



The future of business

Sustainability. Development. Impact.
PwC MAP 2019 CEO Survey

133 CEOs

127 survey respondents
8 face-to-face interviews*

** Two interviewees also answered the survey, and two interviewees are co-founders*

80%

expect to change their production/service model in the next three to five years to promote more sustainable practices

33%

have formal plans to fully transition their business to having a circular business model



A message from the MAP President

Rizalina “Riza” G. Mantaring
President, Management Association of the Philippines (MAP)



With the theme “The Future of Business: Sustainability. Development. Impact.”, the 10 September 2019 MAP International CEO Conference focuses on the playing ground for competitiveness and sustainability in the future, which is in the arena of doing good, not just looking good; in purpose, not just profits; in driving social change, not just shareholder value.

The MAP Conference has become one of the biggest business events in the country. Last year, the Conference drew about 700 delegates and was live-streamed to over 2,500 students and teachers nationwide as speakers from around the globe tackled the theme “From Programs to Platforms: Business in the Age of Disruptions.”

The MAP International CEO Conference continues to serve as a premier venue for bringing together business leaders from various fields to share insights and experiences, to establish stronger business and social linkages, and to imbue business leaders with the passion and know-how to remain competitive in a highly globalized environment.

With this year’s Conference, the MAP hopes to drive important conversations in the Philippine business community by introducing innovative and breakthrough ideas from leading global speakers.

The MAP is, once again, grateful to work with the Isla Lipana & Co./PwC Philippines for the fifth of a series of annual CEO surveys in the Philippines being conducted by the latter which are envisioned to benchmark the changes in how CEOs think, react and innovate.

Many thanks to Isla Lipana & Co./PwC Philippines for serving as our Knowledge Partner, once again, for the 10 September 2019 MAP International CEO Conference.

We would also like to thank all MAP members and other executives from the Philippine business community who participated in the Survey.

The MAP Conference and the Survey results will hopefully provide insights and jumpstart discussions that will help in expanding the arsenal of strategies and options available for business leaders to survive the Fourth Industrial Revolution.

A handwritten signature in black ink, appearing to be 'Riza' followed by a stylized surname, written on a light-colored background.

A message from the PwC Philippines Chairman

Atty. Alexander B. Cabrera

Chairman and Senior Partner, Isla Lipana & Co./PwC Philippines



A profitable business is not necessarily good business if it does not lead to “good” growth, which is sustainable and empathetic. Climate change, environmental damage, income inequality, depleting resources, inefficient production, and apathy – these are some of the serious issues that we, as business leaders, need to address.

This year, we asked our leaders to step back, and look at how they’re doing their business. Nowadays, profitability and sustainability are no longer mutually exclusive.

It is comforting that the number of CEOs who use sustainable practices in their companies is growing. While most are still using the traditional practices related to energy use and recycling, a good number have plans of shifting to a circular business model.

While incorporating sustainability in one’s business is not that easy, our CEOs agree that our country’s top problems such as rapid urbanization, environmental issues, and ecosystem degradation should push the companies to adopt sustainable practices.

I’d like to thank the 127 CEOs who have shared their insights with us. I am also extremely grateful to the eight CEOs who have shared how they are integrating sustainability not only in their business, but also in their lives.

We are once again honored to serve as the Management Association of the Philippines’ Knowledge Partner for its 17th International CEO Conference. This is our fifth CEO survey with the MAP, and we are grateful for the continued trust and opportunity.

We hope that the stories in this report will inspire business leaders to look beyond revenues and profits. Creating impact, touching lives, developing communities – these should not just be part of our corporate responsibility activities. Sustainability should be embedded in all of our business activities and decisions.





A Philippine CEO Survey

Traditional business models use linear methods of production and consumption, which are unsustainable. According to the United Nations' Sustainability Development Goals statistics, we will need almost three planets to provide the natural resources needed should the global population reach 9.6bn by 2050. In the past decade, the world lost over 3m hectares of forest areas. Climate change, poverty, lack of access to education, environmental damage, and inefficient production and consumption are some of the concerns that keep CEOs awake at night.

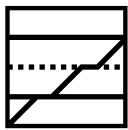
In line with the theme of the 17th MAP CEO Conference, “The Future of Business: Sustainability. Development. Impact.”, we asked the CEOs about their views on sustainability and the changes that they need to make to address the issues that we are facing. This year, we are also featuring the stories of leaders who integrate sustainability in their business strategies and decisions.

According to the CEOs, urbanization, environmental issues, and ecosystem degradation are the top concerns in the Philippines that should drive the companies

to transition to a circular business model. While most CEOs expect to adopt more sustainable practices, they are hindered by high transition costs and inadequate technology.

We hope that this report will encourage the leaders from both the private and public sectors to work together in achieving our sustainable development goals.

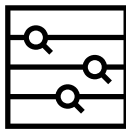
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From 1996's Philippine Agenda 21 to 2019's Green Forest

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CEO Pulse

The Philippines' CEOs' thoughts on the country's economy

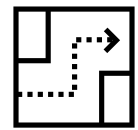
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Sustainability

How the CEOs are addressing the current sustainability-related issues

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CEO agenda

Sustainability initiatives should no longer be treated as independent side projects within the companies – sustainability should be embedded in a company's DNA

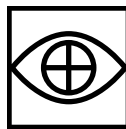
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Other data

Other information in the data gathering for this report

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Research methodology

The survey was conducted by PwC Philippines in collaboration with MAP

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Acknowledgements

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Notable sustainability projects in the Philippines

1990s

1996 Philippine Agenda 21 National Agenda for Sustainable Development for the 21st Century

The goal of PA21 is to establish economic and governmental policies, and integrate sustainable development into the governance framework of the Philippines.

1997 Agriculture and Fisheries Modernization Act of 1997

Such act implements processes that will modernize and increase the profitability of the agriculture and fisheries sectors, and will also address the challenges of globalization.

1999 Clean Air Act of 1999

It outlines the government's measures to reduce air pollution and incorporate environmental protection into its development plans.

Bantay Kalikasan

ABS-CBN Lingkod Kapamilya Foundation Inc. created Bantay Kalikasan (Nature Watch) to serve as a catalyst in addressing the worsening state of the Philippine environment.

2000s

2007 Metro Pacific Investment Corp.'s (MPIC) "Shore It Up" Environmental Program

MPIC's program is an initiative to develop collaboration efforts with municipalities in maintaining and protecting ecosystems in coastal areas.

2007 Pantawid Pamilyang Pilipino Program (4Ps) aims to eradicate poverty

The human development program is focusing on providing support related to education and healthcare to the poor (especially the children aged 0-18) by giving cash grants to its beneficiaries.

2009 EDC starts their sustainability flagship program BINHI Greening Legacy

Vast greening program BINHI captures 3.96m tons of carbon dioxide each year and saves threatened native tree species and denuded forests.

Passage of Philippine Cooperative Code of the Philippines

To collectively reduce poverty, the State incentivizes the creation of cooperatives in the Philippines by providing a favorable business environment.

2010s

2011 The Philippines' Poverty Environment Initiative addresses poverty and environmental impact (2011-2012) Phase 1 and (2013-2015) Phase 2

The initiative concentrates on poverty reduction and sustainable development. This is possible through proper and sustainable management of natural resources and integration of pro-poor agenda and environmental concerns into development planning.

2012 Aklan LGU passed Ordinance No. 386

Ordinance No. 386 controls the usage of plastics and eliminates the use of styrofoam/styropor in the entire province, including Boracay.

United Nations Development Program (UNDP) establishes Time Critical Debris Management Project for Typhoon Pablo

The project supports the integration of debris management into disaster preparedness measures, livelihood and skills development activities, as well as solid waste management.

2014 Mitigation of Toxic and Hazardous Waste Contamination in Urban Areas: Supporting Inclusive Growth

Government agencies and communities in certain urban areas in the Philippines and Indonesia will be handed industrial pollution-focused technical assistance.

2015 Advanced sustainable consumption and production

A PHP153.9m project that plans to reduce greenhouse gas emission by promoting policy frameworks, providing incentives for producing more green goods, moving towards low-carbon economy through procurement policy, and moving towards low-carbon economy through specific standards.

United Nations backs the new 15-year poverty and climate solutions

Through a 17-point plan, sustainable development for the people and the planet for 2030 has been set by international leaders.

Launch of UNISDR Private Sector Alliance for Disaster Resilient Societies, ARISE

ARISE supports the implementation of the Sendai Framework for Disaster Risk Reduction which was adopted in March, 2015, at a UN World Conference in Sendai, Japan.

2016 Indigenous Peoples and Local Communities' Conserved Areas and Territories

The Department of Environmental and Natural Resources principally pushes conservation and protection of key biodiversity areas in the country by establishing conserved areas and territories.

2017 Ayala rolls out an aggressive greenhouse gas reduction plan

Targeting a carbon neutral status by 2022, the lifestyle conglomerate exerts efforts in reducing its greenhouse gas emissions.

The Philippine Center for Environmental Protection and Sustainable Development, Inc. (PCEPSDI) starts the assessment phase of transforming tourism value chains

This NGO initiative will lessen the greenhouse gas emissions and improve resource efficiency in key tourism sector value chains.

President Rodrigo Duterte signed the Tax Reform for Acceleration and Inclusion Act (TRAIN) into law

The law provides income tax cuts for majority of the Filipino taxpayers, and raises additional funds to help support the government's *Build, Build, Build* and social services programs.

San Miguel Corporation (SMC) launches "Water for All" project

This project is targeted at reducing SMC's water consumption in its business operations to contribute in lessening the domestic use of water.

Launch of the National Resilience Council

The NRC enables both the government and the private sector to work together in making the country resilient to disasters. Specifically, it has focused on one of the seven Global Targets of the Sendai Framework: To substantially reduce the number of affected people globally from disasters by 2030.

