

**CONCEPCION INDUSTRIAL CORPORATION (CIC)
SUSTAINABILITY REPORT
(For the Period of January 1, 2019 to December 31, 2019)**

Contextual Information

Company Details	
Name of Organization	CONCEPCION INDUSTRIAL CORPORATION (CIC or the “Company”)
Location of Headquarters	Muntinlupa City
Location of Operations	Muntinlupa City Makati City Cabuyao, Laguna
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Concepcion-Carrier Air-Conditioning Company (CCAC) Concepcion Durables, Inc. (CDI) Concepcion Midea, Inc. (CMI) Concepcion-Otis Philippines, Inc. (COPI) Concepcion Business Services, Inc. (CBSI) Cortex Technologies Corporation (CTC) Alstra Incorporated (AI) Teko Solutions Asia, Inc. (Teko) Tenex Services, Inc. (Tenex)
Business Model, including Primary Activities, Brands, Products, and Services	The Company is primarily a holding company which operates principally through its seven subsidiaries. It is one of the Philippines’ most established and leading suppliers of air conditioners, air conditioning solutions, and refrigerators, and has expanded its business beyond being a trusted expert in the air conditioning and refrigeration industries, toward becoming a complete consumer and building and industrial solutions company with a range of solutions and after-market service across multiple international and Philippine brands including Carrier, Toshiba, Condura, Kelvinator, Midea and Otis. These solutions are designed to serve a wide array of customers and structure types, from individuals and single families living in small residences to thousands of residents, visitors and workers spread across large residential towers and office buildings, entertainment facilities and commercial and industrial warehouses and factories. These solutions are also designed to meet a variety of different needs, such as durability, noise reduction features, aesthetical appeal, varying price points and customized features to match individual requirements. Moreover, many of the Company’s air conditioning and refrigeration solutions are designed to meet the growing demand for energy efficient technologies, and the Company offers and will continue to develop these technologies

	as the demand for such solutions grows and the benefit payback in terms of reduced energy consumption becomes more widely known and accepted. In addition, the Company offers an array of after-market services such as periodic maintenance, parts supply, repairs and other services intended to support its products through their entire life cycle. The Company believes that these after-market services, combined with its wide range of air conditioning and refrigeration products catering to various customer needs, offer customers enhanced value that distinguishes the Company's air conditioning and refrigeration solutions from those of its competitors.
Reporting Period	January 1, 2019 to December 31, 2019
Highest Ranking Person responsible for this report	Raul Joseph Concepcion, Chairman and Chief Executive Officer

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.¹
<p>Issues are ranked by the Company in accordance with its direct impact to its business, mission and core values, all of which influence the Company's business decisions and activities.</p> <p>The Company's Mission is "Building Better Lives and Businesses – Solutions, Comfort, Convenience". The Company's Core Values are Performance, Customer-centricity, Environment, Health and Safety, Quality, Employee Engagement, Integrity and Ownership.</p> <p>Performance. We are a High-Performance Organization, and our utmost expectations for ourselves speak of the level of performance we commit to our customers, our colleagues, and our shareholders. Exceeding their expectations is our utmost priority.</p> <p>Meritocracy is a principle we deeply believe in, and we know that the level of returns we expect is always commensurate to the level of value we deliver to all our stakeholders.</p> <p>Customer-Centricity. We know that if we focus on our customers, all things that should be important in what we do and how we do it will always follow. We treat each customer, whether internal or external, as integral parts of our business.</p> <p>We listen to them, deliver on our commitments, and hold their satisfaction at the core of our business. We care for our customers, and our systems and processes make it easier to deal with us.</p> <p>Environment, Health and Safety. Our output reflects the DNA of who we are, and this is evident in the utmost safety we ensure in all our products and in the delivery of our services.</p>

¹ See [GRI 102-46](#) (2016) for more guidance.

We provide our employees with a safe and hazard-free workplace where we continuously promote good health, a healthy lifestyle, and an environment that fosters balanced well-being.

Quality. We do not take shortcuts and we never compromise on quality. We embrace a culture of excellence in everything that we do. As such, we are able to take pride in the results that we deliver.

Employee Engagement. In no small measure, we believe that our success depends on the high level of engagement of our employees — our Company’s most important asset. The more we remember this, the more successful we have become.

We believe that our capability to do things is a shared responsibility between the Company and employees, and so we work together to develop ourselves and our organization to the fullest of our collective potential.

Our culture is one that ensures that our employees are fully engaged and are capable and empowered to make the right decisions.

