

Assurance Statement of the External Review Committee



UA&P
UNIVERSITY OF ASIA AND THE PACIFIC

A. General Disclosure

An External Review Committee (ERC) has been engaged to conduct the external assurance of the 2018 Sustainability Report (SR) of the Energy Development Corporation (EDC). Three experts from various fields of specialization – economics, environment, society – comprised the ERC that reviewed EDC's 2018 SR. The SR covers EDC's Philippine operations from the period January 1 to December 31, 2018. The University of Asia and the Pacific- Center for Social Responsibility (UA&P-CSR) served as host to this year's ERC. The role of the ERC is to verify EDC's disclosures in the 2018 SR and its alignment to the Global Reporting Initiative (GRI) standards. In addition, after a thorough review, the ERC provides recommendations with the intent of assisting EDC on how it can enhance its report content and quality.

The output of the assurance review process of the SR 2018 is intended for senior management, company, shareholders, creditors, and other parties interested in knowing the impacts of EDC's economic, social, and environmental performance vis-à-vis its stakeholders' reasonable expectations. EDC shouldered the expenses for the site visits including the honoraria of the ERC members and the support provided by CSR- UA&P. The company pre-selected the stakeholders who were interviewed and the sites visited, and provided and presented the data and information during the review process when requested by the ERC.

B. Level of Assurance

The assurance process is limited by the scope defined in the Content Index of the 2018 SR and by the integrity and accuracy of the data and information provided during site visits, stakeholder interviews and presentations. The ERC members have considered that the data and information presented by EDC during the assurance process were accurate and true. Historical data were also presented and reasons for variance were explained. The ERC agreed to visit the geothermal sites in Kidapawan, Leyte, Valencia and the corporate headquarters in Pasig City. The assurance process lasted from February 1, 2019 until April 15, 2019 upon the receipt of EDC of the assurance statement.

It should be noted that EDC has presented an integrated report by combining its sustainability performance data with the usual disclosures required by annual reporting. The validation process was based solely on pertinent disclosures related to the GRI reporting Standards and does not extend beyond such data or information. The ERC's statement should not be construed as the views of the organizations to which the ERC members are affiliated, or that of UA&P-CSR nor does it provide a guarantee of the accuracy of the data and information as well as an endorsement of EDC's approaches, strategies, and core beliefs.

C. Methodology

The ERC members individually evaluated the data provided by the different EDC teams. The project team met with the management groups of the business units in Kidapawan, Leyte and Valencia and the different stakeholders in the host communities from March 12 to 15, 2019. The team was able to gather additional data from the fieldwork and focus group discussions conducted. The ERC members also met with top level officials, the management team, members of the

Sustainability Reporting Technical Working Group (TWG), and other EDC key personnel on March 27, 2019. Each member of the ERC prepared an individual assessment of all the information using the respective Global Reporting Initiative (GRI) Standard assigned to them, making this assurance statement a consolidation of all these individual assessments. All management reports and the consolidated assurance statement were submitted on April 10, 2019.

D. Findings

The following observations were collected after conducting a review and validation of EDC's 2018 SR implemented through review of data, focus group discussions with different stakeholders, and interviews with EDC officials and management. The assurance statement applied the GRI Reporting Principles including the Economic, Social, and Environmental standards subject to limitations and scopes defined in the SR's Content Index.

- The company's relationship with its stakeholders including its partners, employees, and host communities' manifests inclusivity anchored on strong showing of trust and engagement by top management. Mechanisms for dialogues, grievances, and consultations are in place to maintain open and dynamic communication between the company and its stakeholders.
- EDC's social and environmental programs are evidence that its mission is not only to sustain stakeholder support but also to create sustainable communities that are self-reliant, empowered, and knowledgeable. EDC's programs for environmental conservation and protection involves capacity building opportunities, value formation, and livelihood support to its host communities. It is also extensively investing on skills development through its CAREERS and KEITECH programs. All these manifest EDC's commitment to people and the planet, not just profits.
- EDC's social and environmental commitment is seen through its strong policies on procurement that involve the strict screening of suppliers and contractors. The company's accreditation process guarantees the suppliers' agreement to abide by the laws, rules and regulations, and EDC-established standards pertaining to environment, health, safety, and other applicable laws.
- Protecting the environment is a major part of EDC's key operating principles especially when dealing with stakeholders, keeping in mind that the business can only thrive if the communities and nature both prosper. EDC focuses on the protection, conservation, development, and enhancement of natural resources within its areas of operation and vicinities to maintain ecological balance and the sustainability of its geothermal operations.
- With climate change, water has become one of the most valuable resources on the planet. EDC's disclosure on raw materials reveals that water is the major natural resource-based material used mainly for power plant operations, and occasionally for geothermal well drilling. Water is also utilized for laboratory activities and domestic use. It is internally sourced from EDC's well-managed watershed and is also renewable. Water withdrawal, which is mostly from surface water source, is minimal due to EDC's water management programs that include geothermal fluid reinjection, water withdrawal monitoring, recycling of drilling water, treatment of domestic waste water, and effluent and ambient water quality monitoring, among others. The company's effective and sustainable water management programs resulted in insignificant negative impacts on the natural resource-base, which has also ensured continuous supply of clean and potable water for the local communities within and outside its areas of operation.
- Watershed management and biodiversity conservation were the most notable disclosures in EDC's environmental performance report. A big portion (65,000 ha) of EDC's operations is located in protected areas with highly diverse ecosystems and impoverished upland communities. Considering that its power generation business is dependent on the health and stability of watershed resources, the company has implemented a robust watershed management program geared towards mitigating the negative impacts of geothermal operations on watershed resources, particularly on

biodiversity. This is also coupled with programs promoting the participation and livelihood of the local communities.