2018 The Department of Science and Technology (DOST) researchers invented a green starch-based plastic technology

Researchers at the Industrial Technology Development Institute (ITDI) developed the first biodegradable plastic material substitute in the Philippines.

DENR supports Aklan's Ordinance No. 386

The ordinance penalizes the use of disposable plastic items by accommodation businesses in Boracay and other parts of Aklan.

Solar Philippines' "Solar para sa Bayan" Initiative

The initiative will provide better access to electricity to all Filipinos, especially to areas poorly served, at a cheaper price by 2022.

Boracay closure and redevelopment

Boracay was closed for six months for its rehabilitation.

2019 Globe launches GCash Forest

Through the GCash app, consumers can use "green" points—earned from environment-friendly practices—to plant and grow a tree on selected Philippine forests.

SEC Memorandum Circular No. 4, series of 2019 (Sustainability Reporting Guidelines for Publicly Listed Companies)

SEC sets a "comply or explain" memorandum for publicly listed entities to submit an annual sustainability report starting 2020.

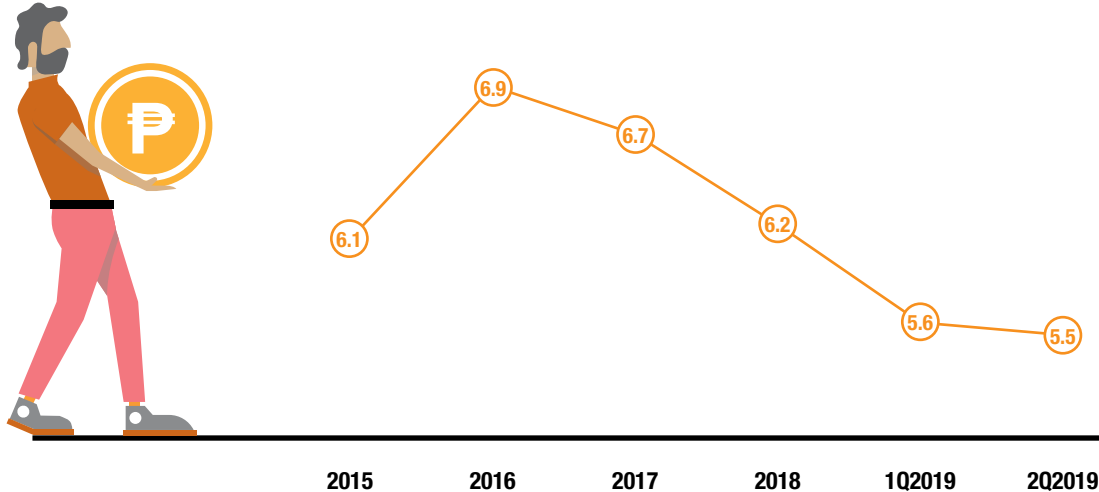
SEC adopts global ASEAN social bonds' standards

SEC Memorandum Circular No. 8 and No. 9 Series of 2019 guidelines are expected to help sustainable company initiatives to lure global investors.



CEO Pulse

The Philippines' Real GDP Growth Rate (%)

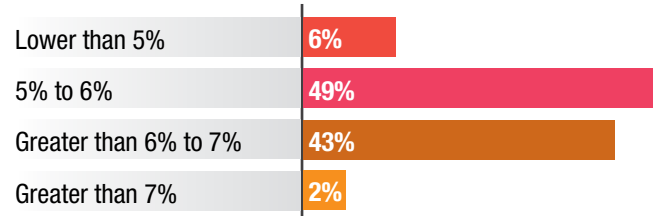


Source: Bangko Sentral ng Pilipinas

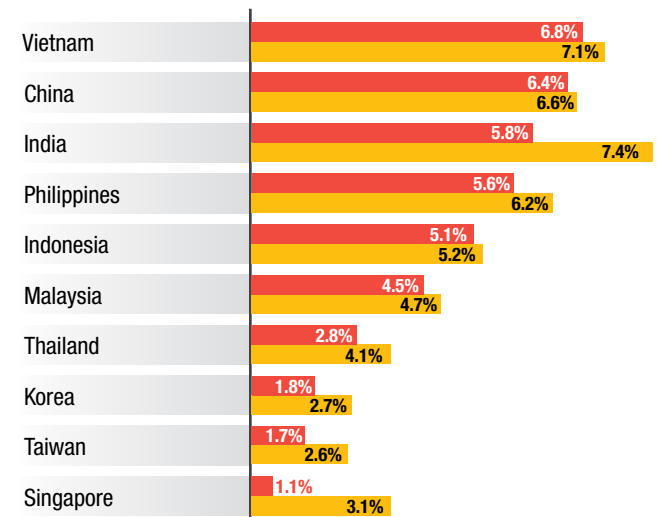
The Philippines had a challenging first half because of the delayed passage of the 2019 national budget, negative impact of El Niño on agriculture, and the construction ban during the election period. Such factors resulted in a GDP growth rate of 5.5% in the second quarter of 2019, the lowest since the 5.0% growth rate in the first quarter of 2015. While falling below the government's target growth rate of 6.0% to 7.0%, the Philippines remains ahead of its neighbors such as Malaysia, Thailand, Korea, Taiwan and Singapore. The Philippines' growing consumption and services sector helped minimize the negative impact of the delayed government spending, helping the country maintain a faster growth rate than the other Asian countries.

With the challenges faced by the economy, 49% of our CEOs say that the full year 2019 GDP growth rate will just be between 5.0% to 6.0%. Forty-three (43%) percent of the CEOs, however, still believe that we will hit the set target growth of 6.0% to 7.0%. To achieve this, the economy will need to grow by 6.4% in the second half of the year. Possible initiatives to help accelerate growth in the remaining months include the spending catch-up, which the government is currently reviewing.

Q: What do you think is the likely PH GDP growth rate for 2019?



Real GDP growth rates of selected Asian countries



Source: Bangko Sentral ng Pilipinas

1Q2019
2018

Q: How confident are you that your organization's revenue growth prospects over the next 12 months would be better than that of your industry?



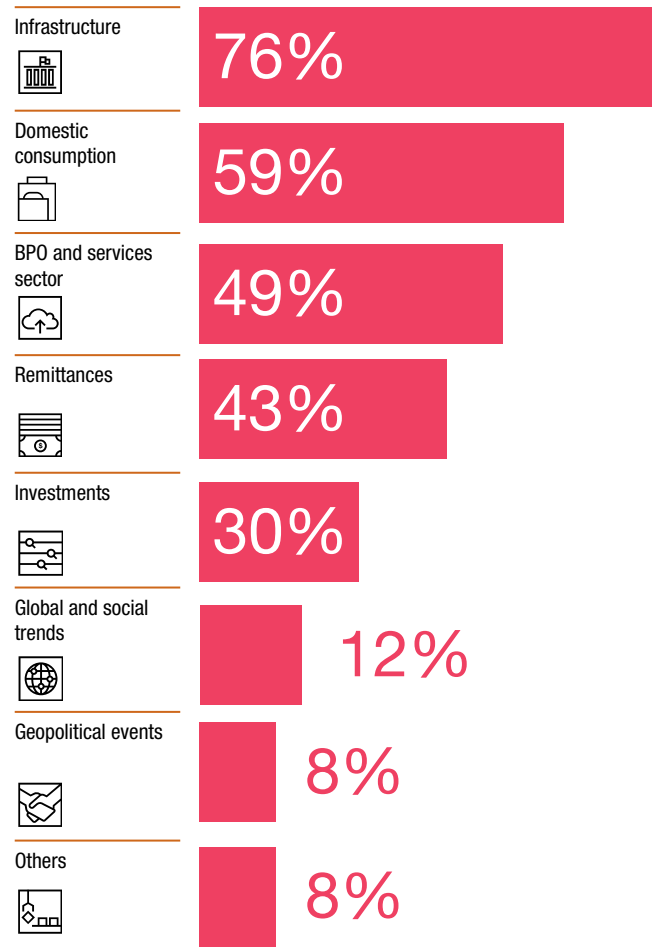
Similar to the responses in 2018, our CEOs believe that infrastructure, domestic consumption, and business process outsourcing and services will drive our country's growth.

Despite the slower economic growth, our CEOs remain optimistic with 88% saying that they are confident with their organizations' revenue growth prospects over the next 12 months. The expected reforms such as the Corporate Income Tax and Incentives Reform Act that will gradually lower the corporate income tax rate from 30% to 20% over a ten-year period as well as the ongoing initiatives such as the *Build, Build, Build* program continue to boost optimism in the business community.

We have been asking our CEOs about their growth prospects outside the Philippines. In spite of the ongoing trade war between the United States and China, most of our CEOs have identified these countries as the most important ones for their growth in the next 12 months. Such findings, however, are different from the results of our 2017 and 2018 surveys, where our CEOs identified Singapore, Indonesia, and Vietnam as the most relevant countries.

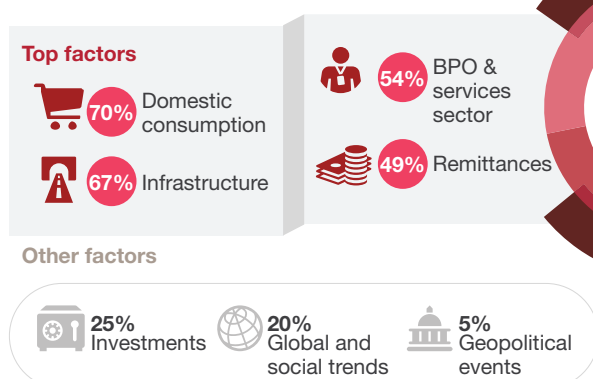
While trade tensions between the United States and China have been growing, the impact on Asia is so far negligible. As confirmed by the Asian Development Bank's report *The impact of the trade war on the rest of Asia*, the net effect of the trade war on the GDP growth rates of the Philippines, Malaysia,

Q: What do you think will be the key growth drivers of the Philippine economy in 2019?