Integrity. We do the right thing, the right way, all the time. We always remember to act with the utmost respect in dealing with all our stakeholders and never forget to preserve the dignity of anyone we interact with. We self-check our own decisions, and immediately escalate potential compliance concerns to those who are able to act on them. We maintain our integrity at all times, especially in challenging situations.

Ownership. “Malasakit”, or a strong sense of ownership, defines everything that we do. We share a sense of loyalty to both the company and the people we work with. We value stewardship, accountability, and responsibility in our work and all of our interactions.

We know that whatever we do, however big or small our role is in our organization, contributes to Nation Building. This is how we personally find the drive and relevance in “Building Better Lives and Businesses”. We always go the extra mile because this is our way of giving back.

Material Sustainability Issues

Identified sustainability issues are as follows:

1. Economic
 - a. Economic Performance
 - b. Indirect Economic Impacts
 - c. Anti-Corruption
2. Environmental
 - a. Environmental Compliance
3. Social
 - a. Employment
 - b. Training and Education
 - c. Labor-Management Relations
4. UN Sustainability Development Goals Contribution: Industry, Innovation and Infrastructure - Fostering innovation.

ECONOMIC

a. Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount ('000)	Units
Direct economic value generated (revenue)	15,066,146(a)	PhP
Direct economic value distributed:		
a. Operating costs	3,373,645(b)	PhP
b. Employee wages and benefits	1,475,983(c)	PhP
c. Payments to suppliers, other operating costs	9,558,895(d)	PhP
d. Dividends given to stockholders and interest payments to loan providers	1,389,174(e)	PhP
e. Taxes given to government	555,011(f)	PhP
f. Investments to community (e.g. donations, CSR)	(g)	PhP

Notes:

- (a) Based on Audited Financial Statements (AFS), this is Net Sales
- (b) Based on AFS, this is Operating Expenses
- (c) Based on AFS, this is composed of Personnel Costs and are lodged under Cost of Services (95,521) and Operating Expenses (1,380,462)
- (d) Based on AFS, this is composed of total Cost of Sales and Services less Depreciation and Amortization of Property, Plant and Equipment, Amortization of Right-of-Use Assets, and Amortization of Intangibles
- (e) Based on AFS, this is composed of cash distribution of profits (1,382,164) and interest paid on short-term borrowings (7,010). Can be referred in the Statement of Cash Flows
- (f) Based on AFS, this is the net income tax paid. Can be referred in the Statement of Cash Flows.
- (g) CIC is in the process of gathering data and will only be able to disclose in the next reporting period.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<ul style="list-style-type: none"> With Performance as core value, Direct Economic Value Generated and Distributed, particularly, revenue from sales and value generated from business activities, is material as this directly impacts the lives of employees, the value generated for investors and their returns on investment, continued improvement of the quality of products and services, resilience of the organization, and contribution to the government and community. 	<ul style="list-style-type: none"> Investors Employees Government Suppliers and Service Providers Consumers 	<ul style="list-style-type: none"> Policies - The Company adheres to corporate governance principles under the prevailing Corporate Governance Code² and implements an Enterprise Risk Management Framework³ to set the strategy across the enterprise, identify potential events that may affect the entity and manage risk to be within its risk appetite, and to provide reasonable assurance regarding the achievement of entity objectives.
<p>What are the Risk/s Identified?</p>		<ul style="list-style-type: none"> Responsibilities – Risk management function follows a governance structure that is inherent and supported at all organizational levels.⁴
<ul style="list-style-type: none"> The risks for CIC's businesses are identified and detailed in Appendix A of the CIC Enterprise Risk Management Framework.⁵ For 2019, CIC management identified the following challenges: <ul style="list-style-type: none"> Commercial market decline Aggressive competition and pricing 		<ul style="list-style-type: none"> Commitments - For the year 2019, the Company implemented the following measures to address identified challenges and opportunities: <ul style="list-style-type: none"> Continued topline focus on consumer New product introductions Continued efforts on cost reduction and operational efficiencies Rationalize market incentives

² Please refer to 2019 CIC Annual Corporate Governance Report: <https://www.cic.ph/download/attachment-2019-cic-iacr-as-of-29-may-2019/?wpdmdl=4428&refresh=5e2145f867da11579238904> and CIC Corporate Governance Manual: <https://www.cic.ph/download/attachment-cic-corporate-governance-manual-2014/?wpdmdl=3314&refresh=5e2150358aa1e1579241525>

