



Reducing
health system
fragmentation
through
improved
leadership and
governance

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Vision: GRI 102-1

Zuellig Family Foundation (ZFF) is a catalyst for the achievement of better health outcomes for the poor by strengthening leadership and governance, with a primary focus on rural communities in the Philippines.

Goals:

1. All trained local health leaders have improved Bridging Leadership competencies.
2. All trained local health leaders are able to strengthen local health systems with equitable and sustainable community-driven arrangements for better health outcomes.
3. Lessons learned and evidence are disseminated to advocate for equitable policies in public health and governance.
4. Partnerships with government and other stakeholders are formed to support and institutionalize leadership and local health system developments.



Mission:

ZFF is dedicated to enhancing the quality of life of Filipinos by focusing on the achievement of the country's Sustainable Development Goals for health, in partnership with government and other stakeholders.



About the Cover

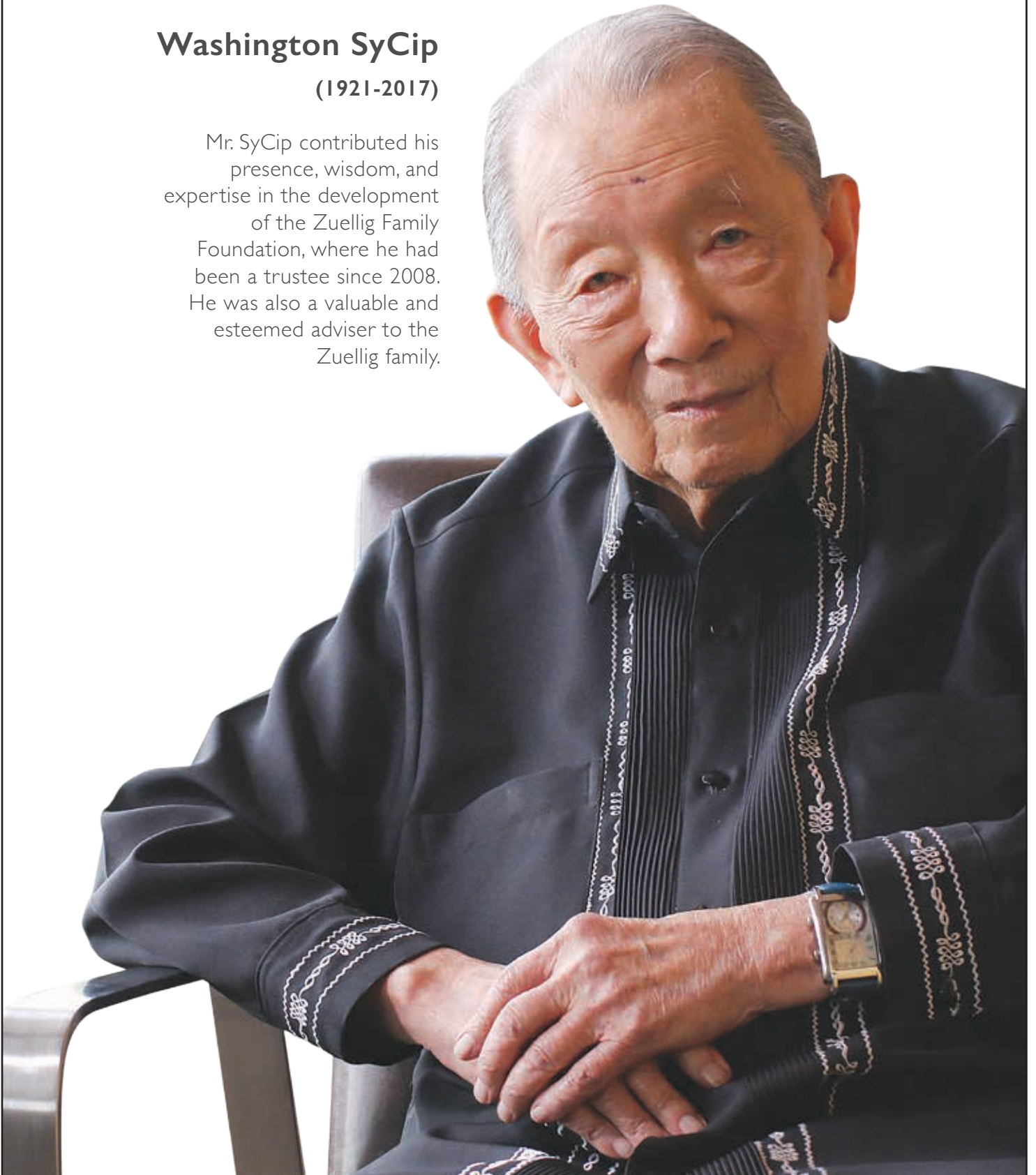
Susan Cabigayan, 18, is seven months pregnant with her second child. She and her firstborn, one-year-old Cedric, live in Barangay Literon in Calbiga, Samar, while her husband works in Leyte. Susan is among the many young mothers in the province, where teenage pregnancies have become a growing health concern. The provincial government is promoting the famous Lulugayan Falls, located in Barangay Literon, as a tourist destination under its Spark Samar campaign, which aims to boost livelihood, strengthen security and raise revenues to fund health programs.