2018 results

Q: Do you believe that the Philippine economic growth in 2018 will exceed the average economic growth in ASEAN?

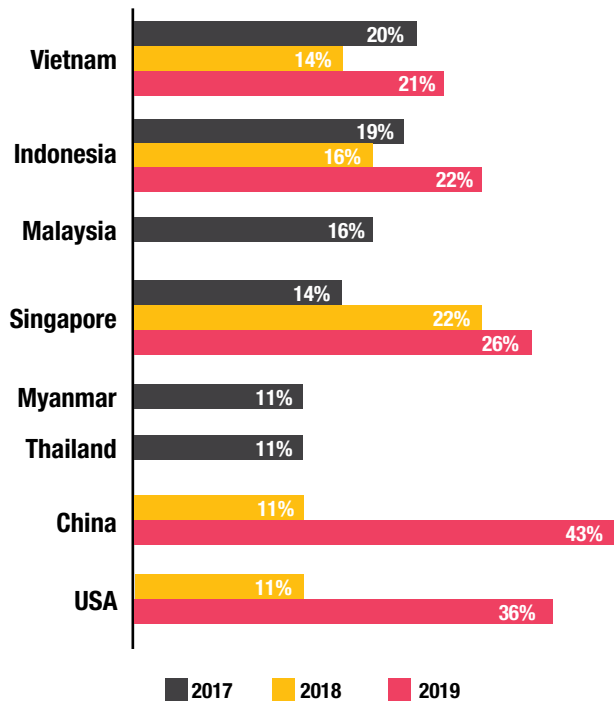


Q: How confident are you that your organization's revenue growth prospects over the next 12 months would be better than that of your industry?

48%
Somewhat
Confident

41%
Very
Confident

Q: Which of the following countries do you consider most important for your company's overall growth?



Singapore, and Thailand, will just be between 0.1 and 0.2 percentage points. In fact, some experts say that Asian countries may benefit from the trade war because US imports will be redirected from China to other Asian countries.

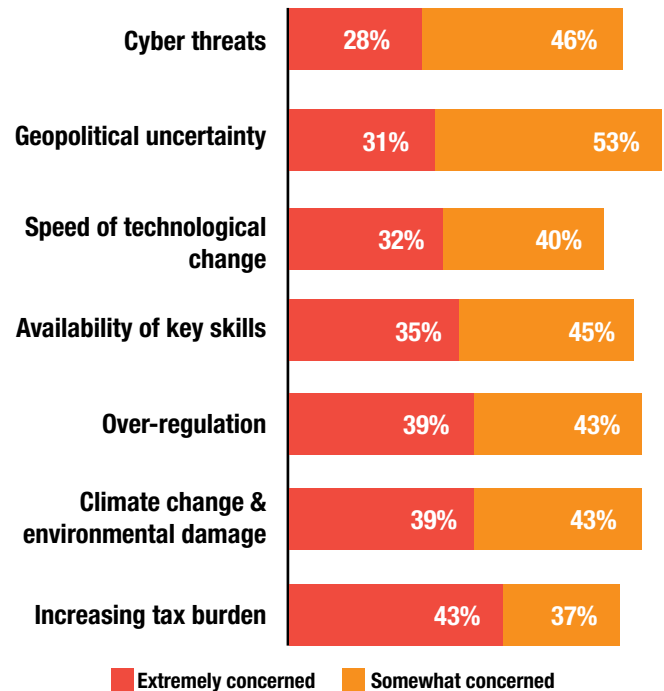
The Philippines' improving relations with China have a positive impact on our CEOs' responses. The stronger ties between the two countries, driven by both countries' leaders, are helping facilitate economic deals and business collaborations. Recent collaborations include the partnership between China Telecom and Udenna Corporation for the third telco slot.

The CEOs' confidence on their revenue prospects is evident because only a few are extremely concerned with the identified threats. This year, the CEOs are paying more attention to what's happening to the government as well as the environment.

Geopolitical uncertainty tops our list of CEOs' concerns because of the regular news about trade conflicts and shifting alliances. The government's push for reforms and new policies, however, may be worrying the CEOs because 82% identify over-regulation as one of the top threats to their business.

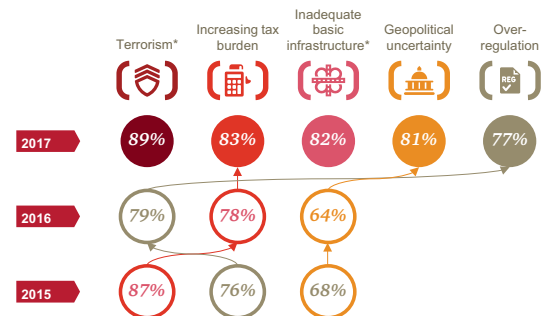
In our past surveys, CEOs were mostly concerned with issues related to policies and terrorism. This year, CEOs are acknowledging that climate change and environmental damage are serious problems that we need to face.

Q: How concerned are you, if at all, about each of these potential economic, policy, social, environmental, and business threats to your organization's growth prospects?



2015-2017 top five threats

Question: How concerned are you about the following potential economic, policy, social and environmental threats to your company's growth prospects?





Sustainability

The United Nations reported that 8.6% of the 7.7bn world population were living in extreme poverty in 2018, which is significantly higher than the target rate of 3.0%. Globally, around 785m people lack access to basic drinking water service, and around 3.6bn people live in water-stressed areas. In 2017, the global material consumption grew from 87bn tons in 2015 to 92.1bn tons in 2017. Unless consumption is controlled, the global resource extraction may grow to 190bn tons by 2060.



8.6%

of the world population
still live in extreme poverty



12.9%

of the population are
undernourished

83%

are doing sustainable practices in their business.

Sustainability practices already adopted

83%

Efficient/lessened use of energy

71%

Recycling/reusing materials



46%

Improved waste collection

34%

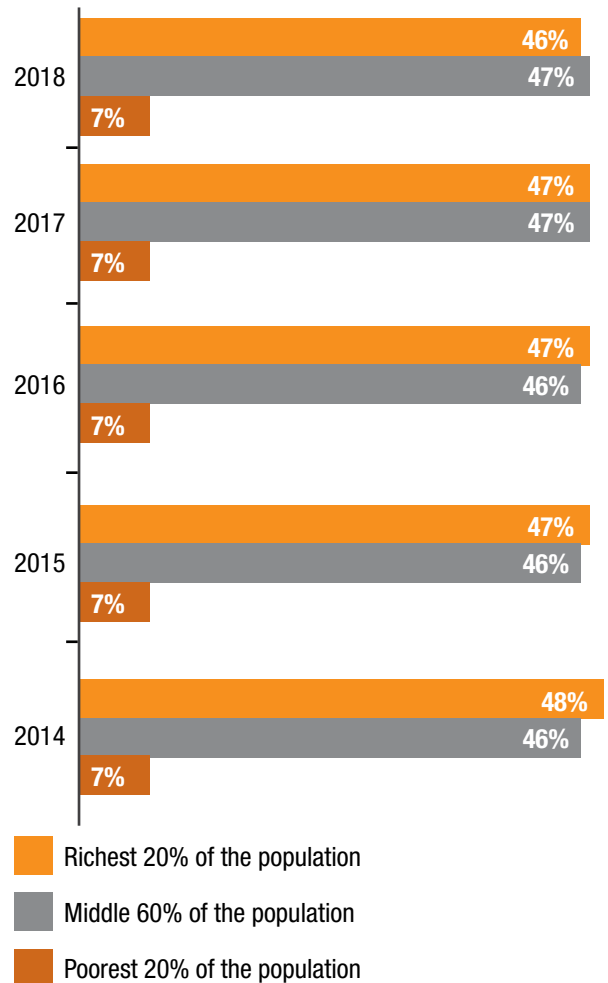
Product life extension

The worsening poverty crisis, climate change, lack of access to quality education, and environmental damage are making sustainability a major concern for both the private and public sectors across the globe. To help address such issues, the United Nations established the 2030 agenda for sustainable development in 2015. Together with its 193 member states, the United Nations identified the 17 Sustainable Development Goals (SDGs) and 169 targets with the vision of stimulating action to address the problems related to people, planet, prosperity, and peace.

In the Philippines, 21% of the total population in early 2018 were living below the poverty line of US\$1.90 per day. As reported by the Institute for Economics and Peace in June 2019, the Philippines is also among the countries facing the highest risk of climate change hazards. According to the report, 47% of the Philippine population are living in areas of high exposure to climate hazards such as floods and droughts. The recent disasters have made sustainability and climate change an unavoidable topic in the business community.

In our survey, we asked the CEOs to share how they are addressing the current sustainability-related issues. Eighty-three (83%) percent of the CEOs say that they are doing sustainable practices in their businesses, and most identified efficient use of energy and recycling materials as part of their practices. Nevertheless, only 44% are measuring and reporting the financial impact of their sustainable practices. Cost reductions or savings remain the traditional way of measuring the impact, as confirmed by 48% of the CEOs.