³ Please refer to CIC Enterprise Risk Management Framework: <https://www.cic.ph/download/policy-on-enterprise-risk-management/?wpdmdl=4624&ind=1563769085521>

⁴ Ibid. at Page 7

⁵ Ibid. at page 24

<ul style="list-style-type: none"> ○ Operational challenges on supply chain and aftermarket ○ Higher cost base for provincial and regional expansion 		<ul style="list-style-type: none"> ○ Elimination of supply chain and aftermarket one timers ○ Reduce inventory and warehouse costs
<p>What are the Opportunity/ies Identified?</p>		
<ul style="list-style-type: none"> • For 2019, CIC management identified the following: <ul style="list-style-type: none"> ○ Strong Market – <ul style="list-style-type: none"> ▪ GDP at 6.2% hitting the target range of 6 7% ▪ Continued strong market in the consumer segment ▪ Signs of recovery the in commercial segment ○ Cost reduction efforts working ○ Better working capital management 		

b. Indirect Economic Impact

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>Considering the core values of Customer-centricity, Quality and Ownership, CIC brands offer an array of innovative and energy-efficient solutions that lower costs and are environmentally responsible, which the Company considers to have indirect economic impact to investors, consumers and the government.</p> <p>The following are some examples:</p> <p>Carrier⁶</p> <ul style="list-style-type: none"> Carrier is a leader in the phase-out of ozone-depleting refrigerants and remains focused on delivering energy-efficient fire safety, security, building automation, refrigeration and HVAC systems and services for customers. Carrier continues to invest in research and development, applying the newest technological innovations to create ever more sustainable solutions that surpass the already stringent environmental performance targets designed into our products. 	<ul style="list-style-type: none"> Investors Government Consumers 	<ul style="list-style-type: none"> Policies, Responsibilities - As part of its Enterprise Risk Management Framework ⁹, CIC Board and Management identifies the strategic direction of its businesses and considers energy-efficient solutions that lower costs and are environmentally responsible. Commitments - These solutions are designed to serve a wide array of customers and structure types, from individuals and single families living in small residences to thousands of residents, visitors and workers spread across large residential towers and office buildings, entertainment facilities and commercial and industrial warehouses and factories. These solutions are also designed to meet a variety of different needs, such as durability, noise reduction features, aesthetical appeal, varying price points and customized features to match individual requirements. Moreover, many of the Company’s air conditioning and refrigeration solutions are designed to meet the growing demand for energy efficient technologies, and the Company offers and will continue to develop these technologies as the demand for such solutions grows and the benefit payback in terms of reduced energy consumption becomes more widely

⁶ 2018 UTC Corporate Responsibility Report

⁹ Id. Note 4

<ul style="list-style-type: none"> • The Carrier AquaEdge 23XRV chiller is the world’s leading efficiency screw chiller, 42 percent more efficient than the industry standard.⁷ • Carrier’s Infinity Controls, combined with its energy-efficient geothermal solutions, are 45 percent more energy efficient than standard residential heating and cooling systems. <p>Otis⁸</p> <ul style="list-style-type: none"> • Otis has been a pioneer in developing sustainable technologies like the ReGen drive. Now standard on our Gen2 and SkyRise elevators, the ReGen drive captures energy that would otherwise be wasted as heat and converts it into reusable energy for other building systems. Another Otis innovation, our CompassPlus destination dispatching technology, saves energy by moving some elevators to standby mode when traffic is light. • Otis’ Gen2 elevator with ReGen drive is smaller and capable of reducing overall elevator energy consumption by 75 percent under normal operation, compared to conventional geared machines with non-regenerative drives. 		<p>known and accepted. In addition, the Company offers an array of after-market services such as periodic maintenance, parts supply, repairs and other services intended to support its products through their entire life cycle. The Company believes that these after-market services, combined with its wide range of air conditioning and refrigeration products catering to various customer needs, offer customers enhanced value that distinguishes the Company’s air conditioning and refrigeration solutions from those of its competitors.</p>
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⁷ Among electric-driven, water-cooled chillers as measured by Integrated Part Load Value conditions based on ASHRAE 90.1 2010 minimum requirement.