In memoriam

Washington SyCip

(1921-2017)

Mr. SyCip contributed his presence, wisdom, and expertise in the development of the Zuellig Family Foundation, where he had been a trustee since 2008. He was also a valuable and esteemed adviser to the Zuellig family.



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Finding and creating pathways toward better health outcomes

GRI 102-2, GRI 102-13, GRI 102-14

The devolution of health in the Philippines brought about the unintentional fragmentation of health services in the country. Local political leaders, mostly unfamiliar in managing health systems, either neglected them or overlooked the need to collaborate with other leaders within the health system.

the roles they played in keeping these issues unresolved.

Municipal intervention

Our Foundation thus introduced a two-year health leadership and governance program for mayors, their municipal health officers, and their community leaders. Using the Bridging Leadership framework, we wanted health leaders to own

But will leaders—especially mayors—agree to sit through a total of 16 days of training? Nine initially did. Over 60 more prototype municipalities eventually became our partners.

Always, mayors would have second thoughts about our program because of the days it would take them away from their offices. But after the training, no one had any regrets about joining. (See related chart on page 40.)

Our program helped governors make this realization. As a result, governors made health a major part, if not an anchor, of their overall provincial development plans.

In 2008, or almost two decades since the devolution, this issue persisted. It has left many Filipinos, especially the rural poor without access to quality healthcare services. Our response to this was a novel approach. Our “Health Change Model” (HCM) focused on health leadership and governance. While technical training programs abound, we believed what was missing in health leaders was a good grasp of the systemic health issues and

their responsibilities and roles in the health challenges and in the solutions. We wanted them to identify their stakeholders and make them co-owners of the responsibility to fix health systems. We wanted them to work with their stakeholders in creating solutions to their health challenges. We also gave them roadmaps that easily showed their health system gaps, and the targets they should meet.

The program was an eye-opener for most. Just as we had theorized, the program led health leaders to immediately act on the necessary reforms to give their poor constituents improved access to good quality healthcare services.

A partnership with the Department of Health (DOH) in 2013 would bring our HCM to hundreds of municipalities.

While we could have opted to focus on municipal health systems, we saw more maternal deaths occurring in hospitals. This would involve the bigger provincial health system. But if mayors were already hesitant to go through four days of training

per module, would governors give even a day to discuss nothing but health?

We had to find a way.

Provincial intervention

Initially, our provincial program mainly involved chiefs of hospitals and provincial health officers. This resulted in improvements in the public hospital systems. But improving hospitals alone does not fix the entire provincial health system.

Provincial health systems go beyond a governor's traditional responsibility of fixing provincial and district hospitals. Governors must also look into the different municipal health systems and build a functional network of health services to ensure patients receive continuity of care across the whole spectrum of the health system, from the barangay (village) level to the referral hospital.

Again, our program helped governors make this realization. As a result, governors made health a major part, if not an anchor, of their overall provincial development plans.

And while we may have had a measure of success, achieving this was far from easy. The idea alone of working with

local political leaders was quite unconventional. Why work with leaders perceived to be unresponsive and whose tenure was limited?