Income stratification in the Philippines (as a % of the Philippines' total household income)



Source: Fitch



Source: United Nations

Key facts



75%

of crop diversity has been lost from farmers' fields

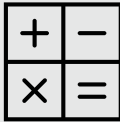


840m

people have no access to electricity worldwide

5m

children still die before their fifth birthday each year



617m

youth worldwide lack basic mathematics and literacy skills



30%

of the global population lack access to safely managed drinking water services



60%

of the global population lack access to safely managed sanitation facilities



13%

of the global population still lack access to modern electricity

Basic infrastructure

like roads, information and communication technologies, sanitation, electrical power, and water remains scarce in many developing countries



3 planets

could be required should the global population reach 9.6bn by 2050 to provide the natural resources needed to sustain current lifestyles



29%

of the global energy is being consumed by households that contribute to

21%

of CO₂ emissions



1/3

of all food produced – equivalent to 1.3bn tons worth around US\$1 trillion – end up rotting in the bins of consumers and retailers, or spoiling due to poor transportation and harvesting practices



50%

increase in global emissions of carbon dioxide (CO₂) since 1990



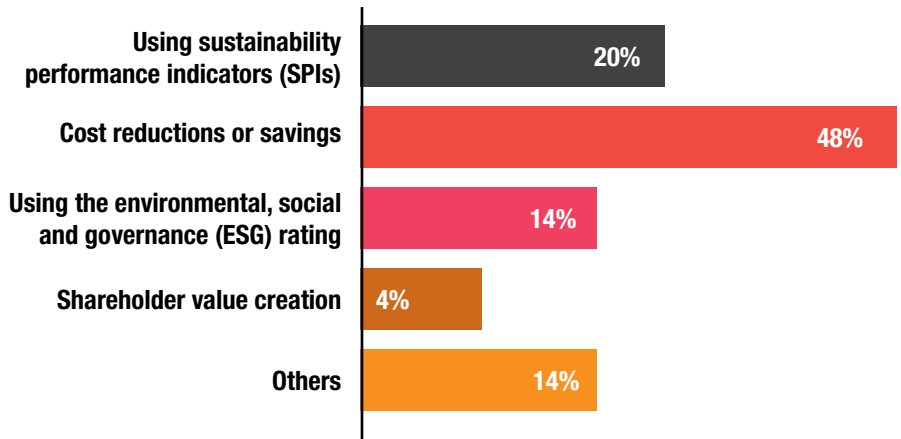
3.3m

hectares of forest areas were lost between 2010 and 2015. Poor rural women depend on common pool resources and are especially affected by their depletion.

44%

of the CEOs say that they are measuring and reporting the financial impact of their sustainable practices

Q: How are you measuring the impact of your sustainable practices?



ESG issues



33%

have formal plans to fully adopt a circular business model

18% Yes, implementing | 15% Yes, not yet implemented

Companies, however, must look beyond the immediate impact of sustainable practices on profits. More sophisticated and global companies nowadays use quantitative and qualitative information to report environmental, social, and governance (ESG) performance and issues. ESG is a more holistic approach because it doesn't only look at the environment – it covers issues such as labor practices, talent management, product safety, and security, ethics, and diversity. By establishing ESG factors and metrics, a company will have a better idea of the true impact of its sustainable investments and practices. The ESG criteria may include energy use, waste, supplier relationships, and transparent accounting reporting.

To further help address sustainability issues, companies started adopting circular solutions in their businesses. The circular economy seeks to keep products and materials in use for as long as possible, minimizing the amount used, extending their lifespan, and maximizing reuse and recycling of waste.

The changing customer behavior, technological breakthroughs, and resource scarcity are among the main drivers of circular solutions. Nowadays, customers demand for more environmentally friendly and socially responsible products and services. Technological breakthroughs such as tracking mechanisms, communications systems and operating models that weren't previously available or affordable are now becoming mainstream, allowing for greater product monitoring and increased ability to extend the product lifecycle. The declining resource materials are encouraging companies to find alternatives such as replacements for fossil-based materials.

In our survey, the CEOs identified urbanization, environmental issues, and ecosystem degradation as the top concerns that should drive companies to transition to a circular business model. Surprisingly, however, only 18% of the CEOs have formal plans that are being implemented to transition their businesses to a circular model.

Top concerns in the Philippines that should drive the companies to transition to a circular business model

- 1 Urbanization
- 2 Environmental issues
- 3 Ecosystem degradation
- 4 Changing consumer behavior
- 5 Disruptions in the supply and prices of raw materials

'Going circular' explained

The circular economy is often depicted as a series of loops, each representing a different way of managing products that are no longer required by their owners (because they are damaged, defective, or simply unwanted). The loops represent a hierarchy. The closer the loop is to the center, the less waste and environmental pollution created and the more economic value retained in the product or materials.

1. Recycling

Recovering materials from end-of-life products for use as raw materials in another process, excluding incineration to generate energy. May lead to materials of the same quality, lower quality (down-cycling) or higher quality (upcycling). For organic matter, may refer to composting or anaerobic digestion¹.

2. Remanufacturing

Disassembling products at the component level rather than into separate materials, replacing broken or outdated parts to make a new product for sale or lease. This avoids a new product having to be manufactured.

5. Redesign

Developing products that use fewer materials or have a smaller environmental footprint, that are designed to be more durable, or to be offered as a service through a leasing or take-back model. Also includes adaptations to make products easier to maintain, reuse, remanufacture or disassemble and recycle at end-of-life. Aims to tackle the most material impacts, based on lifecycle analysis.

3. Reuse

Selling or donating a product in its original form, or with little change, which avoids a new product having to be manufactured. May also include redistribution of unwanted food.

4. Maintenance

Extending the life of a product with its first owner, either via a repair or refurbishment service, or by making it easier for users to repair it themselves. This delays the purchase of a replacement product.

1. Anaerobic digestion is a process whereby waste organic matter, such as food or garden waste, is converted into digestate (which can be used as a fertilizer on farmland) and biogas (which can be used to generate clean energy).



Hope is tangible.

Nanette Medved-Po

Chairwoman and President | Generation Hope

The lack of classrooms and facilities as well as inadequate textbooks are among the problems faced by the Philippine education sector. As of June 2018, the Department of Education (DepEd) estimates that the country needs over 85,000 classrooms to support the increasing population of students in public elementary and high schools nationwide. To help the country's education system, Nanette Medved-Po started Hope in a Bottle (Hope) in 2012 to sell purified drinking water, and donate 100% of the company's profits through DepEd's *Adopt-a-School* program.

"I saw that there was a magnificent amount of money that could be made in the for-profit sector. I fantasized that these companies would direct their profits towards a social good. Of course, there weren't enough companies that wanted to necessarily share their profits in that way. I then decided to come up with my own version – a hybrid of a commercial company that would devote 100% of its profits to a social good," she shares.

To date, Hope in a Bottle sold 27m products, and built 91 classrooms.

When asked why Nanette chose water as a product, and education as the direct impact, she answers: "The choice of selling water to benefit classrooms was a super easy one. I wanted a message that was simple that anybody could understand. You can be a taipan or you could be the taipan's driver, and you would still be able to understand the model. I thought of the simplest product out there. I chose bottled water because it's not subject to trends or taste. What was the social good that I want to benefit? To me it was a no-brainer; it was education because it gives you the greatest ripple effect for every dollar invested. The reason why I further distilled that down to classrooms is because I wanted the impact to be something easily understood. If you've made the investment in classrooms today, somebody can come in tomorrow, next week, next month, next year, and still see that investment."

Hope realizes its vision through its partnership with the DepEd. "We work with the Department of Education, and they give us a list of the locations where they need the classrooms the most. Our team then vets those locations, and we select where we build."

To date, Hope has impacted the lives of almost 17,000 students through the classrooms it has built. Nanette shares some of their success stories: “A lot of the stories we follow are the stories of the communities as a whole. We tend to choose locations that may not have a single classroom structure at all or places with an extreme shortage. They’re usually communities that are suffering in general, and a build allows them to really have a tangible difference in the way their children learn.”

“What was the social good that I want to benefit? To me it was a no-brainer; it was education because it gives you the greatest ripple effect for every dollar invested.”

Balancing profitability and impact has been key to Hope’s success. “We are profitable because if we don’t have any profits, we can’t build our classrooms. Our operations are actually split into two. We have the for-profit entity, which runs our commercial operations, and has all the discipline that you would expect to find in a corporation. They then generate the profits that are funneled to our non-profit, which spends the money to build the classrooms.”

Aside from helping solve inequality through education, Hope also has sustainability initiatives for the environment. “The biggest part of our sustainability initiative is

our plastic-neutral move, which we started in January 2018. What we’ve done is we’ve added an internal plastic tax to all the products that we sell. When we sell a bottle of water, we compute the amount of plastic in grams that we put out in the marketplace, and we commit to our customers that we will recover 100% of that weight in plastic post-consumer, and process it together with our co-processors,” Nanette says. Through processing, the collected plastic items are converted to fuel that may be used at facilities that make cement, steel, and other products. The company also recently introduced Hope in a Box, which comes in Tetra Prisma Aseptic. Seventy-five percent (75%) of Tetra Pak cartons are composed of paperboard, which is fully recyclable.

To impact more lives, Hope recently launched Hope in a Coconut in partnership with Vita Coco. “Vita Coco has launched the Hope in a Coconut line, and that contributes about PHP5 per pack into a fund that benefits smallholder coconut farmers in Mindanao.”

Asked how the government can help social enterprises succeed like Hope, Nanette replies: “There are lots of unofficial tax collectors like Hope where 100% goes to projects that are actually supposed to be paid off by the government. The government may want to review how they tax social enterprises because in many ways, we’re trying to help them solve the country’s problems.”





Sustainability, innovation, and profitability should co-exist.

Rene Almendras

President and CEO | AC Infrastructure Holdings Corp.

As a 185-year-old organization in the Philippines, the Ayala group has transformed its business by entering into new industries and regions with innovation and sustainability as part of its mission. Just recently, the Ayala Group had its first Integrated Corporate Governance, Risk Management and Sustainability Summit with the objective of incorporating sustainability in their growth strategies. Rene Almendras, AC Infrastructure Holdings Corp. (AC Infra) CEO, shares how they are developing infrastructure projects with efficiency, reliability, and sustainability as part of their goals.

