMPLOYEE TURNOVER | | |  |
|---|-------------------|-----------------------|------------|---|
| | Count | Age Group | Percentage | |
| MALE | 151 | 30 YEARS & BELOW | 58.24% | FEMALE |
| | 104 | BETWEEN 31 - 50 YEARS | 30.88% | |
| | 52 | BEYOND 50 YEARS | 10.88% | |
| 307 | | | | 263 |



BENEFITS FOR FULL TIME EMPLOYEES 401-2

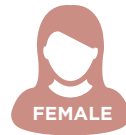
At FPH, we recognize the dedication and hard work of our employees and strive to keep them motivated. We make sure that we provide them competitive benefits - even above what is mandated by law. But beyond our attractive benefits, our employees remain inspired in working for a company that is *Powered by Good* which provides products and services that make the world a better place to live in and one that continues to be a leader in sustainability.



RETURN TO WORK 401-3

One of the benefits given by FPH is parental leave. FPH is home to mothers and fathers that work hard for their families. We value professional development but we also recognize the parents' role in building strong families for a better society. The high return rate of our employees who avail of parental leaves signify that they are not discouraged to take leaves for fear of adverse effects on their career and that they feel secured in their jobs. Upon return to work, a substantial proportion continued to be retained or to serve as of this reporting date.

The significant share of paternal leaves being availed also signify that fathers are taking a more active role in raising their children, which in turn also supports and empowers women's careers. Consequentially, women are also likely to stay and do better at work which aids in our gender equality in the workplace.



| | RETURN TO WORK RATE | RETENTION RATE |
|--------|---------------------|----------------|
| MALE | 97.53% | 84.81% |
| FEMALE | 96.88% | 90.16% |



REPRESENTATION IN HEALTH AND SAFETY COMMITTEES 403-1

A major concern and thrust of FPH is protecting the environment, safety and health (ESH) of its employees and the public in the conduct of its operations. The FPH ESH Group works together with their counterparts embedded in the subsidiaries which maintain a line management responsibility. All employee groups are represented in the Health and Safety Committees at the Head Office and at our project sites.



HEALTH AND SAFETY TOPICS IN TRADE UNION AGREEMENTS 102-41, 403-4

A related concern on health and safety is the inclusion of specific provisions in trade union agreements. Only two out of nine FPH subsidiaries have trade unions, namely: Energy Development Corporation and First Balfour Inc. About 40% and 5% of the employees are members of trade unions in EDC and First Balfour, respectively. Among the topics covered in their trade union agreements are safety and sanitary working conditions, family planning and productivity scheme. To prevent accidents and illnesses, the company ensures that it complies with all applicable laws and regulations on industrial safety and sanitation issued by the country's Department of Labor and Employment (DOLE) and that it enforces and maintains appropriate safety and sanitation standards. The formal trade union agreements signify both the company's and the labor union's commitment to a culture of safety to maximize efficiency among employees and productivity in the Company's operations.



OCCUPATIONAL ILLNESSES AND INJURIES

403-3

Safety and health programs are in place to ensure a safe and healthful work place for our employees. As a result, there were no reported high-risk incidents in 2017.



EMPLOYEE TRAINING

404-1

There was no marked change in the training profile between 2016 and 2017, except for a 45% increase in the number of training hours for Senior Management. This is due to our thrust to equip them so they can proficiently lead the transformation amidst the various disruptions that the company encounters in the current business environment.



ANTI-CORRUPTION

102-17, 205-3

To ensure that we abide by the highest standards of good and responsible corporate governance, FPH strives to meet the standards of the *ASEAN Corporate Governance Scorecard (ACGS)* by having the following policies and guidelines in place: *Whistleblower Policy and Guidelines, Anti-Corruption Statement, Conflict of Interest Policy, Related Party Transactions Policy and Trading and Disclosure Guidelines* in addition to the mandated *Manual on Corporate Governance* and the *Corporate Code of Conduct*. Through these mechanisms which imbibe the values of truth, integrity, accountability and transparency, no incident of corruption was reported in 2017.



GRIEVANCE

103-2

There was no grievance case filed in 2017. One of FPH's subsidiaries, EDC has a site with Indigenous Peoples (IP). While regular corporate and legal venues are used to resolve labor and community complaints, EDC's host communities are encouraged to elevate issues to the village tribal council if they involve IP employees or the indigenous cultural community. This prescription is a sign of respect for the culture of the IPs in our work area.

In 2018, FPH plans to review all the Grievance Redress Mechanisms (GRMs) of the subsidiaries to ensure that they conform with international best practices. This will elevate the importance of the GRM as an instrument to protect human rights.