- EDC's greenhouse gas (GHG) inventory, as disclosed, is in accordance with the Kyoto Protocol and was determined using the process recommended by the Intergovernmental Panel on Climate Change (IPCC). The company's GHG emission intensity is at a continuously decreasing trend and is expected to further drop as a result of the company's effective carbon reduction program.
- Disclosures on effluents and wastes management revealed that the full integration and adoption of Environmental Management System (EMS – ISO14001) in all its geothermal facilities has enhanced EDC's environmental controls and waste management. Its pollution prevention program has mitigated the negative impacts of its operations to the environment and communities within the vicinities of its geothermal sites. Wastes and/or effluents were managed from generation on-site to disposals. EDC has also implemented substantial measures to reduce the amount of hazardous wastes the company generates, including the adjustment and improvement of its processes and the more careful and stricter selection and use of raw materials. This resulted in a significant reduction (92.98%) of its hazardous and non-hazardous waste generation from the 2017 base year.
- EDC has been compliant with environmental laws in all of its geothermal-related operations, satisfying the necessary documents and measures required by government authorities, particularly by the Department of Environment and Natural Resources (DENR). Its quarterly wastes monitoring and report submission is accomplished by DENR-accredited Pollution Control Officers. Hazardous wastes are also transported, treated, and disposed by duly DENR-recognized entities. EDC's power generation operations are guided by the provisions of the Clean Air Act of 1999 or the Republic Act (RA) 8749, Clean Water Act of 2004 (RA 9275), and other laws related to environmental conservation and protection. Tree cutting permits are also secured from DENR as part of its forest restoration and protection activities in the watershed.
- EDC is one of the geothermal companies that are nationally and globally recognized for environmental-compliant and science-based best practices on environmental conservation and protection. The company's commitment in further improving its geothermal operations with the use of clean, low carbon renewable energy generation that has the least, if not zero, negative impacts on the environment is manifested in the local communities within the EDC geothermal areas and vicinities. The sustainability and protection of the ecosystems and natural resources in these local communities is crucial in supporting and providing for the livelihood of the local communities.

The process of environmental monitoring and evaluation to determine the impacts of EDC's geothermal operations can be expanded through a wider watershed landscape approach by adopting the "ridge-to-reef" method. This will establish a higher level of confidence in terms of looking at environmental impacts over the whole catena of the watershed from upland, agricultural, urban, to coastal and marine ecosystems. This further emphasizes the need to put in place more comprehensive environmental monitoring systems. It is also advised to discuss in the Report available information on GHG emissions of other Business Units (BUs), to provide a full-blown view of the entire EDC geothermal GHG emissions situation.

- EDC is very well at the forefront of sustainability conversations. The commitment of its leaders is key and a strong driver in ensuring that sustainability cuts across the entire organization and its employees. The company's programs and business functions seek to align itself to achieve shared goals and shared values. Considering its capacity, EDC has both the opportunity and challenge to lead the national discourse and lobby to our leaders the hard but critical decisions that will ensure the country a more sustainable future.
- Based on the information presented and the discussion with the different stakeholders of EDC including key management, local officials, and host communities, the assurance team concluded that the transparency and accountability practices and operations of EDC are in line with the reporting principles of the GRI. The information presented are timely, balanced, evidence-based, and accessible to different stakeholders. EDC also discussed both the

positive and negative trends as well as the challenges and risks in its operations. The 2018 SR is in itself, and the process of validation manifest the company's value for integrity and transparency and more importantly, its commitment to contribute to sustainable development.

E. Recommendations

EDC has clearly met and has gone beyond the requirements of the GRI Standards. The ERC puts forward the following recommendations recognizing the significant role that EDC plays at the community level, and its huge potential to contribute to sustainable development.