Our analysis of the situation showed engaging them was the fastest route to health system transformation. And health reforms could not wait any longer.

But engaging governors was tricky. We knew four straight days of training was untenable. Eventually, we found a way to get governors actively involved. We are grateful to DOH regional directors (RDs) who became critical partners in this endeavor.

Involving municipal health officers, provincial health officers, chiefs of hospitals, and DOH RDs, provincial health team leaders and development management officers in ZFF's program interventions has helped sustain reforms despite changes in local political leadership.

Then there are organizations that further affirm our trust in our strategy.

We are in our second round of partnership with the United States Agency for International

Development (USAID). This will help us in our work of institutionalizing the **Health Leadership and Governance Program** within the DOH, which has been running and will continue to run the HLGP and all its program components.

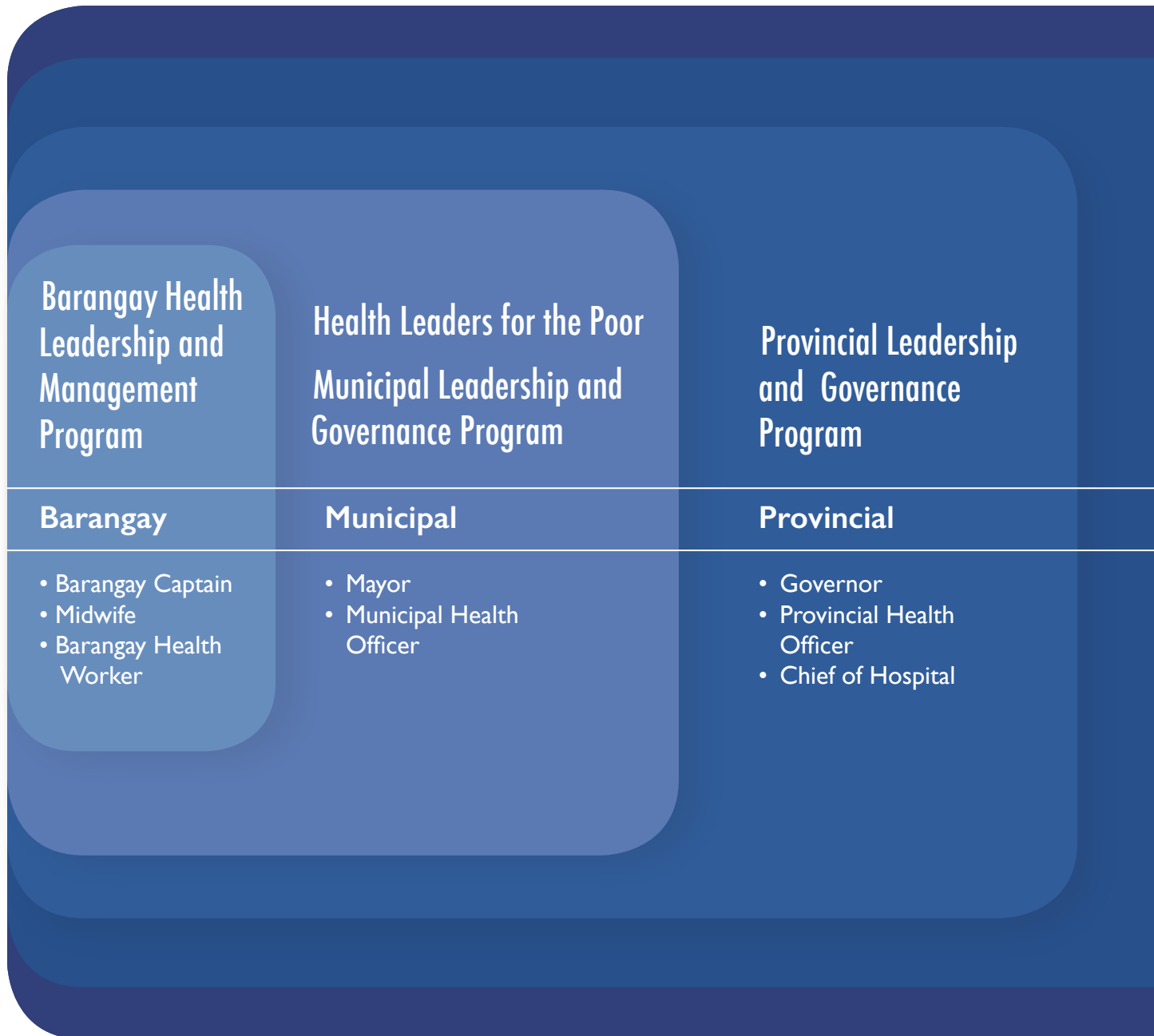
The Kristian Gerhard Jebsen Foundation partnership allows us to prototype a leadership intervention to address malnutrition in two pilot municipalities. Eventually, we hope to replicate this effort in more municipalities to ensure the good health of children from the time of their conception until they are two years old.