Learning sessions across ranks for synergy





PARTNERSHIP WITH EMPLOYEES

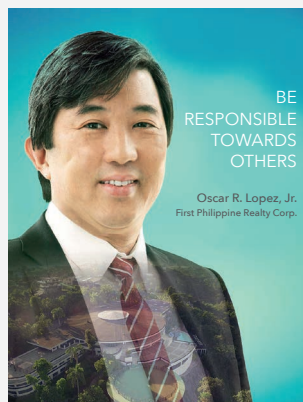
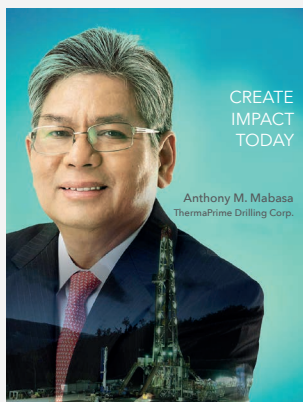
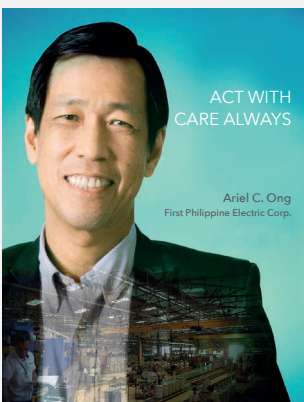
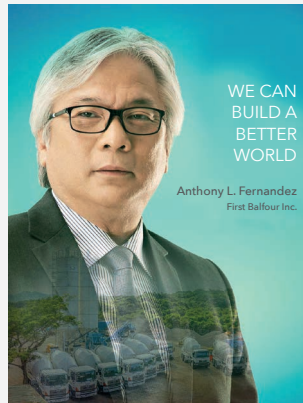
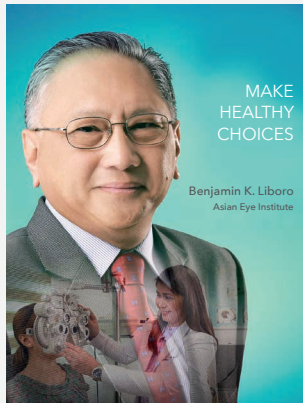
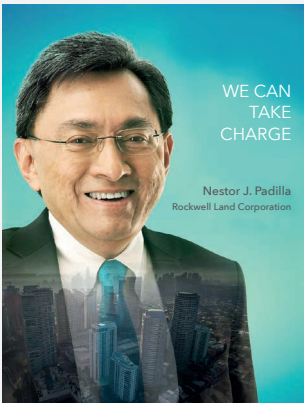
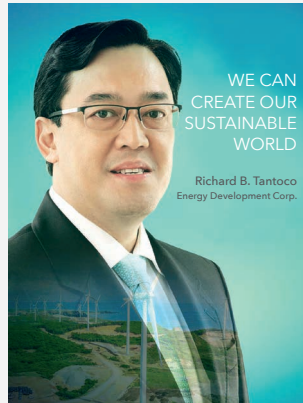
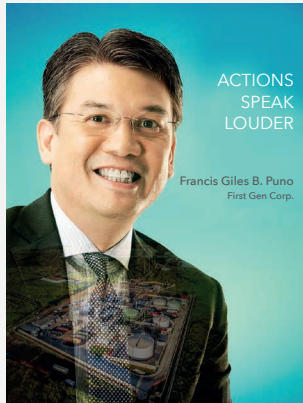
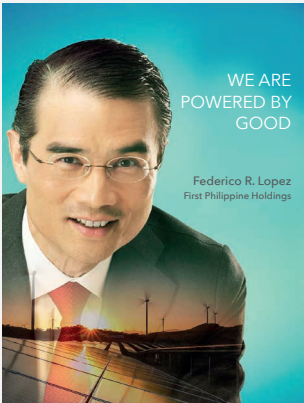
OUR EMPLOYEES ARE THE UNITS OF CHANGE
IN THE OFFICE, THEIR HOMES AND THEIR COMMUNITIES

Our sustainable path is made possible through the support of our employees across the conglomerate. Recognizing the potential of our employees to enrich our sustainability journey, we launched an employee embedding program called "STEP UP" on July 17, 2017. The program aims to educate and engage the employees on sustainable living with the hope that they will implement these practices in the workplace and in their homes. A change in personal lifestyle can lead to a better understanding of the need for efficient processes and effective use of natural resources and materials that have become scarce because of our changed climate.

The lessons from *STEP UP* were then tested in a year-end group activity entitled the "Season's Greening" contest. It was a practical application of how the employees can welcome Christ in this joyous season, meaning a sustainable Christmas with positive impacts to the environment and society. The various FPH subsidiaries relayed meaningful messages in their Christmas displays such as : a) The need to be stewards of the environment, b) Being accountable for our actions, c) Deeds should ripple through from the office to our host communities, d) Christmas is having one cause with the "family" and e) What we are is God's gift to us but what we become is our gift to God. We are proud of our employees for gaining deeper understanding of our sustainability philosophy.



Led by their subsidiary heads* as champions and with the help of the *WeSpire* platform, the *Step Up Employee Embedding Program* was able to introduce the FPH employees to an experiential learning on sustainable living while also encouraging them to make positive impacts at work and in their communities.



Using our climate indicators as themes (waste and consumption, energy and water, food and healthy living and responsible travel), we were able to capture 290,202 voluntary sustainable actions from 2,056 employees from July to December 2017. They generated an estimated Php18 million in savings and positive impacts to the environment and society. Below are the employees' achievements.