“We had our first integrated summit to finally break the ice, and say that corporate governance, risk management, and sustainability cannot be discussed separately. This means that we, in Ayala, believe that we need to be living a very united life of being able to integrate these three very important disciplines.”

Incorporating sustainability in projects is nothing new to AC Infrastructure. “We’ve always been very careful with the things that we get ourselves involved in. In AC Infra, we’ve always said that our endgame is always the user, the commuter, or the person at the end of the chain. We always start with the pain points. We look at the pain of travelling or commuting in Metro Manila, and we see how people suffer in a one-hour wait to get on a train. We talk about the inconsistencies in schedules that make people’s lives so challenging. Some people wake up as early as 2.30am because they can’t risk being late for work. We told ourselves that we need to provide a reliable and consistent commuting service option to the people because we’re affecting their lives.”

Knowing how commuting or travelling can be difficult in Metro Manila, AC Infra through a consortium of seven conglomerates has also submitted an unsolicited proposal to transform the Ninoy Aquino International Airport (NAIA). The consortium consists of AC Infra, Aboitiz InfraCapital, Inc., Alliance Global Group Inc., AEDC, Filinvest Development Corporation, JG Summit Holdings, Inc. and Metro Pacific Investments Corporation. “We saw that the actual hot spot is in NAIA itself – how the airport was designed and run, the need to upgrade the facilities, and the need to have better scheduling of aircraft, etc. We are also proposing to build a railway system within the airport that connects to the LRT1 and subway lines, and maybe even to the MRT. This is so we won’t have 65m cars going in and out of the airport.”

Other investments and initiatives to help improve the commuters' lives include the improvements in LRT1. "At peak hours in LRT1, the longest waiting time is eight minutes. How did we do that? We reduced the train cycle time, we have 99% accuracy in schedules. Now, people's lives can be scheduled better. Achieving sustainability goals is not just our focus. It's really trying our best to respond to the individual commuters' need."

"I think the biggest pain point in Metro Manila is transport. You don't solve the problem in bits and pieces. We need to put solutions that will last for a long time."

Asked how AC Infra ensures that all of their projects are environmentally sensitive, Rene responds: "From the very beginning, we will not do anything that's not good for the environment. Our LRT1 trains, for instance, run on electricity. We're adhering to the highest standards globally. We're making sure that we don't just throw used oil to the ground. The express toll road that we have enhances travel, and helps reduce fuel consumption. More than that, we're planting trees. We're making sure that the surroundings are clean. Our belief is the projects that we do actually increase efficiency. If you were to measure distance per liter consumed, there's a greater enhanced productivity from all transport vehicles because of the way we do things."

As part of a listed conglomerate, Rene says that profitability is not only their main objective. "I don't think you need to balance

innovation, profitability, and sustainability. I think they're all necessities. Profitability is no longer just a one-off today. Most investors are looking for consistent performance. They want to invest in something that is operationally and financially sustainable. Is there a trade-off between sustainability and innovation? I don't think so. Sustainability, innovation, and profitability are not mutually exclusive," Rene shares.

Aside from developing infrastructure projects, AC Infra believes in investing in its communities. Initiatives that the company has started include the partnership with the Muntinlupa LGU to offset its carbon footprint, the Live for the Rivers Movement Coalition where the company provided livelihood programs to the poor communities and engaged volunteers to clean up the Estero de Tripa de Gallina, and more. Asked how they measure the impact of such projects, Rene answers: "In Ayala, we refer to the United Nations' Sustainable Development Goals. This means that we may do something that may not have a direct revenue impact on our business. It's not just about profits, and it's no longer just CSR. We shouldn't be looking at specific projects. Sustainability has to be part of the way we do business."

With its commitment to help address the growing infrastructure needs of the country, Rene bares their plans: "I think the biggest pain point in Metro Manila is transport. You don't solve the problem in bits and pieces. We need to put solutions that will last for a long time. The solutions have to be integrated. It's a combination of light rail and mass transport. It's all about having integrated solutions. If we can build NAIA and fix it, the impact will be great."





Farming can be weather proof.

Earl Lim and Derya Tanghe
Co-Founders | NXTLVL Farms

Despite being an agricultural country, the Philippines remains a net importer of agricultural products. In 2018, the Philippines had an agricultural trade deficit of US\$7.3bn, 41% higher than the US\$5.2bn deficit in 2017. Poor infrastructure, high transportation costs, lack of access to market and financing, and backyard farming were among the reasons why the country's agriculture sector had not been keeping up with population growth. Such factors as well as climate change motivated co-founders Earl Lim and Derya Tanghe to start NXTLVL Farms.

"The country consumes about 4bn kilos of fresh produce annually. The total farm output here in the Philippines is only around 3.3bn kilos annually. We actually import around 700m to 800m kilos each year. The selection and quality of produce that we've seen in the supermarkets were lacking in terms of quality when compared with our other peers in Southeast Asia. What we wanted to do was improve that situation by applying technology," says Earl.

With the vision of helping provide good quality agricultural products to Filipinos, Earl and Derya started growing high-value crops such as dinosaur kale, roquette arugula, cilantro, parsley, and Genovese basil inside 40-foot shipping containers through hydroponic farming, which are then sold through the supermarkets. "There's controlled temperature and humidity. We even use special lighting where we can control the spectrum or the number of hours we provide light to the plants. With technology, we are able to create growing environments that are optimal for the crops that we want to grow. We were able to improve the quality as well as the consistency while expanding the capacity of what can be grown here in the country rather than importing," Earl further shares.

Derya says that they also want to help establish pricing consistency in the market. "We're focusing mostly on non-native plants. From-farm-to-table produce generally touches more than 20 pairs of hands before someone gets it on their plate. For us, we really wanted to focus on reducing the carbon footprint or the food miles – the amount of distance the food travels from the farm to the actual table. This allows us to really focus on fresh produce, and make them

available to everybody year-round without surprising people with pricing inconsistencies.”

“The typhoons don’t bother us. We’re able to create environments that the crops like. This allows us not only to control the yield, but also the quality and the taste.”

When compared to traditional farming methods, the co-founders say that hydroponics may have more advantages. “Our indoor farms are not that susceptible to weather. We have a lot more control over how we grow the crops inside. The typhoons don’t bother us. We’re able to create environments that the crops like. This allows us not only to control the yield, but also the quality and the taste. We’ve actually spent a lot of time fine-tuning the taste of the crops growing inside our farms. We do this by controlling the humidity, lighting, and nutrients,” says Earl.

Asked if they are competing against traditional farmers, Derya replies: “What we do is different. We try to grow items that are not readily available in the Philippines. We don’t grow rice or cabbage. We grow mostly produce that would not grow very well if just grown out in the open fields here in the Philippines. We don’t want to compete against the traditional farmers.”

Through their indoor farms, NXTLVL Farms also helps reduce the reliance on imports. “With the imported produce, it’s oftentimes three times the price of locally grown produce. Having our farms placed in the city allows us to compete against the importers and traders in terms of pricing and availability,” says Earl.

When asked how the government can help the farmers in the Philippines, Derya answers: “I think the number one for me is farm roads and logistics. In the Philippines, the logistics costs are around 35% of the product cost. In other countries, such costs are just around 15%. You’ll see that our cost of production here is more expensive because of the huge gap in logistics. What we would like to see are better roads to a lot of farms. What we hear from other farmers is when a typhoon or storm hits the roads, the produce that they harvest can’t even be shipped out to the city.”

With the company’s six containers, what’s next for NXTLVL Farms? “We what we would like to do is deliver our products directly to the end consumers. This will involve situating our farms less than 20 or 10 kilometers away from the supermarkets to reduce the food miles. What we want to ensure is when you order from us, you’re getting something that’s always fresh without throwing away anything. What we’d also like to do is build more sites in the Philippines. We will spread our sites across Metro Manila, and harder-to-reach places like Siargao and Boracay. A lot of produce in the Philippines come from Benguet, Baguio, and the Cordilleras, which are really far. Our vision is really to bring the farms closer to the end consumers.”





DRR requires PPP.

Hans T. Sy

Co-Chairman | National Resilience Council

The Philippines' location along the Ring of Fire makes the country prone to natural disasters. The deadliest disasters in the past decade include Typhoon Bopha (Pablo) in 2012, Typhoon Haiyan (Yolanda) in 2013, Typhoon Koppu (Lando) in 2015 and Typhoon Mangkhut (Ompong) in 2018. To help create solutions to disaster risk reduction (DRR) challenges, the National Resilience Council (NRC) was established in November 2017 as a science- and technology-based public-private partnership (PPP) pursuing a disaster- and climate-resilient country. Mr. Hans T. Sy of the SM Group is the co-chairman of the NRC.

The government has since made headway into disaster risk resilience and has recognized the private sector as a major factor in reducing disaster risks. Enter one of the country's largest integrated property developers – SM Prime Holdings Inc. (SMPHI), which had long advocated resilience and sustainability.

Mr. Hans T. Sy, SMPHI Chairman of the Executive Committee, shares the story that inspired him to help lead disaster-related initiatives both in their company and in the Philippines: “It all started in 1988 when we had the fire in SM Makati. At that time, I was already heading our group's construction team. That experience made me realize that people should not go through those kinds of things. We could have prevented it from happening.”

Since then, Hans started looking at environment-related issues, and incorporated solutions in their businesses. “In 1995, I told our board that the freon in our chillers is unfriendly to the environment, and we should change them. After so many years of convincing the board, we started to change our equipment in year 2000. I realized then that the new equipment were also more efficient, and we were even able to save on costs when the price of power went up significantly. From then on, I made sure that I controlled the expenses really well. I also started using the 10% contingency costs in our projects for DRR initiatives.”