Other donors and organizations* also support our work and our partner-local government units in family planning, adolescent sexual and reproductive health, nutrition, and hospital system improvements.

In the coming years, we will focus on finding pathways that lead to strengthened provincial health systems. This is because our experience showed this is a more efficient intervention in bringing immediate improvements to the health outcomes of the Filipino poor.

**ZFF's program and resource partners: Assisi Development Foundation Inc. • Careerplus SA • Commission on Population • Department of Health • KBA-NotaSys • Kristian Gerhard Jebsen Foundation • Makati Medical Center Foundation • National Resilience Council • United States Agency for International Development • University of Sydney • US-Philippines Society • Vitamin Angels*

ZFF'S Different Public Health Leadership Programs GRI 102-2



Bridging Leadership Fellowship Program

Health Leadership and Management Program

DOH Regional

- Regional Director
- Provincial Health Team Leader
- Development Management Officer

Health Leadership and Management Program

DOH National

- Bureau of Local Health Systems and Development Officer

In the country's present devolved health system setup, the Department of Health (DOH) is the governing agency that sets national policies and plans, while local government units (LGUs)—provinces, cities, and municipalities—provide the health services. The DOH, primarily through its development management officers (DMOs), guides LGUs that also receive technical assistance from the agency. The DOH also kept the management of tertiary level facilities like regional and specialty hospitals. Provincial governments oversee provincial and district hospitals and must coordinate with cities and municipalities on the primary healthcare services they provide. Municipalities look after the rural health units and barangay health stations.

At the various levels of the health system, the Foundation introduced an intervention focused on strengthening health leadership and governance. This in the hopes of addressing the challenge of integrating curative and preventive healthcare services to ensure high-quality continuity of care for patients.

BAHAY

NI

NANA





Pioneering Municipal Health Leaders

Formulated in 2008, the “Health Change Model” was put to the test as the Zuellig Family Foundation (ZFF) partnered with nine municipalities. In early 2009, nine mayors, nine municipal health officers, and nine community leaders sat through lectures, talked about health system issues, and discussed among themselves their respective municipal health challenges and possible solutions. This was conducted for four straight days for each of the four modules spread across their two-year health leadership and governance journey with ZFF.

These nine municipalities formed ZFF’s Cohort 1. Twelve municipalities formed Cohort 2 in 2010. Seeing improved maternal and child health indicators, ZFF created a shorter, one-year version of its program in 2011. And through a partnership with the University of Makati, nine Makati sister-municipalities enrolled in what would be ZFF’s mainstream program, the **Municipal Leadership and Governance Program (MLGP)**.

These three sets of pioneer municipalities would be followed by six more sets of 42 rural municipalities. Nearly a decade since it started, ZFF checks back on the first Bridging Leaders who have shared and worked for the global vision of reducing maternal and infant mortality in the most health-challenged, oftentimes most isolated, places in the Philippines.

(From left) Former mayors Joselito Escutin (Dao, Capiz), Daylinda Sulong (Lapuyan, Zamboanga del Sur) and Daisy Sayangda (Santol, La Union) were among the first local leaders to enrol in Zuellig Family Foundation’s health leadership training program. Today, they continue to apply the principles of Bridging Leadership in their new roles as municipal administrator, vice mayor and management consultant, respectively.