ENERGY
 IMPACT SAVINGS
1,454,851 kWh
 VALUE SAVINGS
Php14,548,510

FUEL
 IMPACT SAVINGS
86,746 L
 VALUE SAVINGS
Php2,645,753

EMISSIONS
 IMPACT SAVINGS
856 tons CO2e
 VALUE SAVINGS
Php243,066

WATER
 IMPACT SAVINGS
9,279 m³
 VALUE SAVINGS
Php417,533

WASTE
 IMPACT SAVINGS
65 tons
 VALUE SAVINGS
Php161,921

*Mr. Puno concurrently heads First Gen and First Philippine Industrial Park Inc.



REACHING OUT TO OTHERS



RESPONSIBILITY TO EXTERNAL STAKEHOLDERS

SATISFYING CUSTOMERS AND CREATING SELF-RELIANT HOST COMMUNITIES

■ SDG1
 ■ SDG2
 ■ SDG3
 ■ SDG4
 ■ SDG5
 ■ SDG6
 ■ SDG8
 ■ SDG10
 ■ SDG11
 ■ SDG16
 ■ SDG17

Host communities and customers are important external stakeholders of our business. We need the support of both constituents to prosper. Our host communities which affirm the company’s social license to operate and our customers’ continued patronage can help bring strong revenues to the business. In 2017, we saw positive developments on both fronts.

CUSTOMER SATISFACTION

Seven of the nine FPH subsidiaries conduct regular customer surveys and all of them attained high marks from their clients in 2017.

| FPH SUBSIDIARY | RATING (%) |
|--|------------|
| Asian Eye Institute | 95.7 |
| First Balfour | 96.7 |
| First Gen/ Energy Development Corporation* | 91.4 |
| First Philippine Electric Corporation | Commended |
| First Philippine Industrial Park | 90.0 |
| First Philippine Realty Corporation | 92.0 |

** First Gen handles the sale of EDC generated power*

First Philippine Electric Corporation was qualitatively assessed and commended by its main customer for being a great partner in business, providing prompt response to the customer’s call for service, expert technical advice and excellent work in restoring power. EDC’s customers are surveyed by First Gen. In addition, EDC directly engages its external stakeholders which consist of 44 partner villages, who showed good acceptance rates.

LOCAL COMMUNITY ENGAGEMENT AND DEVELOPMENT PROGRAMS 102-43, 413-1

Corporate Social Responsibility (CSR) is a major advocacy of the Lopez companies which is based on the company's values. Thus, without exception, all the FPH subsidiaries have community projects. The social investment of the conglomerate for 2017 amounted to Php238.9 million. The themes vary from education, health, livelihood and culture. Special attention was given to the Indigenous Peoples in the Mt. Apo Geothermal Project where 11,764 tribesmen were served radiating from the ancestral domain towards the whole park.

In 2017, there was a 36% reduction in community expenditures as two out of five farmer federations assisted by EDC in geothermal reservations attained self-sufficiency. Health and education services which shifted to infrastructure construction (due to calamities a year ago) were back to the more functional activities such as training, scholarships and health care provision.

One of the areas of improvement for FPH recommended by the External Review Committee (ERC) in 2016 was on CSR. The experts observed that the CSR programs of the group are fragmented, thus the positive impacts of the CSR programs to the beneficiaries and the brand are not maximized. In 2017, FPH gathered the community coordinators and agreed on a unified CSR policy at the FPH level, the need to develop fleetwide CSR programs distinct to the Lopez Group and to revisit their procedures on assessing social investments from screening, engagement, impact assessment, measurement and exit. These initiatives will be launched in 2018.

CONTRIBUTING TO SUSTAINABLE DEVELOPMENT

In 2016, we disclosed the alignment of our business objectives with the UN SDGs. By 2017, we have identified the specific ways we support these goals.

| SUSTAINABLE DEVELOPMENT GOAL (SDG) | FPH CONTRIBUTIONS |
|--|--|
| SDG 1: No poverty | Providing direct employment in FPH subsidiaries and developing livelihood programs to assist host communities |
| SDG 2: Zero hunger | Livelihood programs for farmers for small scale agriculture and feeding projects for children |
| SDG 3: Good health and well-being | Protecting employees via waste control, zero occupational illness program and employee wellness program Supporting communities via high quality eye care, regular medical missions, health infrastructure support and health advisories |
| SDG 4: Quality education | Access to basic education and vocational education through scholarships, school repairs and school supplies |
| SDG 5: Gender equality | Giving equal respect to the rights of men and women employees as well as male and female members of the host communities for their full personal development |
| SDG 6: Clean water and sanitation | Protection of watersheds as water sources and the installation of water treatment systems |
| SDG 7: Affordable and clean energy | Generation of clean and renewable energy and installation of LED and solar panels in our offices |
| SDG 8: Decent work and economic growth | Compliance with labor standards, facilitating conducive work places, and training of labor forces that support the local economy |
| SDG 9: Industry, innovation and infrastructure | Investments in research on energy solutions to aid in sustainable economic growth |
| SDG 10: Reduced inequalities | Distribution of economic values across different stakeholder groups |
| SDG 11: Sustainable cities and communities | Designing of sustainable living spaces and adopting green building practices |
| SDG 12: Responsible consumption and production | Conservation of habitat to protect natural resources as sources of food and other requirements |
| SDG 13: Climate action | "No coal" policy, climate resiliency plans, decarbonization of operation and proactive climate risk management |
| SDG 14: Life below water | Protection of marine sites and the control of marine pollution around work sites |
| SDG 15: Life on land | Protection of natural ecosystems and land restoration |
| SDG 16: Peace, justice and strong institutions | Compliance with local laws and international conventions, transparent governance and grievance mechanisms |
| SDG 17: Partnership for the goals | Local and international partnerships to share technologies, build capacities and address the challenges of sustainable development |