⁸ Id. Note 6

<ul style="list-style-type: none"> • The CompassPlus destination management system directs passengers to the elevator that will get them to their destination significantly faster than conventional dispatching systems. The system conserves energy by moving some elevators to standby mode when traffic is light. <p>Midea</p> <p>Midea’s washing machines are energy and water efficient, averaging a cost of P2.00 per wash load, P10.00 to dry clothes and with 70% water savings.</p> <p>Condura</p> <ul style="list-style-type: none"> • Some Condura Air-conditioning Units are equipped with an Energy Savings Plug (ESP). The ESP alternates electricity usage between the air-conditioning unit and an electric fan, which in turn helps in lowering household electricity consumption. It was conceptualized by Condura to work in tandem with the air-conditioning unit’s timer, in order to help the user save on household electricity costs. • In 2019, Condura launched its No-Frost Refrigerators line. The products incorporate inverter technology combined with the convenience of no-frost freezers for energy-efficient usage and user-friendly maintenance, 		
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<p>contributing to overall cost savings for the household.</p>		
<p>What are the Risk/s Identified?</p>		
<p>Availability of products depend on continued business relationships with the partners.</p>		
<p>What are the Opportunity/ies Identified?</p>		
<p>New product introductions</p>		

c. Anti-corruption

Communication and training about anti-corruption policies and procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anticorruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Related to Integrity as one of the core values of the company, CIC is committed to the highest standards of ethics and business conduct, thus, it has in place an Ethics Program that is designed to foster lawful and ethical behavior among the directors, officers, employees, representatives and suppliers of CIC and its subsidiaries, and to prevent and detect unlawful and improper conduct including corruption.	<ul style="list-style-type: none"> • Investors • Employees • Government • Partners, Suppliers and Service Providers • Consumers • Competitors • Communities 	<ul style="list-style-type: none"> • Policies/Commitments /Responsibilities – Ethics Program. The Ethics Program consists of the Code of Ethics¹⁰, Ethics Training, Annual Ethics Certification, the Whistleblowing System (ProActive), the Ethics Committee, and the Business Practices Officers. As stated earlier, it is designed to foster lawful and ethical behavior among

¹⁰ Please refer to CIC Code of Ethics: <https://www.cic.ph/governance/#code>

<p>What are the Risk/s Identified?</p>		
<p>Ethical Behavior Risk - The organization, through its actions or inaction, demonstrates that it is not committed to ethical and responsible business behavior.</p> <p>Integrity Risk - The risk of management fraud, employee fraud, and illegal and unauthorized acts, any or all of which could lead to reputation degradation in the marketplace or even financial loss.</p>		<p>the directors, officers, employees, representatives and suppliers of CIC and its subsidiaries, and to prevent and detect unlawful and improper conduct.</p> <p>CIC’s Code of Ethics (COE) does not merely require compliance with laws. It embodies a commitment to positive behaviors that build trust, promote respect, and demonstrate integrity. CIC’s Code of Ethics expresses its fundamental values, establishes rules of conduct, and provides guidance for policy formulation and decision-making.</p>
<p>What are the Opportunity/ies Identified?</p>		
<p>Achievement of enterprise objectives through partnerships with persons and entities that value anti-corruption commitments.</p>		<p>Particular to corruption: Under the COE, all persons acting on behalf of CIC will abide by all laws relating to improper payments. Business gifts that are customary and reasonable in frequency and value are generally permitted. A gift is never permitted if intended in exchange for favorable treatment or if prohibited by the policies of the recipient or his/her employer. CIC will never offer or pay any bribe.</p> <p>Violations of the COE within the organization are seriously dealt with through proper HR grievance mechanisms, and if applicable, judicial or extra-judicial dispute resolution remedies.</p> <p>CIC expects all its suppliers to adopt CIC’s Code of Ethics or to abide by their own Code of Ethics if it meets the minimum standards of CIC’s Code of Ethics, and any serious violation by a supplier may result in the termination of engagement and blacklisting from future engagements.</p>

		<p>Enterprise Risk Management Framework. Corruption is identified by the Company is an enterprise risk that is continuously being managed through its Enterprise Risk Management Framework¹¹. Risk management function follows a governance structure that is inherent and supported at all organizational levels.¹²</p> <p>Policy on Conflict of Interest.¹³ CIC’s directors, officers, employees, and representatives must be loyal to the company and deal with suppliers, customers and others in a manner that avoids a conflict between personal interests and those of CIC, or even the appearance of such conflict. All actual, potential or perceived must be declared by the employee concerned as well as those who may be aware of it.</p> <p>Policy on Whistleblowing – CIC adopted this policy to encourage all stakeholders of the Company to make good faith reports of actual or suspected impropriety, fraud, misconduct, abuse, health and safety concerns, conflicts of interest and any other wrongdoing, free from fear or retaliation. The policy guarantees confidentiality and anonymous reporting through identified channels, and protection to the whistleblower provided that reports are done in good faith.¹⁴</p>
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¹¹ Id. Note 4