Bridging leader boosts economic effort in Dao

GRI 203-2, GRI 413-1

Like the mothers in his hometown, former Dao Mayor Joselito Escutin is at the market everyday, not to shop but to immerse.

Escutin, one of the first mayors to undergo Zuellig Family Foundation's **Health Leaders for the Poor** program in 2009, is engaging stakeholders so they will co-own the local government's vision of a more progressive Dao Public Market and co-create initiatives to support this.

His meetings with vendors, stall owners and business groups to talk about ways to promote Dao's market has led to the creation of the Dao Business Group Association, which will meet quarterly to discuss the business environment in the municipality.

“Having experienced BL (Bridging Leadership) gave me more confidence on how to do things the right way, how to provide leadership the right way. It used to be a one-man army, a one-man rule, but while the results were good, doing everything alone was very stressful, very tiring. Now, people co-own the work,” Escutin said.

Former Dao mayor and now municipal administrator Joselito Escutin engages stakeholders in the local government's project to improve its municipal market and create a better business environment in Dao. Along with setting up a clean public market, he also continues to work for access to water and proper sanitation to ensure people's health.



He said his commitment to the market was tied to his commitment to health.

During his tenure as mayor, Escutin, along with his municipal health officer, Dr. Humbelyn Horneja, and Vice Mayor Loreto Eslaban, managed to improve maternal and child health in Dao. Today, the three continue to work closely together in their current roles to address the challenges of rising teenage pregnancies, lack of clean water and problematic sanitation.

“The way I understand it, health equals clean food; it’s that simple,” said Escutin, whose father Toto Ernie is the incumbent mayor.

Escutin wants to have a clean public market where vendors wear hairnets and the surroundings are clear of illegal stalls. He is monitoring the construction of a new wing, which will give itinerant vendors their own place.

“There are many kinds of leadership models but BL produced better outcomes for me. I’ve used it many times, not just in health but in education, and it has proven effective. Right now, we are the pioneer in organic farming in Capiz, and I’m using BL to get immersed in it,” he said.

(See related chart on page 41.)

The Trio from Dao: (from left) Vice Mayor Loreto Eslaban, municipal administrator Joselito Escutin and municipal health officer Dr. Humbelyn Horneja, who were all part of Zuellig Family Foundation’s first cohort of municipalities in 2009, continue to work together in different capacities to address health issues beyond maternal and child health. As in most rural areas, teenage pregnancies are becoming a top health issue in Dao.





Health
Health



Teaching never stops for former mayor GRI 413-1

Before she became mayor of Lapuyan town in Zamboanga del Sur in 2007, Daylinda Sulong had been a teacher for 20 years. She was used to adhering to a rigorous teaching schedule, which later helped her complete the health leadership and governance training and fully appreciate the Bridging Leadership framework given by Zuellig Family Foundation (ZFF).

“It really pays that I was a teacher before I became the local chief executive,” she said.

ZFF’s **Health Leaders for the Poor** (HLP) helped Sulong turn Lapuyan’s health story around: from six cases, maternal deaths were eliminated in 2011-2014 and infant deaths were zero in 2011-2015 after she worked on the town’s health situation.

The rates of facility-based deliveries, skilled birth attendants, and contraceptive use also increased throughout the same period. *(See related chart on page 41.)*

Now, in her new role as vice mayor of Lapuyan, Sulong continues to impart the lessons she learned from the HLP. As the presiding officer of the Sangguniang Bayan (SB), she interacts with the SB members regularly.

(From left) Municipal health officer Herbert Saavedra, M.D., Vice Mayor Daylinda Sulong and Mayor Joel Sulong are working together to ensure the sustainability of positive health outcomes already achieved in Lapuyan. The vice mayor, who completed Zuellig Family Foundation’s health leadership and governance training, guides her successor in continuing efforts to improve health services for the poor.

“Almost all of them were my students in high school,” she said, laughing. **“So I am now teaching them again—this time, how to be Bridging Leaders.”**

She unceasingly reminds her former students—and now community leaders—to build bridges with all stakeholders: **“You cannot answer everything by yourself; you need other people to help you out.”**

She echoes the same reminder to the new mayor, her brother-in-law, and often highlights the need to create and sustain effective working relationships with Lapuyan’s key partners and stakeholders.