INDEPENDENT ASSURANCE STATEMENT FIRST PHILIPPINE HOLDINGS CORPORATION

102-56



A. GENERAL DISCLOSURES

The First Philippine Holdings Corporation (FPHC, the Corporation) tapped three experts in the fields of economics, environment and society to comprise its External Review Committee (ERC) members to review the Corporation's 2017 Sustainability Report (SR). Of the Corporation's 12 core investments or subsidiaries, four are publicly listed companies (i.e. Energy Development Corporation, First Gen Corporation, Rockwell Land and Meralco). Eight of these subsidiaries and the Corporation itself participated in the consolidated SR. FPHC reported on subsidiaries that operated in 2017 and those where it has operational control. The Corporation is the reporting company in the SR.

The role of the members of the ERC is to review the SR in terms of the Global Reporting Initiative (GRI) standards and its content and quality.

FPHC shouldered the expenses of the site visits including the honorariums of the ERC members and the support provided by CSR-UA&P. The company invited all available stakeholders who were interviewed and provided the data and information during the course of the assurance review. The ERC was also requested to identify such people and to request such information as it found necessary. For objectivity however, the overall review process was managed by CSR-UA&P.

Fig. 1 Component Companies FPHC

| | | | |
|---|--|-------------------------|--|
| POWER SECTOR | Energy Development Corporation (EDC) First Gen Corporation (First Gen) | REAL ESTATE | Rockwell Land Corporation (RLC) First Philippine Industrial Park (FPIP) First Philippine Realty Corporation (FPRC) |
| ENERGY SERVICES & CONSTRUCTION | First Balfour Incorporated (FBI) ThermaPrime Drilling Corporation (TDC) | MANUFACTURING | First Philippine Electric Corporation (FPI) |
| | | MEDICAL SERVICES | Asian Eye Institute (AEI) |

B. LEVEL OF ASSURANCE AND METHODOLOGY

The ERC assurance process took into account the scope of the report as defined in SR 2017 including the topic-specific disclosures considered material by FPHC and its stakeholders. It is noteworthy that the SR 2017 has applied the system value reporting framework and closely aligned its performance indicators with COP 21 and the UN Sustainable Development Goals (SDGs).

The ERC members have visited the different sites and conducted dialogues with the technical working group of the various business subsidiaries. Interviews were conducted as appropriate to clarify and fill in the gaps in the data presentations.

Having been given a copy of the draft SR a week earlier, the ERC met as a group on April 11, 2018 to discuss their individual assessment of the SR. The final Assurance Statement was submitted to FPHC last April 16, 2018.

The Assurance Statement does not provide a guarantee of data and information accuracy as well as an endorsement of FPHC's approaches, strategies and core beliefs. The assurance process assumed that all

data and information provided by the company are complete and true. Moreover, the opinions expressed by the ERC belong solely to the members and not necessarily to the members' employer or organization.

C. FINDINGS

From the limited review process of the data and information gathered during the site visits, presentations, review of documents and interviews with senior management, employees and stakeholders, the ERC believes that FPHC's SR 2017 is in accordance with the GRI Standards.

During the review process, the ERC members noticed the closer identification of the business units covered under SR 2017 with FPHC's overall thrust towards carbon neutrality, climate resiliency and alignment to the global pacts and targets than previously shown. Since the last assurance process conducted for the 2016 Report, the ERC also observed the widespread adoption of the subsidiaries of the GRI reporting processes and standards in disclosing their respective performances. This may be attributed to the fact that the current SR also gives due consideration to the recommendations of the ERC in the last SR.

The current SR 2017 has a more unified and coherent theme in presenting the conglomerate's performance when compared to the previous report. For instance, FPHC has disclosed only those indicators considered material and aligned with the targets set by the UN SDGs and COP 21. These set of indicators have been translated into concrete plans and conglomerate-wide future targets that all the business units should contribute to and work on. As well, targets for the supply chain includes reduction of group carbon emissions and energy consumption.

On the other hand, the various business units continue to track, monitor and measure those disclosures that are not material at the conglomerate level but relevant and specific to individual business units. This is a manifestation of the commitment, depth, and transformation that have occurred at the level of the holdings company that it has successfully cascaded the sustainability agenda to the level of its subsidiaries.

While EDC continues to be more advanced in sustainability reporting and its related initiatives, the rest of FPHC's business units have revealed substantial improvement in their GRI reporting processes when compared to last year. To demonstrate, a number of FPHC's subsidiaries have achieved "beyond reporting" capabilities, such as: (a) the participation of Asian Eye Institute; (b) the drafting of a group and business unit level sustainability roadmap and supply chain engagement; (c) forging new and closer collaboration with relevant local and international alliances to complement FPHC's sustainability initiatives; (d) STEP-UP protocols on environmental protection and conservation projects, closer identification and internalization of management and the rank and file in the business units including their stakeholders to the sustainability agenda; and (e) the high impact of its "fence-line" social projects.