¹² Id. Note 5

¹³ Please refer to CIC Policy on Conflict of Interest: <https://www.cic.ph/download/policy-on-conflict-of-interest/?wpdmdl=4620&refresh=5e2565ea1c44c1579509226>

¹⁴ Please refer to CIC Policy on Whistleblowing: <https://www.cic.ph/download/policy-on-whistleblowing/?wpdmdl=4621&refresh=5e85b2bc97ca01585820348>

		<p>Policy on Business Gifts, Policy on Corrupt Payments, Policy on Sales Intermediaries, Policy on Sponsoring Third Party Travel – The CIC Group adopted the foregoing anti-corruption policies to guide employees when dealing with counterparties, providing guidance on proper handling of business and reinforcing ethical behavior in conjunction with the Code of Ethics and other related polices.</p> <ul style="list-style-type: none"> • Grievance Mechanism – CIC allows any person to submit questions, ideas, suggestions, criticisms, complaints or allegations of wrongdoing anonymously, use the ProActive platform¹⁵.
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¹⁵ Please refer to ProActive Hotline: <https://proactivehotline.punongbayan-araullo.com/>

ENVIRONMENT

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	2 (No Pre-Shipment Importation Clearance)	PhP 50,000.00 per incident
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	0
No. of cases resolved through dispute resolution mechanism	0	0

There were two incidents of shipments (R410a and R32 refrigerants) that were not supported with a Pre-Shipment Importation Clearance (PCIS). Under R.A. 6969 and Department of Environment and Natural Resources' (DENR) rules and regulations, importation for such substances is not prohibited but regulated and thus require the submission of PCIS. After undergoing due process under the rules and procedures of the DENR, CCAC initiated corrective action through (1) settlement of the imposed penalties in July 2019, and (2) introducing improvements in the CIC group's supply chain process for better forecasting of supply chain needs and planning for regulatory requirements in time for shipment arrival.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>Environment, Health and Safety, both for consumers and employees is one of the core values of the organization. CIC aims to prevent pollution and occupational health and safety accidents/incidents in all our business activities and processes to satisfy EHS requirements including ISO standards.</p> <p>The Company actively protects the health and safety of our employees, customers and other stakeholders and minimizes the environmental impact during the design, manufacture, distribution, use and disposal of our products.</p>	<ul style="list-style-type: none"> • Investors • Employees • Government • Partners, Suppliers and Service Providers • Consumers • Competitors • Communities 	<p>Policies, Commitments, Responsibilities, Specific Actions –</p> <ul style="list-style-type: none"> • Environment, Health and Safety Policy (EH&S) Policy. The Company implemented the EH&S Policy based on the following objectives: <ul style="list-style-type: none"> ○ To comply with relevant Philippine Government laws and regulations and the policies and standard practices of the Concepcion Industrial Corporation; ○ Demonstrate leadership in the introduction and promotion of products for all market

<p>What are the Risk/s Identified?</p>		
<p>Product safety and life Manufacturing resources and waste management</p>		
<p>What are the Opportunity/ies Identified?</p>		
<p>Consistent with the core value, the prioritization of EH&S in our business provides our employees a safe and hazard-free workplace where we continuously promote good health, a healthy lifestyle, and an environment that fosters balanced well-being.</p> <p>Opportunity for current and new products to strengthen recognition of CIC’s brands.</p> <p>Achievement of enterprise objectives through partnerships with persons and entities that value EH&S commitments.</p> <p>Contribution to household and business cost savings due to introduction of products.</p>		<p>segments that utilize environmentally safe refrigerants;</p> <ul style="list-style-type: none"> ○ To establish and review Environmental, Health & Safety (EH&S) goals and make them integral parts of our business plan and demonstrate to continually improve our environmental, occupational health & safety performance; ○ Minimize pollutants in manufacturing processes to the best practicable levels and prevention of pollution; ○ Optimize natural resources in the design, manufacture, use and disposal of products and delivery of services; ○ Commitment of the means and resources necessary to direct, support, monitor and maintain accountability for EH&S performance; ○ Integrate EH&S in new product development and influence contractors and suppliers to improve EH&S performance. <p>• EH&S Management System. The CIC group has in place an EH&S Management System to effectively manage the impact of its activities on EH&S for employees and consumers. EH&S governance are closely linked to its business planning cycle and accountability for which are imposed on all levels of the organization.</p> <p>The Company prepares an EH&S Annual Plan to identify key initiatives, actions or strategies to achieve the goals and regulatory and company requirements.</p> <p>The assessment process identifies and ranks EH&S risks, the</p>