Especially through the SM Supermalls, Hans believes that they should also communicate the importance of DRR to the micro, small and medium enterprises (MSMEs). “It cannot be only what is good for me or for our family. We have about 25,000 SMEs with us. If a disaster hits them and they get cut off, we will be affected too. What we found out about the MSMEs is that their understanding of disaster-

related incidents is limited. When we asked them what will happen if there's a fire or an earthquake, and they need to shut down, they don't have solid plans. That was why we started creating information and awareness campaigns. We have introduced the Data Storage Program and workshops for Business Continuity Plans (BCP) with our tenants," Hans shares.

"DRR is the responsibility of both the government and the private sector, and both should work together."

Hans' DRR initiatives went beyond the SM Group and its tenants. In 2015, Hans was elected board member of the UNISDR Private Sector Advisory Board. "I met Margaret Wahlstrom, the head of the United Nations International Strategy for Disaster Reduction (UNISDR), at a dinner and she was listening to my experiences in DRR. I told her that I've been involved in DRR since the 1990s. She then sent people to document the things that we were doing. She couldn't believe that we were active in DRR. She then formally invited me to be part of the private sector of UNISDR."

In 2016, UNISDR launched ARISE or the Private Sector Alliance for Resilient Societies. Hans was the only Filipino member of the ARISE Global board. UNISDR also invited SM Prime to be the secretariat of the ARISE Philippines Local Network, which is composed of private companies that share the same objective of establishing innovative disaster resilience practices. To date, the United Nations for Disaster Risk Reduction (UNDRR) formerly known as UNISDR headed by Special Representative of UN Secretary General (SRSG) Mami Mizutori has invited Hans to share best practices of the private sector in DRR in UN Global Platforms.

"Through my role in ARISE, I tapped the United Nations to help me boost the group. When they offered the co-chairman role in the NRC to me, there was only one answer – and that was a yes." With his commitment and passion to DRR, Hans leads the NRC together with Secretary Delfin Lorenzana of the Office of Civil Defense, the co-chairman representing the government. NRC's current partners include local government units (LGUs), foundations, private corporations, national government units, the academe, civil society organizations, and business organizations.

"I kept telling (members of) the private sector that the issues related to DRR should not only be addressed by the government. DRR is the responsibility of both the government and the private sector, and both should work together." The NRC recently launched the *Adopt-A-City* campaign, an innovative city-specific partnership model that will share private sector resources with LGUs and other partners. Other initiatives include the three-year Resiliency Leadership Program that guides LGUs in their own resilience initiatives; the Resilience Scorecard for LGUs, a guide to determine LGUs' preparedness and transformation towards resiliency; and Climate and Disaster Risk Assessment Program for a more holistic approach on risk assessments.

Despite his achievements within the SM Group and in the community, Hans thinks that he still has a lot to do. "I can't say that I've already achieved everything. My friends were asking me how much I can do to save the world. I told them that I'm not saving the world. What I'm trying to do is simple – I'm doing my part, my share. If I can get everyone to do the same, we'll create more impact towards a resilient Philippines."





Crowdfunding makes farms viable.

Ruel Amparo
CEO and Founder | Cropital

Forty-seven percent (47%) of the Philippines' total land area of 30m hectares are agricultural. The country's dependence on agricultural products as well as the jobs provided to over 10m people make agriculture a significant player in the Philippine economy. Given its role, the government has been strongly promoting and supporting sustainable agriculture by introducing new technologies and methodologies to farmers. Lack of access to capital, however, is one of the factors preventing farmers from achieving profitability and sustainability. To help bridge the gap, Ruel Amparo established Cropital in 2016 to provide a crowdfunding platform that connects investors to farmers. Through Cropital, investors provide funding to the curated farms for a certain cycle. Upon harvest, and once the produce is sold, the capital is returned to the investors together with their share in the profits.

Asked why Ruel decided to help farmers, he answers: "Helping farmers was more of a personal decision. I myself came from a family of farmers, and knowing the struggles of farmers compelled me to solve the problems that our relatives also experienced."

Ensuring that there are enough farms to support as well as the right number of investors are among the main goals of Cropital. "One thing that is critical for us to do is to inform the investors what farming is really like, and when the cash flows are generated by the farmers. The investors' returns as well as the repayment really depend on the life of a farm. Our role is to make sure that we're transparent enough, and inform the investors that there's really a lot of uncertainties in the agriculture sector. This is also the same reason why farmers are having difficulties accessing loans from financial institutions. That's the main point of having Cropital – to connect the farmers to the investors who are willing to support them despite the uncertainties."

Since starting in 2016, Cropital has raised US\$1m through its platform, and has provided loans to 800 farmers. Ruel shares some of the changes in the lives of their farmers: "Every time a farmer pays off the loan, and applies for a new one, we check the amount and the reasons for the renewal. One of the interesting stories we heard is a farmer renewed a loan for a lower amount. When we asked him why it was lower, he told us that he actually saved during the previous harvest cycle. Some of those who asked for higher loans, on the other hand, told us that they needed bigger amounts because they were expanding by renting the adjacent farms. These

are some of the changes that we were able to see on the ground. Other indirect impact include the neighbors getting jobs, the farmers' children completing their studies, and more." Ruel also confirms that the farmers became more financially disciplined because of Cropital. "In a way, the farmers are now more disciplined because they understand that they are liable not only to one person, but also to multiple lenders. They also feel that they need to be more responsible because the lenders may call their attention."

"That's the main point of having Cropital – to connect the farmers to the investors who are willing to support them despite uncertainties."

Ruel agrees that sustainable agriculture should be promoted. "We tell our farmers to use more organic matter every other season instead of the normal fertilizer. By doing this, the nutrients in the soil are rejuvenated, and they achieve higher levels of field efficiency. We also ask our farmers to use better seeds. Instead of just selecting the best seeds from their previous harvest, we ask our farmers to use certified or hybrid seeds to reach the maximum yield potential."

Ruel admits that climate change can disrupt agriculture. "Weather conditions impact farming in several ways. In terms of the calendar, farmers are now being advised to adjust the planting

cycle because the rainy season doesn't always start in June like it used to. The arable land also becomes smaller in low areas that are vulnerable to flooding. When this happens, the farmers can only plant once a year – during the dry season."

While Cropital has helped 800 farmers, Ruel believes that there are still thousands of farmers who need financing. "Our goal is to help 3,000 farmers by July 2020. Right now, we're only tapping individual lenders using our peer-to-peer lending platform. For us to help more farmers, we want to be able to access the formal institutions such as banks who have the capital to lend. That will really be a big jump for the agriculture sector," Ruel says.





Electricity can be powered by good.

Giles Puno

President and COO | First Philippine Holdings

The Philippines periodically experiences power supply deficiencies, with the latest crisis in the first half of 2019. While the country generated 99.8 TWh of power in 2018, the Department of Energy said that an additional 44.8 GW of new power capacity will be needed by 2040 to support the increasing active population. To help address the power issues back in the 1990s, the government called the private sector to respond, and the Lopez Group, through First Philippine Holdings (FPH), was among those who helped. Starting with their investment in Manila Electric Company (Meralco) in the 1960s, Giles Puno shares their journey to providing clean and renewable energy to the Filipinos.

“Our group has been involved in energy for the longest time – associated with our investment in Meralco, and our entry back to power generation. It all began with the development of the gas projects with Malampaya. The call of the government at that time was to respond to the power crisis, what we did was to develop very reliable and efficient gas-fired power plants,” says Giles.

Through these plants, the Group was able to tap the local indigenous gas from Malampaya while using low carbon solutions. “Our plants were far less polluting than coal. That really began our journey to the low-carbon clean energy space. As we progressed and looked at the opportunities to expand, that transition towards renewable energy became very compelling for us. When you look at our country, we actually don’t have a lot of fossil fuel reserves. Our ambition was to create energy solutions that would tap the indigenous sources of energy,” Giles shares.

To continue its vision of providing clean energy to the Philippines, First Philippine Holdings, through its subsidiary First Gen, acquired the 40% economic interest/ 60% voting control in Energy Development Corporation (EDC) in 2007. “We said to ourselves, geothermal is the perfect fit for us. When EDC was privatized, we bid and won the controlling stake. EDC at that time, and even up to today, was the dominant geothermal player in the country. When you compete against coal in particular, geothermal is a far superior offering to our customers who are not only concerned about their energy needs, but also with using low-carbon solutions like geothermal.”

At present, FPH has wind, solar, hydro, geothermal, and natural

gas power plants across the Philippines. “We developed a 150-MW wind farm in Burgos then a 7-MW solar farm in Burgos, and a number of hydroelectric power plants. In combination, we have around 3,500MW of capacity delivering about 20% of the energy requirements of the country.”

When asked if they have invested

“We have never made an investment in coal. ...our customers are not only concerned about their energy needs, but also with using low-carbon solutions like geothermal.”

in coal, Giles answers: “We have never made an investment in coal. Our geothermal assets suffered quite dramatically during Yolanda. You can say it was a one-off, but that one in a thousand event was happening more with the strong typhoons. We had to attribute it to something that was different from what we were experiencing in the past. That was climate change. So in 2016, we made an official announcement that we will never invest in coal, and that we will champion other sources of cleaner and/or renewable sources of electricity. We said to ourselves that climate change is going to be an important factor in all of our decisions,” Giles said.

Known for its *Powered by Good* campaign, Giles shares how they communicated FPH’s sustainability

initiatives and vision to its investors and other stakeholders. “We had to be very explicit about it. We had to explain to our shareholders that we felt there are solutions that will enable us to do well and do good at the same time. The choices we make today actually make sense because these choices also reduce our exposure to potential stranded costs in the future.”