Another key point is the deepening of community partnerships of various business units through the conscious choice of sectors with critical needs highlighting the company's commitment to people development. Given this point, it can be said that the business units have raised the bar of significance in their contribution towards meeting the identified sustainable goals of the conglomerate.

The various environmental and social awards and recognitions received by either the conglomerate or its subsidiaries lend testimony to the importance and impacts of FPHC's undertakings.

It can be observed that this process of transformation is still ongoing. It is equally important for FPHC not to lose sight of the business case for its transformation. In the end, the business group's climate change resiliency and carbon neutrality strategy should secure for it the needed revenues, new markets, eco-operational efficiencies, and the resources (human and capital) to achieve a sustainable future.

D. RECOMMENDATIONS

As FPHC continues to work on its transformation, the dynamic shifts in the business environment warrant that ERC puts forward some key recommendations:

1. Adopt a gender, anti-corruption and indigenous people's policy at the group level on which the other subsidiaries can refer their policies;
2. Enhance local government and community relations and engagement in anticipation of a possible shift to a federal form of government especially at the level of the business units. While federalism is still under study by policymakers, it is important that FPHC and some of its business units start capitalizing on its strong network of engagements with the communities and the local government to secure their support and partnership in the future's eventuality;
3. Institute sustainability policies to guide existing and future projects and formulate the corresponding scorecards for each project management template. Besides the daily operations of the company and its subsidiaries, another area where FPHC may like to capture value in pursuing a sustainable business model is in its new projects such as buildings, power plants, transmission lines, LNG terminals, among others. FPHC will also be able to secure additional value from the eco-efficiency gains and "greening possibilities" of its large scale, capital-intensive projects. In this regard, external stakeholders like suppliers and local communities should be integrated together with the employees of FPHC in training/workshops on sustainable project management;
4. Consider setting up a system of publicly sharing (on a limited basis) the real-time data on important but non-confidential indicators of its operations such as carbon emissions, water consumption and injection, work-hours without incidence, etc. on online platforms. This information campaign can enhance the image of FPHC as a pioneering holdings company in the field of business sustainability;
5. Consider building a scorecard to capture the acceptability and measure the costs and benefits of the company's social investments and initiatives. Through this procedure, it will be possible to quantify the value that will accrue both to the company and the community of such social engagements.

CERTIFICATION

We, the members of the External Review Committee, have validated via external assurance activities the First Philippine Holdings' 2016 performance, as presented in its sustainability report, based on Global Reporting Initiative Standards (GRI Standards) and disclosure guidelines and requirements and relying on relevant data or information disclosed to and/or received by us during the validation process. This certification does not extend to matters beyond the coverage of such data or information and/or outside the scope of such process. More so, nothing in our assurance statement should be construed as a position or opinion of the organizations where we are presently connected.

Our collective external assurance statement is attached hereto.

IN WITNESS WHEREOF, we have hereunto set our hands this 8th day of May 2017 at University of Asia and the Pacific.



Dr. Winston Padojinog is an associate professor of industrial economics and strategic management and is the 4th President of the University of Asia and the Pacific. He lectures and undertakes researches in the fields of industry dynamics, strategic management, finance and business sustainability courses in the graduate programs of UA&P. His extensive experience and researches in the field as an industry economist and business strategist make Dr. Padojinog a sought after expert and consultant by industry associations, policy makers and companies for their industry policy, corporate strategy, business sustainability and governance requirements. Since 2011, he has served as member of the External Review Committee of various companies that pioneered and subjected their sustainability reports for external assessment.

Dr. Winston Padojinog
President, University of Asia and the Pacific
Chair, External Review Committee for FPH SR 2017



Prof. Nanette G. Dungo, Ph.D, is the former chairperson of the Department of Sociology, College of Social Sciences & Philosophy, University of the Philippines, Diliman. She served as a Professional Development Associate in the Office of Instruction under the U.P. Chancellor, and Professional Development Associate in the Office of the Vice-President, International Relations. Currently, she is an adjunct professor in UA&P as a faculty member in the School of Law and Governance under its Political Economy Program, teaching courses on Philippine Society and Culture, Migration and Development, Culture and Development, and Qualitative Research. Her research involvements and conference papers have been written in the area of Development Studies which covered the topics on Women, Children, Youth, and Community Evaluation Projects.

Dr. Nanette G. Dungo, Ph.D.
Sociology Professor
University of Asia and the Pacific



Dr. Tony La Viña is a law, governance and politics, and philosophy professor in ten learning institutions. He is an expert on constitutional law, human rights, climate and environmental justice, public international law, negotiations and consensus building, social and public accountability, and social entrepreneurship. Tony was Dean of the Ateneo School of Government from 2006 to 2016 and Executive Director of the Manila Observatory from 2016 to 2017. From 1996-1998, he was undersecretary of the Department of Environment and Natural Resources in the Philippines. He also did an eight-year stint from 1999-2006, in the World Resources Institute. Currently, he is the Chair of the board of Forest Foundation Philippines and the Partnership Council of the Partnerships for the Environmental Management of the Seas of East Asia (PEMSEA). Tony has played leadership roles in the global climate change negotiations, having been a lead negotiator for the Philippines in the Kyoto Protocol and Paris Agreement negotiations.