		<p>appropriate regulatory and company requirements, and corresponding strategy to eliminate, prevent or control the risk; identifies the responsible parties for addressing the risk; and identifies an estimated completion date.</p> <p>When risks have been identified and prioritized, activities to eliminate, prevent or control the risk will be developed, responsible person to complete the activities assigned in the document and distributed to all concerned by the EH&S Manager. Those risks that have the greatest potential for adverse effects will receive the highest ranking and be addressed first. Lower priority risks will be evaluated for applicability to the operation and addressed as resources permit. Control measures, such as policies, programs, procedures, standard work, engineering controls, etc., will be used when technological options are not available or cost prohibitive. The Oversight Steering Committee will monitor progress towards completion dates to ensure timely close out of all identified corrective actions.</p> <p>For activities that have the potential to create a significant risk to human health or the environment, additional requirements such as EH&S Cardinal Rules and standard work covering requirements for monitoring equipment and process have been developed. Emerging issues of major significance will be evaluated and addressed based on their assigned priority.</p> <p>The Company, through its Products Solution Division under CCAC and CDI, integrates EH&S into the</p>
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		<p>planning and design, as well as modification of processes, operations or building layouts in accordance with the corresponding risks identified on the hazard assessment document. Where appropriate, the following considerations will be integrated into the product development and procurement processes:</p> <ul style="list-style-type: none"> ○ Potential impacts on the environment ○ Potential impacts on health and safety ○ Operation and maintenance ○ Efficiency in the consumption of energy and natural resources ○ Ability to recycle, reuse and dispose of safely <p>Regular EH&S Training is conducted to enable employees to acquire the appropriate EH&S skills and knowledge to perform their job functions.</p> <p>Communication program consists of activities for conveying EH&S issues, information and awareness. Mandatory communications include:</p> <ul style="list-style-type: none"> ○ Communication of EHS Cardinal Rules ○ Posting or providing information as required by EH&S Cardinal Rules ○ Reporting of EH&S information and incidents as required ○ Communicating relevant EH&S Alerts, Tool Box topics, Bulletins, and similar awareness advisories ○ Results of incident investigations, audits, inspections, new or revised rules or procedures, the annual EH&S plan, EH&S performance, new or revised training, etc.
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		<p>Regular inspections are performed to evaluate EH&S relevant physical conditions, acts or omissions of employees and others in relation to EH&S aspect, impact, hazards, risks, regulatory and internal requirements in accordance with document or procedure.</p> <p>Deficiencies identified that cannot be immediately corrected will be assigned a corrective action and completion date and incorporated into the risk assessment.</p> <p>An audit program is in place to evaluate the effectiveness of the operation's implementation of internal controls. Matters audited include:</p> <ul style="list-style-type: none"> ○ Completion of the Job hazard Analysis (HIRAC) by technicians / supervisor and corrective actions. ○ Adherence to established rules and procedures. ○ Effectiveness of the training and communication program at providing EH&S awareness and knowledge through tests and surveys among employees. ○ Review of at least one incident investigation report (if any) to determine the accurate identification of the direct and root cause and the completion of the corrective actions. ○ Adequacy of equipment. ○ Follow-up on corrective actions.
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SOCIAL

a. Employment

Employee Hiring and Benefits

Employee data¹⁶

Disclosure	Quantity	Units
Total number of employees ¹⁷	1,393	
a. Number of female employees	560	#
b. Number of male employees	833	#
Attrition rate ¹⁸	12.7%	rate
Ratio of lowest paid employee against minimum wage	N/A	ratio

Employee benefits¹⁹

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100%	100%
PhilHealth	Y	100%	100%
Pag-ibig	Y	100%	100%
Parental leaves	Y	Maternity - 2% Solo Parent - 0.5%	Paternity - 1%
Vacation leaves	Y	100%	100%
Sick leaves	Y	100%	100%
Medical benefits (aside from PhilHealth))	Y	100%	100%
Housing assistance (aside from Pag-ibig)	N	N/A	N/A
Retirement fund (aside from SSS)	Y	0%	0.08%
Further education support	Y	0.15%	0%
Company stock options	N	N/A	N/A
Telecommuting	Y	*	*

¹⁶ *CIC is in the process of gathering data and will only be able to disclose in the next reporting period

¹⁷ Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

¹⁸ Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

¹⁹ *CIC is in the process of gathering data and will only be able to disclose in the next reporting period.