“We feel that climate change is a concern for the country especially because there is a realization that ironically, the stakeholders who are most affected by climate change are the lowest income households in the country. We have to think about our choices today.” While FPH’s main business involves clean energy, FPH also has the goal of helping provide good quality jobs to Filipinos. Through FPH’s First Philippine Industrial Park, the group and its locators have created over 60,000 jobs that benefit the seven host barangays in Santo Tomas and Tanauan of Batangas.

Despite having contributed PHP131.52bn to the environment and various stakeholders in 2018 through economic, social, and environmental contributions, Giles believes that they need to do bigger things to help the Philippines address issues such as climate change. “We continue to push for more gas-fired plants; we are investing over US\$1bn in the LNG import terminal to eventually replace the Malampaya gas. What keeps us awake at night is the fact that the Malampaya concession will end sometime in 2024. We have to prepare for a world that goes beyond Malampaya. This means that the current gas plants that we have will need replacement fuel eventually. That will probably come in the form of LNG. That’s how we’re going to solve the upcoming challenge.”





A lower carbon future is underway.

Cesar Romero

Chairman | Shell Companies in the Philippines

The large and growing population as well as the rising disposable income in the Philippines have been driving the oil and gas industry. For several years, consumption of refined products and ethanol had exceeded the total volume produced. In 2018, for instance, consumption reached 473,500 barrels per day (b/d) while production was just at 236,000 b/d. The growing demand for fuel established the role of oil and gas companies in the Philippines. Having been in the country for 105 years, Shell Philippines has been fueling not only the Filipinos' cars and plants, but the economy and the communities as well. Cesar Romero, Shell Philippines' chairman, shares how an energy and petrochemical group like Shell can be at the forefront of sustainability initiatives in the Philippines and across the globe.

"Shell's belief in sustainability remains consistent. Even before the word sustainability was invented, we have been practicing principles that are very similar to what sustainability in its current form is trying to espouse. Our approach, however, has evolved over time. In the earlier times, sustainability was revolving around the environment. Nowadays, we have a more holistic view. Sustainability now encompasses equally important subjects such as economic development, alleviation of poverty, generating employment, among others, says Cesar.

As part of a group with presence in over 70 countries, Shell is well aware of the impact of climate change. "We believe that climate change is something that needs to be addressed for the greater good of the planet. The energy transition to a lower-carbon future is under way. With the nature of our business, we probably feel that dynamic more than most. We have identified what our aspirations are, which are very aligned with the Paris Agreement. Right now, Shell is looking at renewables, new fuels and supplying electricity – because that is what our customers will want, and we intend to stay with our customers over the long term," shares Cesar.

Having invested over US\$900m in research and development (R&D) globally, Cesar shares the role of sustainability in Shell's R&D work. "We embed sustainability principles in almost all of our projects. In fact, we also incorporate a notional carbon tax in our activities to get a feel of the carbon impact of a particular project. A lot of the results of our R&D work can be found in the energy efficiency and efficient production space. Our more progressive and forward-looking activities involve playing a part in the renewable energy space. We've partnered with a lot

of entities involved in solar, wind, and energy storage. Our most cutting-edge initiative, however, is the carbon capture and storage project. Using our knowledge in upstream exploration wherein we extract resources from the ground – we do the reverse of it. We capture the CO₂ that is produced in industrial facilities, and we reinject them to restore the CO₂ in the rock formations underground. We have a number of facilities using this technology, which we believe will be critical as we progress to energy transition.”

“Using our knowledge in upstream exploration wherein we extract resources from the ground – we do the reverse of it. We capture the CO₂ that is produced in industrial facilities, and we reinject them to restore the CO₂ in the rock formations underground.”

Asked how both the government and the private sector can help promote sustainable energy in the Philippines, Cesar replies: “First of all, I think one key issue that needs to be dealt with is familiarity, use and leveraging technology. The solution to this will involve science. Then you have the important role of collaboration. To be able to harness all the technologies, all the sectors should be collaborating with each other. We’re not just talking about the government and the private sector, but even the consumer

itself. To be able to address the challenges, you need to address them both in the demand and supply sides. Quite often, the focus is on sustainable production, but I hope that there will be an equal interest in sustainable consumption of energy.”

Cesar says that they are looking beyond energy when it comes to achieving sustainability goals. “One effort that we’re very proud of is our *Movement against Malaria* project wherein we we’ve significantly contributed in reducing the number of deaths from over 100 when we started the program in early 2000 to just four deaths in 2018. Only four provinces in the Philippines have yet to be declared malaria-free. We also have the *Gas Mo, Bukas Ko* program, an educational program that was initially offered to retail station crew and eventually to the dependents of workers in public transport as well as contractors of Shell.” Through its various programs implemented by its social development arm Pilipinas Shell Foundation Inc., Shell Philippines’ had a total distributed economic value of PHP219.3bn and community investment of PHP31.0m in 2018, according to Shell’s Sustainability report.

As it celebrates its 105 years of operation in the Philippines, Cesar remains excited about the future. “We’ve always believed that a good business is also good for society and vice-versa. We have been here for 105 years, and we hope to stay for another 105 years. The key to achieving this goal is to ensure that our products and services go hand in hand with nation building.





CEO agenda

Eighty percent (80%) of the CEOs expect to change their production/service model in the next three to five years to promote more sustainable practices. Most of these CEOs plan to increase efficiency in product manufacture or use by consuming fewer natural resources and materials. The CEOs are also planning to use the product for different functions, which can be done by participating in the sharing economy. The sharing economy principles can help businesses meet their needs with minimal footprints while reducing the economic losses from waste.

While majority of the CEOs fully support sustainable business practices, they identified high transition costs, inadequate technology, and economic viability as the main factors that are preventing them from fully adopting sustainable practices. Admittedly, transitioning to a circular model brings in costs related to management, research and development, and infrastructure. Our business leaders, however, should realize that the circular economy is a long-term strategy that helps address the serious environmental and business risks that we are facing. While moving to a circular model requires upfront investments and efforts, several businesses are already seeing the rewards of having such solution. Immediate benefits may include reduced material bills and increased customer interaction and loyalty. Medium-to long-term benefits on other hand include innovative product designs, stronger brand reputation, and operational efficiencies.

Disasters that resulted from human efforts should also serve as a wake up call to all sectors. The recent Amazon rainforest fires, for instance, were caused by deforestation by farmers and loggers. Such tragedy has a huge global impact because the Amazon rainforest provides 20% of the world's oxygen and absorbs carbon, helping slow down global warming. Its destruction will limit nature's ability to capture carbon.

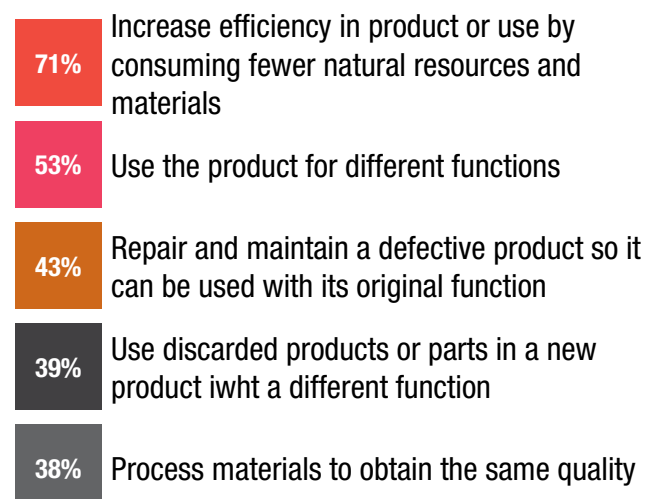
Indeed, there is a need for our business leaders to change the way they look at sustainability. Sustainability initiatives should no longer be treated as independent side projects within the companies – sustainability should be embedded in a company's DNA.

Q: Which of the following constraints are stopping you from fully adopting sustainable business practices?



80%

of the CEOs expect change in their production/service model in the next three to five years to promote more sustainable practices



Thinking circular

How circular is your business?

Can you identify areas where you're already participating in the circular economy?

Do you have a system for **reverse logistics** where products are taken back into the business?

Have you designed your products so that there's still value in taking them back?

Are they designed for easy disassembly?

What happens to your products once your customers have finished with them?

Is there a way to collect them at **end of life** or to intervene before they reach this stage?

How intensively are your products being used?

Is there **spare capacity** in the products that you've sold or leased which you could help unlock?

What about the utilization of the assets you use yourself?

Are there some quick wins that could help your business make a start on becoming circular?

How can you **pilot the idea** in your business?

When you look across your operations and supply chain, where are the opportunities to reuse, refurbish, recycle, repurpose etc. to **rethink your model** in a circular way?

Are your **customers** expecting you to offer your products in a different way?

Are your competitors already meeting this expectation?

Where are you sourcing your materials?

Are there **cost savings** available from switching to renewables, re-used or refurbished sources?