Dr. Antonio G.M. La Viña, Ph.D.
Professor
Ateneo de Manila University



*The Center for Social Responsibility of the University of Asia and the Pacific (CSR-UA&P) was commissioned by FPH to host the 2017 External Review Committee. Our terms of engagement were limited to facilitating the administrative and logistical requirements of the ERC, and we are not part or responsible for preparing the assurance statement nor have effective control over the data and information disclosed. Thus, CSR-UA&P assumes no responsibility for the statement and shall not be liable to any person or organization for any loss, damage or expense caused by reliance on the information or advice in this document.

GRI CONTENT INDEX

GRI 101: FOUNDATION 2016

| Disclosure Number and Title | Page Number / Reference | Omissions and Remarks |
|--|----------------------------|--|
| GRI 102: GENERAL DISCLOSURES 2016 | | |
| ORGANIZATIONAL PROFILE | | |
| 102-1 Name of the organization | 1 | |
| 102-2 Activities, brands, products, and services | 12-13 | |
| 102-3 Location of headquarters | Back cover | Metro Manila, Philippines |
| 102-4 Location of operations | | Philippines |
| 102-5 Ownership and legal form | 13 | |
| 102-6 Markets served | 13 | |
| 102-7 Scale of the organization | 27, 33 | |
| 102-8 Information on employees and other workers | 33 | |
| 102-9 Supply chain | | FPH, as a parent and holding company, has no supply chain. We only have procurement process primarily for the requirements of the people, i.e. car, office supplies, admin services, etc. Each subsidiary has their respective supply chain processes. |
| 102-10 Significant changes to the organization and its supply chain | 1 | |
| 102-11 Precautionary Principle or approach | 48-49 | |
| 102-12 External initiatives | 21 | |
| 102-13 Membership of associations | 5-7 | |
| STRATEGY | | |
| 102-14 Statement from senior decision-maker | 10 | |
| 102-15 Key impacts, risks, and opportunities | 27 | |
| ETHICS AND INTEGRITY | | |
| 102-16 Values, principles, standards, and norms of behavior | 13 | |
| 102-17 Mechanisms for advice and concerns about ethics | 36 | |
| GOVERNANCE | | |
| 102-18 Governance structure | | 2016 Sustainability Report, page 10 http://www.fphc.com/wp-content/uploads/2014/07/2016-FPH-Sustainability-Report-Final-High-Res.pdf |
| 102-20 Executive-level responsibility for economic, environmental, and social topics | | FPH has a Chief Sustainability Officer reporting to the Chairman |
| 102-21 Consulting stakeholders on economic, environmental, and social topics | 23 | |
| STAKEHOLDER ENGAGEMENT | | |
| 102-40 List of stakeholder groups | 23 | |
| 102-41 Collective Bargaining Agreements | 35 | |
| 102-42 Identifying and selecting stakeholders | 2016 Sustainability Report | 2016 Sustainability Report, page 17 http://www.fphc.com/wp-content/uploads/2014/07/2016-FPH-Sustainability-Report-Final-High-Res.pdf |
| 102-43 Approach to stakeholder engagement | 2016 Sustainability Report | 2016 Sustainability Report, page 17 http://www.fphc.com/wp-content/uploads/2014/07/2016-FPH-Sustainability-Report-Final-High-Res.pdf |
| 102-44 Key topics and concerns raised | 23 | |
| REPORTING PRACTICE | | |
| 102-45 Entities included in the consolidated financial statements | 2017 Annual Report | 2017 Annual Report, page 86 http://www.fphc.com/wp-content/uploads/2014/07/2017-AR.pdf |
| 102-46 Reporting Boundaries | 1 | |
| 102-47 List of Material Topics | 2016 Sustainability Report | 2016 Sustainability Report, page 19 http://www.fphc.com/wp-content/uploads/2014/07/2016-FPH-Sustainability-Report-Final-High-Res.pdf |
| 102-48 Restatements of information | 30 - 31 | Some 2016 data have been restated in order to compare 2016 and 2017 data as apples to apples. See notes under tables in pages 30 - 31. |
| 102-49 Changes in reporting | 1 | |
| 102-50 Reporting period | 1 | |
| 102-51 Date of most recent report | | May 2016 |
| 102-52 Reporting cycle | | Annual |
| 102-53 Contact point for questions regarding the report | 51 | Agnes C. de Jesus, Chief Sustainability Officer dejesuac@energy.com.ph |
| 102-54 Claims of reporting in accordance with the GRI Standards | 1 | This report has been prepared in accordance with the GRI Standards: Core Option |
| 102-55 GRI Content Index | 45 | |
| 102-56 External Assurance | 25, 42 | |

