



# UA&P

## UNIVERSITY OF ASIA AND THE PACIFIC

### A. General Disclosures

The Energy Development Corporation (EDC) selected three experts in the fields of economics, environment, and society as members of the External Review Committee (ERC) to evaluate the Company's 2019 Integrated Report (IR). The primary role of the ERC is to assess the content and quality of the IR and its alignment with the Integrated Reporting <IR> Framework.

Due to the coronavirus disease 2019 (COVID-19) pandemic, the assurance process was conducted through online consultations with the Company's stakeholders and technical working group (TWG). The Company pre-selected the strategic business units (SBUs) to be included in the assurance. The TWG of the SBUs further presented their 2019 sustainability performance and invited relevant stakeholder groups that the ERC requested to interview.

EDC shouldered the expenses including the honorariums of the ERC members and the administrative support provided by the Center for Social Responsibility of the University of Asia and the Pacific (CSR-UA&P) as host of the external assurance.

### B. Level of Assurance and Methodology

The first IR of EDC covers the performance of the Company and its power facilities from January 1 to December 31, 2019. It was prepared in accordance with the <IR> Framework developed by the International Integrated Reporting Council (IIRC). To supplement the report, the Company also applied the GRI Standards: Comprehensive Option and the Electric Utilities (EU) Sector Disclosures.

The assurance process commenced with a virtual meeting last June 29, 2020 and ended upon the submission of the assurance statement last August 7, 2020. Below is the list of the SBUs included in the process along with the respective dates of the data presentation and stakeholder consultation.

STRATEGIC BUSINESS UNIT	DATE
Negros Island Geothermal Business Unit	July 17, 2020
Leyte Geothermal Business Unit	July 23, 2020
Head Office	July 23, 2020

The following observations, findings, and recommendations of the ERC were based on the review of the draft IR of EDC, the information and data provided by the Leyte and Negros business units, the feedback from the consultations with external stakeholders, and the insights from the interview with the heads of the SBUs and management of EDC.

Each member of the ERC prepared an individual management report on how EDC creates value on the natural, financial, manufactured, intellectual, human, and social capitals. The findings and recommendations focused on improving the compliance of the key results indicators on the various subject matters reported with the set criteria (i.e. relevance, completeness, reliability, neutrality, and understandability) of the IR. Thus, this assurance statement is a consolidation of the ERC members' individual management reports which were submitted on July 31, 2020.

The assurance statement of the ERC should not be construed as the views of the organizations where the ERC members belong nor that of UA&P. The same does not provide a guarantee of data and information accuracy, as well as an endorsement of the Company's approaches, strategies, and plans. The assurance process assumed that all data and information provided by the Company were complete and true.

### C. Observations and Findings

The disclosures in the IR and the validation meetings exhibit the consistency and alignment of EDC's strategies, activities, and impacts toward its thrust of "Forging Collaboration Pathways for a Decarbonized and Regenerative Future." The messages of the Chairman, Mr. Federico Lopez, and the President, Mr. Richard Tantoco, both provide succinct views of the rationale behind this thrust. The report of EDC highlights the key role that collaboration plays within and outside the organization to bring it to the next level of sustainability: to decarbonize and regenerate the future. This strategic theme will ultimately redound to the benefit of its capital providers by maximizing value creation from all invested inputs and sharing this prosperity within its sphere of influence.

Generally, the long track record of EDC in pioneering sustainable practices in the Philippines related to renewable energy and sustainability reporting using international standards was apparent during the validation meetings and in the IR. Reporting the financial, natural, manufactured, social, human, and intellectual impacts using the <IR> Framework and inter-phasing it with the GRI Standards, the United Nations Sustainable Development Goals (UN SDGs), and the United Nations Guiding Principles on Business and Human Rights (UNGP-BHR) was impressive, seamlessly done, and creatively presented. It gives the report a readily understandable, comprehensive, and relevant presentation of EDC's performance.

The report clearly establishes EDC bringing its sustainability principle and practices to a higher level, from compliance to standards and avoidance of bad practices to regeneration and de-carbonization initiatives. The interviews merely validated such practices supported through collaboration with like-minded stakeholders within its system of influence – the human capital: the communities, business partners, educational and livelihood beneficiaries, and local and national government units such as the Department of Environment and Natural Resources (DENR).

EDC's sincere and consistent promotion of sustainability principles using down-to-earth campaigns and approaches has won and appealed to many of its stakeholders. During the virtual meetings, many of them shared how EDC has helped them improve their life so much that they in turn became ambassadors of sustainability, transmitting the same principles and practices to their peers and colleagues. Former scholars are recruiting and raising funds to assist fellow scholars; businesses and entrepreneurs are pushing to have a choice on having their energy needs supplied from renewable sources; tree-planting projects have been adopted by many partners and fence-line community organizations; and different labor unions have come to closely partner with the corporation on its plans and projects.

While the IR touts EDC's accomplishments, it provided a balanced presentation of data as it also reported about the primary risks that can directly erode or destroy integrated system value creation especially for its most important inputs: the people who provide the human, social, and intellectual capitals for EDC. Nevertheless, the report is able to present the strategies to address the systemic risks with programs meant to avoid or mitigate its adverse impacts on value creation.