“It’s a good thing that as vice mayor, I could advise and guide him on how to effectively carry out his very important role as the local chief executive and achieve the vision that we started with the stakeholders of Lapuyan,” Sulong said.

Vice Mayor Daylinda Sulong reached out to the predominantly indigenous population of her hometown, Lapuyan, by allowing them to perform traditional birthing ceremonies inside the health facility, on the condition that the mother will give birth inside the facility, assisted by health professionals. Sulong also built halfway homes adjacent to the facility so the mother can have a place to stay with her family before and after giving birth.



BAHAY NANAY

LABAN
KIND-TO-TOY

DOH
DEPARTMENT OF HEALTH

LIBRENG 3 TUROK
bigla mag-singapan o balyo
para pag-rekadar sa laban sa presensya
atkinan para pag-inatapan sa health center.





Leadership

skills boost mayor's post-political career

After being in the shadow of her politician father, Daisy Sayangda proved her mettle as a leader by overhauling the health program of Santol, La Union during her three terms beginning 2007 as mayor of the municipality.

Trained under the Certificate Course on Public Health Governance (now called the **Municipal Leadership and Governance Program**, MLGP) of the University of Makati-Zuellig Family Foundation (ZFF) partnership, Sayangda reorganized the municipal health office, formed a team to focus on health, and increased the local government's health budget from 7 to 24 percent.

Today, the former mayor uses the skills she acquired from her training to help clients of her leadership and management consultancy firm. Among them is the National Police Commission, which has a joint project with the Philippine National Police (PNP).

Former Mayor Daisy Sayangda (third from left) made her mark as leader of Santol, La Union when she focused local government resources and efforts toward improving maternal and child health.

“My work with them is like MLGP,” Sayangda said. **“I adapted the framework to peace and order issues, and studied their needs. We need the stakeholders to work together to implement the third mandate of the PNP on the establishment of the Community Service Oriented Policing (CSOP).”**

She said Bridging Leadership is the perfect framework for working on the political issues and budgetary concerns of the PNP, and addressing the challenges of an unpleasant image that results in people’s lukewarm reception to police.

“I also did the roadmap and we connected other available mechanisms in the LGU. The MLGP course provided the concepts, skills and framework while my experience as a resource speaker in various LGUs—plus my personal experience—gave richer content,” she said.

Sayangda also participated in the 2015 Eisenhower Women’s Leadership Program in Philadelphia, United States.

“The training I had with ZFF let me see things in different perspectives,” she said. **“It is not always my point of view but as a leader, I also need to know their vision.”**

(See related chart on page 41.)

Former Santol Mayor Daisy Sayangda, who completed the Certificate Course on Public Health Governance, or what is more known as the Municipal Leadership and Governance Program, uses the Bridging Leadership framework to help the Philippine National Police address political, budgetary and public relations issues.





Developing Provincial Health Champions

GRI 102-4

The Zuellig Family Foundation's interventions in the provinces initially focused on improving hospitals as more maternal death cases were being reported in these facilities. This was in 2012. But in 2016, ZFF retooled its **Provincial Leadership and Governance Program** (PLGP) to make sure governors will take active part in integrating their provincial health systems. This means making governors accountable not only for their provincial and district hospitals but also for the rural health units, albeit indirectly, by influencing their mayors. They have seven deliverables of having: (1) a governance body, (2) an established health equity information system, (3) Philippine Health Insurance Corp. (PhilHealth)-accredited hospitals with no-balance billing, (4) PhilHealth-accredited rural health units with zero out-of-pocket expenses for indigents, (5) a service delivery network or continuity of care, (6) identified social determinants of health, and (7) community participation.

There are 12 provinces under the PLGP: Agusan del Sur, Aklan, Bataan, Cebu, Compostela Valley, Ilocos Sur, La Union, Northern Samar, Samar, Siquijor, South Cotabato, and Zamboanga Sibugay.

In the succeeding pages, we feature Bataan Governor Albert Garcia, who sees health at the core of his vision of attaining for the province the highest Human Development Index.