| MATERIAL TOPICS | | |
|--|--|-----------------------|
| Disclosure Number and Title | Page Number / Reference | Omissions and Remarks |
| GRI 200 ECONOMIC STANDARDS SERIES 2016 | | |
| GRI 201: ECONOMIC PERFORMANCE 2016 | | |
| 103-1 | Explanation of the material topic and its Boundary | 48 |
| 103-2 | The management approach and its components | 48 |
| 103-3 | Evaluation of the management approach | 48 |
| 201-1 | Direct economic value generated and distributed | 27 |
| 201-2 | Financial implications and other risks and opportunities due to climate change | 27 |
| GRI 204: PROCUREMENT PRACTICES 2016 | | |
| 103-1 | Explanation of the material topic and its Boundary | 48 |
| 103-2 | The management approach and its components | 48 |
| 103-3 | Evaluation of the management approach | 48 |
| 204-1 | Proportion of spending on local suppliers | 28 |
| GRI 205: ANTI-CORRUPTION 2016 | | |
| 103-1 | Explanation of the material topic and its Boundary | 36 |
| 103-2 | The management approach and its components | 36 |
| 103-3 | Evaluation of the management approach | 36 |
| 205-3 | Confirmed incidents of corruption and actions taken | 36 |
| GRI 300 ENVIRONMENTAL STANDARDS SERIES 2016 | | |
| GRI 301: MATERIALS 2016 | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-49 |
| 103-2 | The management approach and its components | 48-49 |
| 103-3 | Evaluation of the management approach | 48-49 |
| 301-1 | Materials used by weight or volume | 29 |
| GRI 302: ENERGY 2016 | | |
| 103-1 | Explanation of the material topic and its Boundary | 31,48-49 |
| 103-2 | The management approach and its components | 31,48-49 |
| 103-3 | Evaluation of the management approach | 31,48-49 |
| 302-1 | Energy consumption within the organization | 31 |
| 302-4 | Reduction of energy consumption | 31 |
| 302-5 | Reductions in energy requirements of products and services | 31 |
| GRI 303: WATER 2016 | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-49 |
| 103-2 | The management approach and its components | 48-49 |
| 103-3 | Evaluation of the management approach | 48-49 |
| 303-1 | Water withdrawal by source | 30 |
| GRI 305: EMISSIONS 2016 | | |
| 103-1 | Explanation of the material topic and its Boundary | 31,48-49 |
| 103-2 | The management approach and its components | 31,48-49 |
| 103-3 | Evaluation of the management approach | 31,48-49 |
| 305-1 | Direct (Scope 1) GHG emissions | 31 |
| 305-2 | Energy indirect (Scope 2) GHG emissions | 31 |
| 305-5 | Reduction of GHG emissions | 31 |
| GRI 306: EFFLUENTS AND WASTE 2016 | | |
| 103-1 | Explanation of the material topic and its Boundary | 30,48-49 |
| 103-2 | The management approach and its components | 30,48-49 |
| 103-3 | Evaluation of the management approach | 30,48-49 |
| 306-2 | Waste by type and disposal method | 30 |
| 306-4 | Transport of hazardous waste | 30 |

| MATERIAL TOPICS | | |
|--|--|-----------------------|
| Disclosure Number and Title | Page Number / Reference | Omissions and Remarks |
| GRI 300 ENVIRONMENTAL STANDARDS SERIES 2016 | | |
| GRI 307: ENVIRONMENTAL COMPLIANCE 2016 | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-49 |
| 103-2 | The management approach and its components | 48-49 |
| 103-3 | Evaluation of the management approach | 48-49 |
| 307-1 | Non-compliance with environmental laws and regulations | 30 |
| GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016 | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-49 |
| 103-2 | The management approach and its components | 48-49 |
| 103-3 | Evaluation of the management approach | 48-49 |
| 308-1 | New suppliers that were screened using environmental criteria | 28 |
| GRI 400 SOCIAL STANDARDS SERIES 2016 | | |
| GRI 401: EMPLOYMENT 2016 | | |
| 103-1 | Explanation of the material topic and its Boundary | 49 |
| 103-2 | The management approach and its components | 49 |
| 103-3 | Evaluation of the management approach | 49 |
| 401-1 | New employee hires and employee turnover | 34 |
| 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 35 |
| 401-3 | Parental leave | 35 |
| GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016 | | |
| 103-1 | Explanation of the material topic and its Boundary | 49 |
| 103-2 | The management approach and its components | 49 |
| 103-3 | Evaluation of the management approach | 49 |
| 403-1 | Workers representation in formal joint management-worker health and safety committees | 35 |
| 403-3 | Workers with high incidence or high risk of diseases related to their occupation | 36 |
| 403-4 | Health and safety topics covered in formal agreements with trade unions | 35 |
| GRI 404: TRAINING AND EDUCATION 2016 | | |
| 103-1 | Explanation of the material topic and its Boundary | 49 |
| 103-2 | The management approach and its components | 49 |
| 103-3 | Evaluation of the management approach | 49 |
| 404-1 | Average hours of training per year per employee | 36 |
| GRI 413: LOCAL COMMUNITIES 2016 | | |
| 103-1 | Explanation of the material topic and its Boundary | 49 |
| 103-2 | The management approach and its components | 49 |
| 103-3 | Evaluation of the management approach | 49 |
| 413-1 | Operation with local community engagement, impact assessments, and development programs | 40 |

DISCLOSURES ON MANAGEMENT APPROACH

103-1, 103-2, 103-3

Our Corporate Sustainability Policy which espouses the improvement of people's lives and futures through responsible growth and investments guides our following Management Approach:

ECONOMIC PERFORMANCE

Measuring our economic performance, both current and future, is critical to the evaluation of FPH. It is the means through which we can maximize shareholder value. We have a well-established accounting and budgeting system that allow us to track both actual and potential performance.