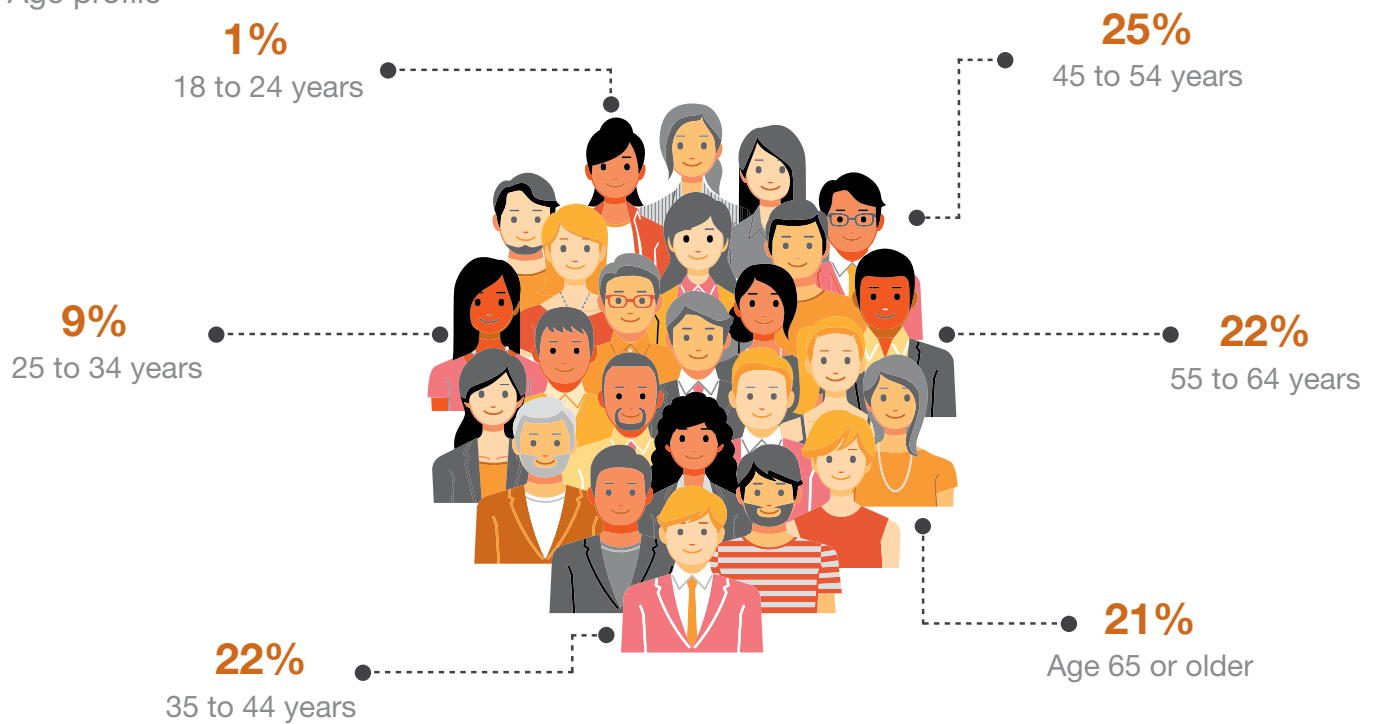




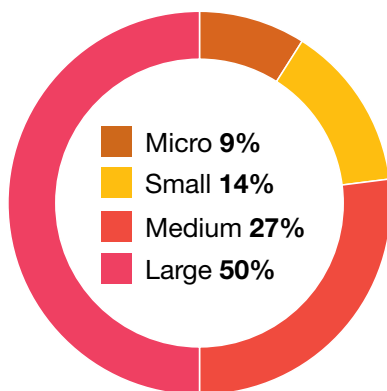
Other data

Profile of the 127 survey respondents

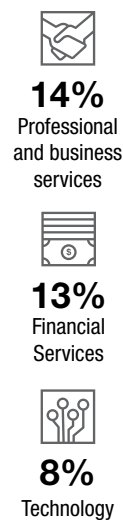
Age profile



Size of business



Industries



Industry	% of total
Business process outsourcing	1%
Hospitality and leisure	1%
Transport and logistics	1%
Agriculture, forestry, fisheries	2%
Consumer and retail	2%
Infrastructure	2%
Manufacturing (consumer products)	3%
Manufacturing (industrial products)	3%
Healthcare, pharma, and life sciences	3%
Real estate and construction	3%
Food and beverage	4%
Media and entertainment	4%
Energy and utilities	5%
Retail and wholesale distribution	5%
Others	27%

Q: What do you think is the likely GDP growth rate of the Philippines in 2019? (with breakdown by size of business)

49%

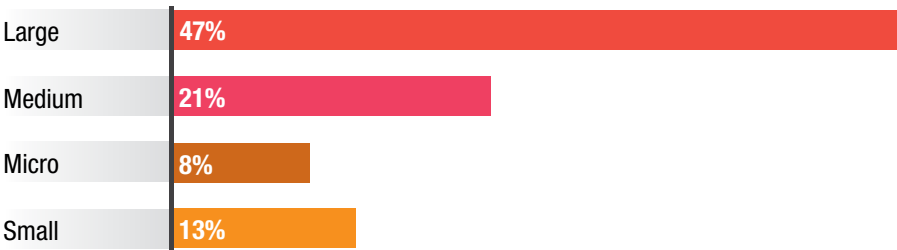
expect the PH GDP growth rate for 2019 to be between 5% to 6%



Q: How confident are you that your organization’s revenue growth prospects over the next 12 months would be better than that of your industry? (with breakdown by size of business)

88%

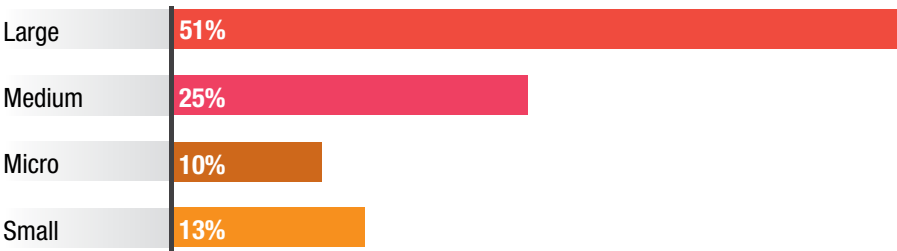
of the total respondents are confident with their revenue growth prospects over the next 12 months



Q: Are you using sustainable practices in your business? (with breakdown by size of business)

83%

are doing sustainable practices in their business

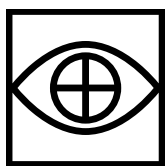


Q: Do you have a formal plan to fully transition your business to having a circular business model? (with breakdown by size of business)

33%

have formal plans of transitioning to a circular business model





Research methodology and contacts

The survey was conducted by PwC Philippines, in collaboration with the Management Association of the Philippines. 127 CEOs answered the survey, and the respondents of the survey were primarily members of the MAP. The survey methodology used was a mix of online and printed questionnaires.

We also conducted face-to-face in-depth interviews with eight business leaders to support the findings of the survey. Their interviews are featured in this report, and more extensive extracts can be found on our website at www.pwc.com/ph/ceosurvey.

The interviews and the survey responses were also spread across a range of industries.

The results were tabulated and analyzed by PwC Philippines.

Notes:

- Not all figures add up to 100% due to rounding off percentages.
- The base for figures is 127 unless otherwise stated.

For further information on the survey, please contact:

Mary Jade T. Roxas-Divinagracia, CFA®, CVA

Managing Partner

Deals and Corporate Finance

+63 (2) 459 2060

jade.roxas@pwc.com



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Acknowledgments

Editorial and writing

Mary Jade T. Roxas-Divinagracia, CFA®, CVA
Deals and Corporate Finance Managing Partner,
PwC Philippines

Rocky R. Saldajeno
Markets Senior Manager, PwC Philippines

Karen Patricia A. Rogacion
Deals and Corporate Finance Senior Manager,
PwC Philippines

Editorial board

Alexander B. Cabrera
Chairman and Senior Partner, PwC Philippines

Rizalina G. Mantaring
President, Management Association of the
Philippines

Project management and face-to-face interviews

Alexander B. Cabrera
Chairman and Senior Partner, PwC Philippines

Karen Patricia A. Rogacion
Deals and Corporate Finance Senior Manager,
PwC Philippines

Dennis P. Bautista
Markets Director, PwC Philippines

Christian L. Gonzales
Markets Assistant Officer I, PwC Philippines

Jemuel Jed E. Jorge
Marc Thaddeus E. Bodo
Markets Associates, PwC Philippines

Design and layout

Dennis P. Bautista
Markets Director, PwC Philippines

Dennis B. Omnes
Deals and Corporate Finance Manager,
PwC Philippines

Christian L. Gonzales
Markets Assistant Officer I, PwC Philippines

Arianna Mae H. Campeña
Deals and Corporate Finance Associate,
PwC Philippines

Marc Thaddeus E. Bodo
Markets Associate, PwC Philippines

Research and data analysis

Arianna Mae H. Campeña
Ma. Jocelyn Escaño
Charissa Mae F. Magdael
Lorenzo G. Cipres
Deals and Corporate Finance Associates,
PwC Philippines

Kari-Aünakin Svetpavla Chan
Joshua Exequiel S. Cabrera

Project Support

John Paul A. Legarte

Deals and Corporate Finance Manager,
PwC Philippines

Edwin Padillo

Markets Manager, PwC Philippines

Weddy Anne R. Diamada

Maria Regina Ciel C. Quiambao

Deals and Corporate Finance Senior Associates,
PwC Philippines

Kaira Celina V. Ty

Lanz Quijano

Mel James Fernandez

Lawrence Philip Minor

Deals and Corporate Finance Associates,
PwC Philippines

Ma. Estrella B. Bibat

Management Executive Assistant, PwC Philippines

Arnold P. Salvador

Executive Director, Management Association of the
Philippines

Elizabeth B. Zulueta

Executive Assistant, Management Association of the
Philippines

Management Association of the Philippines

With promoting management excellence for nation-building as its main objective, the MAP is 68-year-old management organization whose over 1,000 members represent a cross-section of CEOs, COOs, and the other top management practitioners from the largest local and multinational companies operating in the Philippines. MAP also counts some top management educators and government officials as its members.

Please view the MAP video via www.youtube.com/TheMAPph or visit www.map.org.ph/ for more information on MAP.

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