Injecting logic into politics: A systematic approach to health

His professor told him he would not realize the value of his college education—Philosophy—until much later in life. Down the road, the teacher said, logic would serve him.

“Down the road” is now for Bataan Governor Albert S. Garcia, who at 48, has been a mayor and a congressman, and is on his second term at the helm of one of the country’s most progressive provinces.

Garcia is reaping the benefits of the economic and freeport zones whose creation he and his late father, a former legislator, pushed for in Congress.

The entire municipality of Mariveles, declared the Freeport Area of Bataan (FAB), directly employs around 40,000 workers, including migrants from Visayas and Mindanao. FAB is the fastest-growing freeport in the Philippines, with some of the world’s biggest manufacturers and business process outsourcing centers setting up shop in the area, according to Garcia.

“I think it’s the only place in the country where there’s more work than people. It’s phenomenal,” he said. **“In the future, we would need to make a system with barangay captains to monitor the influx of people because of peace and order. Plus, you have next-level problems: housing and hospitals. We’re looking into those now.”**

Private housing developments catering to the burgeoning workforce in Mariveles have sprouted in the past years, but health facilities remain a challenge the government must address.

Measurable improvements

Good health is central to attaining Bataan’s vision for 2020: to have the lowest poverty incidence in the country due to quality growth and the



highest rank in the Human Development Index (HDI).

Garcia defines quality growth as sustainable, inclusive, rapid, efficient, and resilient growth that eliminates poverty. He said the attainment of Bataan’s vision was also based on HDI because it was measurable, and therefore, manageable.

“If you can’t measure it, you can’t improve it,”

Garcia said, citing lessons from the Performance



Governance System used in the provincial government.

HDI has three components: education, life expectancy and per capita income. To increase life expectancy to the target 75 years, the provincial government must improve the delivery of health services.

To date, Bataan's life expectancy is 71, and its poverty incidence is 1.6 percent, already one of the lowest in the Philippines.

“Among the three, health is the most important. No matter how much money or education you have, if you have poor health, it’s all for naught. That’s why we’re focusing on (building) ovals, parks and health facilities,” Garcia said. **“Everything is aligned to the vision; everything is measured.”**

Garcia is known for employing a logical, systematic approach to problem-solving, but he is first to admit he has little knowledge on public health or hospital

Bataan Governor Albert Garcia explains how the provincial government repaired an abandoned building in a former campus and turned it into what would become the Mariveles District Hospital. The province is now seeking private partners who can provide the skills and manpower required to run the hospital in the country's fastest-growing freight zone.



Bataan hopes to replicate the success of its Metro Bataan Development Authority in the provincial government's plan to set up a similar system for health services delivery.

administration. For this, he gets support from the Zuellig Family Foundation (ZFF) through the **Provincial Leadership and Governance Program**.

Garcia is part of the latest batch of governors that began their health governance training in late 2016.

“There’s a lot of work that needs to be done, and this is where ZFF helps us—in putting everything together,

from the regional, provincial, municipality and down to the barangay, so we can have a system that talks to one another, that is being monitored, that is up to standard, so the services can be at the barangays or near the households,” the governor said.

Command Center for Health

The series of meetings he has had with ZFF and other experts in 2017, he said, showed him the



problem with Bataan’s health service delivery network.

“It was fragmented,”

Garcia said, much like the traffic monitoring system in the province before the Metro Bataan Development Authority (MBDA) was created and the command center set up in 2014.

Before the MBDA, different agencies and municipalities had jurisdiction over the national highway. There was no system in

place for response to accidents or altercations; hence, it was hard to assign responsibility.

“When we had the MBDA, everything went under the umbrella of the command center. Now, on a daily basis—not just daily but per minute, per second—they are talking to each other. Plus, we have 911, so if there’s an accident and someone calls 911, the command center will talk to the police, the highway patrol, the ambulance,” he said.

The fragmented health system presented the same challenges and could use the same solution.