EDC's performance in 2019 showed more urgency and greater flexibility and leeway in business decision making and resource deployment, especially in addressing the havoc inflicted by a series of natural catastrophes on the corporation's facilities. Despite the extensive facility and infrastructure damages, EDC was able to mobilize and deploy resources immediately and put back online the damaged plants. In the end, they even managed to register heftier increases on output and profits over its 2018 performance. A long organizational learning curve and experience, more management flexibility from being a privately held company, and ready access to capital could all have played critical roles in transforming EDC into a more resilient organization.

The key indicators reported by EDC are deemed relevant, complete, reliable, neutral, and understandable. They are sufficient measurement of the values created for 2019. Some of

the measurements were done using external instruments (e.g. Employee Engagement Survey) and international protocols such as those of the International Union for Conservation of Nature (IUCN) for the determination of the conservation status of the native tree species, and the estimation of the greenhouse gas (GHG) emissions and carbon intensity. Some measurements were perceived to be reliable, such as water quality, surveys of native tree species, and management of hazardous and non-hazardous wastes, based on the individuals who were engaged in the process. There are also measurements, such as the monthly monitoring and wastes generation and the handling of hazardous wastes, that are collected by experts from the academe and duly accredited entities. Most of the measurements were based on datasets filed on records that are verifiable and accessible such as the amount of energy and water consumed, area reforested, and number of people trained. In this regard, the indicators and data presented are comparable with other energy companies in their Integrated Reports. The engagement of third party experts also helps in building the integrity of the data presented. The strong commitment of the Company towards sustainable development explains its willingness to use robust assessment methods regardless of costs as evidenced by its preference to use state-of-the-art devices and tools, and employ the services of respected expert individuals and groups.

The neutrality of measurements of values created by EDC was indicated by the participatory nature of the assessment processes employed and the objective use of robust and scientific methods and approaches. The choice of indicators of values created and the mode of its assessments were not subjectively driven by what is convenient, economical, and simple but were based on scientific studies and in adherence to recognized national and international standards. This is consistent with the strong resolve of the top management to invest beyond mere compliance with their legal obligations and to pursue genuine promotion of the sustainability of the environment and natural resources.

Furthermore, the data and information in the IR are understandable and clearly presented. The narratives are comprehensive in scope but brief in form. The use of graphs and pictures reinforces the content of the report. The layout of the report was also simple, uncluttered, and easy to navigate.

#### D. Recommendations

EDC has clearly met the criteria set in assessing the key indicators related to various subject matters presented in their IR. The lofty goal of EDC, to pursue its sustainable growth hand in hand with all its stakeholders, indicates that it is committed to building a renewable energy company that promotes sustainability of the environment and natural resources. The Company's actions are beyond self-interests as reflected by its accomplishments that exceed what is required by law. Hence, it is easy to see that EDC desires nothing less than an honest-to-goodness assessment of its progress in bringing about improvements in the environment and the quality of life of the local stakeholders.

EDC's performance has gone beyond the expectations of the ERC. Nevertheless, they put forward the following recommendations to contribute to the achievement of EDC's mission and vision:

1. Overall, the report comprehensively captured the environment of EDC, the risks and opportunities of the different business units, and the strategies adopted to minimize risks, achieve goals, and transform the different capital to measurable outcomes. Another matter that may be added to the report is the potential for renewable energy investment in the Philippines which can translate to possible opportunities for expansion of EDC in the future. The Company can also present its overall market share in terms of renewable energy in the country and the role of EDC in this overall context;
2. Regeneration should also include gradually weaning away livelihood organizations from their overdependence on EDC. In the beginning, it was natural for EDC to re-channel its local purchases to directly assist and jumpstart projects of the communities through their associations and farmer organizations. However, prolonged dependence on captured markets tends to stifle innovation and initiatives and therefore, limits the potentials of growth and development of these groups. While there were steps taken to increase the stake of such organizations through counterpart funding of projects and activities, the market potential and the learning possibilities from entrepreneurial ventures such as the multi-

awarded Baslig Cooperative can be expanded when these are exposed to real market forces. EDC can explore adjusting and extending some of its basic entrepreneurial curriculum, and training and mentoring programs to these organizations;