Flexible-working Hours ²⁰	Y	92%	76%
(Others)			

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
<p>With Employee Engagement as one of the core values of the Company, the Company adopts a Total Rewards Philosophy that emphasizes company-wide excellence and individual development, enabling employees to grow as individuals while CIC grows as a company.</p> <p>The impact, therefore is dual, as it supports the needs of the employees as well as the Company’s businesses.</p> <p>Compensation programs consider the following guiding principles:</p> <ul style="list-style-type: none"> • Build Long-Term Shareholder Value: Our programs will link employee interests with shareholder interests and the creation of shareholder value. Employees will do better when the company does better. • Drive a Pay-for-Performance Culture: Employees who demonstrate superior performance and behaviors will receive the highest rewards. • Be Competitive with Our Peers: Our programs will be in line with those offered by our peer companies. • Provide Cost-Effective Solutions: We will invest our resources in programs that provide the most value to the greatest number of employees. 	<p>Policies, Commitments, Responsibilities –</p> <ul style="list-style-type: none"> • Compensation Policy – The Company implemented a Compensation Policy to establish a balanced mix of internal equity and external competitiveness in the compensation structure across the Company; and, to attract, retain, and motivate key talents by providing competitive compensation with an appropriate mix of fixed and variable compensation. <p>Generally, the HR Operations unit is responsible for the planning and implementation of the CIC Compensation Strategy.</p> <ul style="list-style-type: none"> • Benefits Policy - CIC recognizes the importance of a competitive benefits portfolio as this helps drive the good employee welfare and wellness, employee productivity, and higher levels of employee engagement. This policy serves as the source of information regarding company benefits for covered employees and guidelines in the proper implementation thereof. The Benefits Policy was implemented to make CIC an employer of choice through a competitive benefits package; and to maintain high levels of employee productivity and employee engagement while ensuring employee welfare and wellness. <p>Generally, it is the HR Operations is responsible for the regular review and</p>
What are the Risk/s Identified?	
<ul style="list-style-type: none"> • Employee turnover • Costs not translating to performance due to inefficiencies in program design or implementation 	

²⁰ Reported rate pertains to employees with compressed work week schedule.

	update of this policy to ensure its market competitiveness, relevance to prevailing economic conditions, and compliance to statutory requirements.
What are the Opportunity/ies Identified?	
Unlocking additional value due to alignment of employee, management and investor interests.	

b. Employee Training and Development ²¹

Disclosure	Quantity	Units
Total training hours provided to employees	34089	hours
a. Female employees	*	hours
b. Male employees	*	hours
Average training hours provided to employees	24.47	hours/employee
a. Female employees	*	hours/employee
b. Male employees	*	hours/employee

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
<p>Employee Management is one of the core values of CIC. CIC believes that its capability to do things is a shared responsibility between the Company and employees, and so we work together to develop ourselves and our organization to the fullest of our collective potential.</p> <p>Thus, CIC holds employee development in the highest regard and takes personal interest in helping employees reach their career aspirations within the Company, through the provision of tools, resources, and opportunities for further learning and development. Our culture is one that ensures that our employees are fully engaged and are capable and empowered to make the right decisions.</p>	<p>Policy, Commitments, Responsibilities -</p> <ul style="list-style-type: none"> • Individual Development Plan (IDP) Policy – The Company has an Individual Development Plan Policy in place to help employees reach short and long-term career goals and improve job performance that support the delivery of business results; to create action plans that drive employee development towards a defined career trajectory; to increase levels of employee adaptability, organizational commitment, satisfaction, and retention; and, to align employee’s individual development with the Company’s growth objectives. <p>Generally, the Company’s Human Resource Organizational Development – Centre of Excellence (OD-COE) has oversight of this</p>
What are the Risk/s Identified?	
<ul style="list-style-type: none"> • Employee turnover 	

²¹ Disclosures are limited to CCAC, CMI, and COPI; *CIC is in the process of gathering data and will only be able to disclose in the next reporting period.