FPH's approach to manage its economic impact on its stakeholders aims to enhance positive impacts and avoid, mitigate or remediate risks. This is done through a cyclical process that involves (a) identifying FPH's long term growth targets and contributions of each subsidiary to the target, (b) developing and refining on a continuous basis the strategies, required resources and action plans to achieve the targets, (c) regularly identifying and quantifying risks and mitigants related to the strategies and action plans, (d) executing the action plans, (e) continuously monitoring results against targets and f) refining projected results given the actual data.

FPH financial results are summarized annually in consolidated financial statements which are prepared in compliance with Philippine Financial Reporting Standards. The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders of the Company. Independent auditors, appointed by the stockholders, examine the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing.

FPH adopted its Manual on Corporate Governance on January 1, 2003. Its most recent iteration was last July 31, 2014. It continues to evolve as part of management's on-going thrust to professionalize the operation and to promote synergy and sustainability between FPH and its subsidiaries.

There is no available statement on the intent of managing the impacts of the material aspects. However, the company views the management of material aspects as beyond regulatory compliance. It is an obligation of the Company to its stakeholders which is found in its by-laws and in its policies.

ENVIRONMENTAL PERFORMANCE 102-11

In line with the Philippine Constitution which provides for the right of every Filipino to a balanced and healthful ecology, FPH ensures that all of its subsidiaries protect the environment. The conglomerate complies with all environmental laws and regulations in the country and cooperates fully with the regulatory and enforcement agencies. It also supports relevant international conventions entered into by the Philippine government on natural resources management, biodiversity, waste management, health, safety and sustainable development.

We adopt the "Mitigation Hierarchy Principle" which prescribes the following action in order of importance: a) avoidance of activity to prevent potential adverse impacts; b) minimization of intensity and duration of adverse impacts; c) restoration to re-establish the system's composition, structure and function; and d) offset of residual adverse effects of the operation. To protect ecosystems, FPH also adopts the "Precautionary Principle" which prevents environmental degradation by ensuring that decisions on actions which may affect the environment are based on science.

We have established an Environmental Management System (EMS) which is aligned with the Philippine Environmental Impact Assessment System. We identify and assess environmental aspects and impacts of our operations and our other activities. Corresponding environmental management programs are installed to minimize or eliminate potential adverse impacts and enhance the potential positive impacts.

The projects and operating assets have assigned Compliance Officers and Pollution Control Officers to oversee the company's compliance with environmental standards, permit conditions and other relevant regulatory requirements. Major projects with permits issued by the Department of Environment and Natural Resources are monitored by a third party Multi-Partite Monitoring Team in addition to monitoring activities conducted by government regulators.

SOCIAL PERFORMANCE

FPH supports its internal and external stakeholders. Inside the business fence, we are committed to develop our most important asset—our people. In order to benefit from the rich experiences and expertise within the company, create a common culture across the organization and integrate various human resource systems, we focus on competencies that serve as the basis for hiring, training, managing performance and rewarding our employees.

We recognize the need for continuous development across all levels in the organization. FPH has a Training Policy that outlines the mechanics of the Training Enrollment and Participation as well as an Annual Performance Engagement Process and Development Plan so that every employee is empowered to take charge of his/her own development. The Plan identifies and tracks the competencies of employees. Our Human Resources Department conducts Employee Satisfaction Surveys regularly.

FPH complies with national labor laws and general labor standards required by the government as well as international labor conventions entered into by the Philippine government.

Beyond the business fence, we maintain harmonious relationships with our host communities and other stakeholders. We ensure that as our businesses progress, our host communities and other stakeholders progress with us. Our Corporate Social Responsibility (CSR) statement provides that we shall uphold the rights of our stakeholders and stresses our role as enablers of social development in our work areas and in the national development of our country. A unified CSR policy has been agreed upon by all FPH subsidiaries in 2017.

Our social initiatives and programs are guided by a CSR Council and are monitored through the submission of a Social Investment Report for comparability of units across the conglomerate. In 2017, this monitoring record was also aligned with the national indicators for the Sustainable Development Goals (SDGs) that have been approved by the Philippine President.

ACKNOWLEDGEMENT

We would like to thank the Sustainability Technical Working Groups (TWGs) of our subsidiaries for their dedication and hard work in completing the sustainability reporting process:

Asian Eye Institute
Energy Development Corporation
First Balfour Incorporated
First Gen Corporation
First Philippine Electric Corporation
First Philippine Industrial Park Incorporated
First Philippine Realty Corporation
Rockwell Land Corporation
ThermaPrime Drilling Corporation

For general inquiries on the 2017 FPH Sustainability Report, please contact:

Corporate Sustainability Group

Agnes C. de Jesus
Chief Sustainability Officer
dejesuac@energy.com.ph





An aerial photograph of a vast, dense forest with a rich green canopy. The trees are packed closely together, creating a textured, undulating surface of foliage. The lighting is even, highlighting the various shades of green from deep forest greens to lighter, sunlit areas.

FIRST PHILIPPINE HOLDINGS CORPORATION
6th Floor, Tower 3, Rockwell Business Center
Ortigas Avenue, Pasig 1604, Philippines
www.fphc.com