3. The report mentions the core principle, culture, and values of the Company. It will be helpful to have a broad discussion on how institutional culture was created, translated, and shared with internal stakeholders and upstream and downstream partners. Since EDC has embraced a systems and integrated approach to value creation, it may also want to consider incorporating into its corporate objectives aspects that are related to the creation of value through social relationships and perhaps even intellectual capitals. Most of the corporate objectives are focused on financials (i.e., maximize shareholder value, expand customer relationships, and sustainable profit growth), manufacturing or plant facilities (i.e., operational excellence), and human capitals (i.e., high performance organization);
4. While much of the on-ground operations especially of the geothermal plants are relatively manageable and can easily be manned, the technical aspects of below-the-ground activities such as exploration and drilling require highly specialized skills and extensive experience. These skills become even more necessary when much of the sustainable financial growth over the medium to long term will require more drillings and explorations within and outside the country. For EDC's geothermal operations to remain efficient, readily up and running after damages from natural calamities, expandable, and more value adding, it should capably develop such expertise organically rather than tap outsourced services. It is possible that EDC may already be preparing itself for such an eventuality with its budding efforts to institutionalize mentoring and coaching within the organization. If this is the case, the IR can spell out more concretely the corporation's plans on how it can ensure institutional learning and knowledge transmission within the organization over the long haul
5. The presentation of disaggregated indicators per major activity may be considered to provide additional insights on which activity should be more focused on in order to achieve

the value creation desired. This is especially relevant to the disaggregation of GHG emissions, energy consumption, carbon intensity, and wastes generated per major activity.

Disaggregation of data may also be considered per business unit as in the case of financial and human capital data. Human capital data may be disaggregated by age, gender, and type. Any human resource policy on gender and age should be reported as it contributes to the value creation of the Company. Moreover, the Company might consider increasing diversity in terms of gender in the boardroom.

Additional indicators that will enhance the evaluation of the progress in value creation may be taken into account. A case in point is the enhancement of the assessment of the progress of protection of the forests by estimating the total forest gains/losses in the watersheds where their project sites are located. Likewise, the measurement of the improvement in the quality of natural habitats may be made to assess more closely the values created through forest protection and greening projects; and

6. Where there is available information about the yearly measurements of indicators, the trend over a number of years should be consistently done to show how value creation is progressing through the years. Some indicators are time-sensitive, hence, consistency of the period of measurement is critical in year-to-year comparison of accomplishments.

Lastly, it will be useful to show progress in value creation on maps so that readers of the IR can appreciate the locational significance where efforts to create values are being made. Additional details on the description of the methods used to measure the accomplishments in value creation could also help in communicating the adherence of the various measurements with the criteria used to gauge its appropriateness.



**Dr. Cielo Magno, Ph.D.**

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Chair, External Review Committee for EDC IR 2019

Dr. Cielo Magno is an Assistant Professor in the University of the Philippines' School of Economics. She earned her Bachelor's and Master's degrees in economics from the University of the Philippines. As a Fulbright scholar, she earned her PhD in Law and Public Policy at Northeastern University in Boston. Her interests include public finance, institutional economics, natural resources, law, and public policy.

She is a board member and co-chair of the validation committee of the Extractive Industry Transparency Initiative (EITI). She is also a member of the Executive Session on Extractives Industries of Columbia University and a member of the advisory council of G7 CONNEX Initiative. Prior to being a member of the international EITI board, she coordinated Publish What You Pay Philippines and was a founding member of Extractive Industries Transparency Initiative (EITI) in the Philippines. She sits as a member of the board of various non-government organizations that promote good governance on natural resource management.



**Dr. Winston Conrad Padojinog, DBA**

President  
University of Asia & the Pacific

Dr. Winston Padojinog or Stan – an associate professor of industrial economics and strategic management – is the fourth (4th) President of the University of Asia and the Pacific (UA&P). Before being appointed as President, he occupied various positions in the university – from graduate staff member to the more recent ones of which are the School Secretary and Vice Dean of the School of Economics and the Dean of the School of Management.

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 makes him a sought-after expert and consultant by industry associations, policy makers, and companies for their industry policy, corporate strategy, business sustainability, and governance requirements. He is frequently invited to speak in international and local forums to discuss issues related to competitive strategy, leadership, business sustainability, and industry-based policies. Since 2011, he has served as a member of the External Review Committee of various companies that pioneered and subjected their sustainability reports for external assessment.

Dr. Padojinog has a seat in the board of non-government organizations (NGOs) that promote good governance and education for the less privileged. He is a founding member of the Center for School Governance—an NGO aimed at promoting

good governance in universities and colleges. He is also a board member of the Center for Research and Communication Foundation, Inc.—a think tank that promotes an enlightened private and public sector that should work for economic and business policies that bring about inclusive growth and development; and the Jose Jon Tiamsuy Foundation that extends scholarships to deserving students in schools in Iloilo City.



**Professor Rex Victor Cruz, Ph.D.**

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Rex Victor O. Cruz, PhD is a full professor at the University of the Philippines Los Baños (UPLB) College of Forestry and Natural Resources (CFNR). He obtained his bachelor and masteral degrees in forestry at UPLB and his doctoral degree in watershed management at the University of Arizona. He is a former Director of the Forestry Development Center, a policy research and development center (1995–2001), Dean of UPLB CFNR (2007–2011), and Chancellor of UPLB (2011–2014). Currently, he is a National Academy of Science and Technology Academician. He is also a member of the National Pool of Technical Experts of the Climate Change Commission, member of the People Survival Fund Board, and outgoing member of the Board of Directors of the Asia-Pacific Forestry Network for Sustainable Forest Management and Rehabilitation (APFNet). He was a member of the United Nations Intergovernmental Panel on Climate Change (IPCC) in 1992–1995; 1997–2000; and 2004–2007.