<ul style="list-style-type: none"> • Costs not translating to performance due to inefficiencies in program design or implementation 	<p>policy and is responsible for the continuous development of planning tools, provision of training to People Managers, and monitoring/gathering of data to measure the system's effectivity in achieving its objectives. Direct Managers (DM) act as mentor to the employee and are responsible for initiating and guiding the employees' development and its documentation in an IDP form. Human Resource Business Partners (HRBPs) are responsible for assisting DMs and ensuring each employee in their respective unit has an IDP in place. Employees are responsible for cooperating with their DMs and ensuring that IDP targets are achieved by the stated completion period, or updated in case of any changes in plan.</p>
<p>What are the Opportunity/ies Identified?</p>	
<p>Unlocking additional value due to alignment of employee, management and investor interests.</p>	<p>In creating the IDP for each employee, the Company follows the following guiding Principles:</p> <ul style="list-style-type: none"> ○ Development objectives must be aligned with organizational objectives. ○ Both gaps and strengths in the employee's capability must be developed. ○ Development objectives must be limited to a critical few. ○ Blended development activities tend to provide the most significant opportunity for learning. ○ Experience-based activities tend to be the most powerful method of employee development. ○ Clear communication and continuous feedback play a key role in promoting learning.

c. Labor-Management Relations²²

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	CCAC - 15.7% CDI – 32.2%	%
Number of consultations conducted with employees concerning employee-related policies	0	#

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
CIC recognizes that creating a positive workplace experience can only happen through effective communication and transparency between employer and worker and recognizes the need to provide an avenue for both parties to discuss and matters relating the collective bargaining and other related topics. The Company actively cooperates with Concepcion Carrier Air Conditioning Company Employees’ Union and Concepcion Durables, Inc. Employees Union, as the certified and exclusive bargaining representative for CCAC and CDI factory workers, respectively.	<p>Policy, Commitments, Responsibilities, Grievance Mechanism -</p> <ul style="list-style-type: none"> • Labor-Management Cooperation (LMC) Policy – The Company implemented the LMC Policy which covers the Labor-Management Cooperation activities between CIC and the unions, to complement and operationalize complements the Labor Code of the Philippines. <p>The policy has the following objectives:</p> <ul style="list-style-type: none"> ○ To promote workers’ participation in the policy- and decision-making process of the Company. ○ To foster a climate of cooperation and harmony between labor and management. ○ To improve the quality of working life; and ○ To achieve and sustain economic growth for CIC and its employees. <p>The Chief Human Resource Officer (CHRO) has the general responsibility for the lawful implementation of this policy. The governance of the LMC Policy is done through the Labor-Management Council (Council) and also provides the discussion platform for issues and concerns that are not covered by the Collective Bargaining Agreement (CBA), including but not limited</p>
What are the Risk/s Identified?	
Labor concerns which remain unaddressed or unresolved due to inefficiencies in the program design or implementation.	
What are the Opportunity/ies Identified?	
Unlocking additional value due to alignment of employee, management and investor interests.	

²² Disclosures are limited to CCAC and CDI. There are no unions present in other entities.

	<p>to cost reduction, job classification, employee engagement and productivity, housekeeping, and updates on new laws and rulings affecting the workplace.</p> <p>The policy ensures that both labor and management is properly represented in the Council. A third-party facilitator acceptable to all may be engaged to assist, as needed. The policy likewise ensures observance of efficiency and transparency in the conduct of meetings.</p>
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UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

The Company contributes to the ninth UN Sustainable Development Goal: “**Industry, Innovation and Infrastructure**”, in particular, fostering innovation.

CIC recognizes the need for innovation and incorporates this in its growth strategy. In 2019, many initiatives were geared towards collaboration and processes to foster innovation in response to the changing needs of the customers, including the introduction of the CIC Learning Center and collaborative workspaces and several product studies that support digital transformation.

Cortex Technologies Corporation is the CIC Group’s technology solutions arm. According to its primary purposes, is engaged, among others, in research, development and commercialization of new, existing or emerging technology to existing or future residential and commercial appliances and equipment, and other related products, and in providing business intelligence to customers based on data gathered from such products. In particular, CTC had launched three brands, Buddee, Connexion for Home and Connexion for Biz which significantly increased the Group’s research and development activities and employee population.

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Connexion for Home Connexion for Biz Buddee	Private research and development spending, Employment of research and Development Workers	If not properly managed by CTC or customer, security risks for confidential information and personal data, if any.	<ul style="list-style-type: none"> • Proper documentation that discloses the actual use and handling of information, whether confidential information or personal data, and ensuring consents are secured for the same. • Partnerships with reputable cloud computing services companies only.

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*