- **Strengthen engagement with government.** Strong engagement with government is twofold. First, there is potential for EDC to contribute to the improvement of governance at the local level. This engagement can focus on building the capacity of the local bureaucracy particularly on investment and economic planning, land use, environmental management, procurement, and sustainability, which are EDC's core strengths already. Second, EDC's investment on education can also include aiding in the formulation and/or enhancement of the local governments' education agenda. Moreover, coordination with education agencies and local governments can also help in producing and implementing a comprehensive local education agenda for the local government units.
- **Establish inclusive short-term and long-term community planning.** EDC already has a well-established participatory process of planning with the communities in its areas of operation. This can be further enhanced with regular information dissemination of the market risks that the company is facing. Through this, the communities will be given enough time to anticipate and ultimately, cope with the effects of operational downturns on the amount of EDC's support to these communities. This applies to suppliers as well given that some of them may be largely or totally dependent on EDC's operations. The CSR framework can also be improved if a process is established for stakeholders to be able to weigh in on the environment and education components. EDC can broaden its environmental and social analysis by looking into the future state of the communities and the environment in terms of its impacts on land use planning, waste management, community organizing, and economic development, among others.
- **Expand labor and employee welfare practices.** The company can further improve its support to employees by creating opportunities for part-time engagement after retirement, and/or programs that can prepare them for life after EDC especially those that were affected by the Manpower Reduction Program. It may also be an advantage for EDC to consider increasing the number of indigenous peoples working for the company and possibly explore other definitions of diversity aside from IP representation and gender.
- **Invest in strategic social and environmental activities.** In all the areas visited during the assurance process, it was observed that all stakeholders, including local governments, are highly dependent on EDC for revenue and support. Hence, investments and corporate social responsibility at the local level can also focus on developing and supporting other economic activities (e.g., tourism) that have huge potential to generate employment and income. This will increase the resilience of local governments and households by reducing their dependence on EDC and by enabling them to contribute to diversification of economic activities.
- **Increase capacity-building programs.** The ERC recognizes EDC's effort to impart to its employees and communities the strong principles against corruption. EDC can expand the scope of its training and discussion by including the principles of good governance, citizenship, business, and human rights.
- **Green supply chain.** The company has already started the greening of the supply chain in Leyte. EDC can also consider applying such practice in the other business units in all areas where it is operating.

External Review Committee



Dr. Cielo Magno, Ph.D.

Assistant Professor, School of Economics
University of the Philippines in Diliman
Chair, External Review Committee for EDC SR 2018

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 of the Extractive Industry Transparency Initiative (EITI) and the Natural Resources Governance Institute (NRGI). She is also a member of the Executive Session on Extractives Industries of Columbia University. 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 also sits as member of the board of various non-government organizations that promote good governance on natural resource management.

Dr. Eduardo Olivas Mangaoang, Ph.D.

Professor and Director
Regional Climate Change and Development Center
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Dr. Eduardo Olivas Mangaoang or Ed – a University Professor of Forest Resources Management – is the 1st Director of the Regional Climate Change Research and Development Center (RCCRDC) of the Visayas State University. He also occupied various positions in the university prior to his appointment as Center Director – from Head of the Department of Forest Science to being the 1st Dean of the College of Forestry and Environmental Science. He was instrumental in the establishment of the RCCRDC and the university's Tree Clonal Nursery and Training Facility.



He lectures and conducts researches in the fields of forest management, forest economics and finance, community forestry and agroforestry, and more recently on climate change. Dr. Mangaoang is also a prolific writer who was able to publish research papers and articles particularly on smallholder forestry, in nationally and internationally recognized refereed

journals. He also serves as consultant of various local governments, non-government and private organizations, and international development agencies in the fields of forestry and environment. He also served as Member of the Board of Directors of the Philippine Agroforestry Education and Research Network (PAFERN) for almost a decade.

His track record in instruction, research and extension has given him recognition and awards – 2018 Presidential Lingkod Bayan Award on Environment, PARRFI Professorial Chair Award, Polytechnic University of the Philippines Outstanding Alumnus Award, and Darwin Initiative Fellowship Award, to name a few.



Mr. Rey Laguda

Executive Director
Philippine Business for Social Progress (PBSP)

Mr. Reynaldo Laguda is the Executive Director of Philippine Business for Social Progress (PBSP), one of the largest non-government organizations in the Philippines today. PBSP is a corporate led-NGO that aims to promote business sector's role in poverty reduction and human development. He brings with him more than two decades of experience across the development, corporate and government sectors.



Prior to joining PBSP, he served in the Department of Education from 2010-2016 initially as an Assistant Secretary and oversaw the Office of the Secretary as Chief of Staff. He was instrumental in expanding the ICT programs that strengthened the computerization of schools and offices, transformed the information systems of the largest bureaucracy, and institutionalized DepEd's presence in social media. He also led the expansion of DepEd's role in Disaster Risk Reduction and Management and the agenda of having safe schools. He is a strong advocate of reforms in public education finance and governance and served his final year at the Department as Undersecretary for Finance and Administration.

His career in the private sector has provided him with invaluable experience in Human Resources and Organization Development, Community and Government Relations, Public Affairs, and Operations for various companies in the manufacturing, services and power generation industries. He worked as a consultant for several years that allowed him the opportunity to work with various companies across the Asia Pacific region. He also worked in the non-profit sector for several years immediately after graduating from university.

He holds a Master in Business Management, major in Finance, from the Asian Institute of Management (2000). He finished his Bachelor's degree in Psychology from the Ateneo de Manila University (1993).