“It’s similar, so what we’re envisioning is something like a command center which runs the (health) service delivery network real-time,” Garcia said. **“There’s nothing like it in the entire country, so if ever it happens, it’s going to be a proof of concept.”**

While the idea for the health command center is still in the development stage, the provincial government is already evaluating the service delivery network and making an inventory of supplies such as medicines and equipment in various health facilities.

“Developing a system from almost nothing is the tough part because when you introduce a different system to fragmented stakeholders, you want the system to be more or less efficient, so it does not backfire. But with this, there is no assurance,” Garcia said. **“It’s trial-and-error, so you rely on your common sense, on intuition to develop the system.”**

The governor has expanded the provincial health board to include representatives of industries inside the freeports, the directors of district hospitals, municipal health officers, and even barangay health workers (BHWs) across Bataan to ensure they will work together in developing solutions to the health challenges.

“The local health board will give sustainability to these programs that we’re going to introduce,” said Garcia.

Public-Private Partnerships

Technology would be crucial to a 24/7 connected network: the Department of Health (DOH), provincial health office, district hospitals, Bataan General Hospital, rural health units (RHUs) and even barangay health stations (BHS) should be connected to a central system, the way MBDA is.

“I think this will be more complicated and more challenging than what we did with MBDA,” Garcia said. **“That is why this cannot be a top-to-bottom approach. We have to meet halfway for a more efficient system.”**

To ease the cost of building such a system, Garcia is looking to make the health command center a public-private partnership (PPP), like what the provincial government did for its soon-to-be-completed P2.4-billion capitol office called The Bunker.

The system for the service delivery network could be “independent-led” but all health entities will be under the umbrella of the command center.

“It could just be a platform where all agencies with their mandate can talk on a daily basis and work as a team,” he said.

To make a command center for health work, healthcare providers must be retrained, and all RHUs and BHS must be up to standard, Garcia said, which means the whole operation will “require a huge budget.” This is why the provincial government needs partners.

“We want to see more PPP in the future because there are benefits to a partnership,” he said. **“We understand that government doesn’t have all the core competence, so if we find a partner with the core competence and who is willing to engage, we engage them.”**

One-stop shop

Aside from the service delivery network, Garcia is also seeking a partner to operate the newly built Mariveles District Hospital. The provincial government, FAB administration and DOH worked together to convert a decrepit building into a hospital with over 70 beds.

Garcia estimates the renovation of the structure alone costs ₱100 million, so the provincial government is looking to make hospital operations a PPP.

Another thing Garcia is looking forward to is the conversion of his current office in Balanga into a one-stop shop for indigent patients seeking financial aid. The one-stop shop will house the Philippine Health Insurance Corp., the Philippine Charity Sweepstakes Office, the fund from the DOH, governor, congressmen, senators and even party-list groups.



“The whole ecosystem of financial aid grants that both indigents and even the middle-class need when sickness hits them—we’re going to try to put it here,” Garcia said.

All these efforts, he said, find their rationale in their 2020 vision for Bataan.



“At the end of the day, it’s all very simple: we want the people of Bataan to have a lot of money, good health and long life, and access to quality education. Everything we do here is geared toward that because as public servants, our job is to improve our people’s quality of life,” Garcia said.

The provincial government of Bataan aims to achieve the highest Human Development Index in the country. This means making sure Bataan workers have good jobs, children get quality education, and residents enjoy long, healthy lives.

(See related chart on page 41.)

Moving Forward

Reducing health system fragmentation through improved leadership and governance

When he met a father of seven whose wife bled to death during childbirth because no health facility could attend to them in a remote village, Aklan Governor Florencio Miraflores saw where the health delivery system he has supported all these years broke down.

“I was wrong in my approach: while I was concentrating on my provincial hospital (Dr. Rafael Tumbokon Memorial Hospital), I neglected my peripheral hospitals, so patients all over the province flocked to the provincial hospital, and that caused congestion and a lot of problems,” said Miraflores, who met the poor widower on a visit to a Buruanga village as part of the Zuellig Family Foundation’s **Provincial Leadership and Governance Program** (PLGP), which he joined in 2016.

In 2017, Miraflores reviewed his health programs and realigned resources to support health facilities outside the capital of Kalibo. Municipal health officers (MHOs) across Aklan were made part of the provincial health board while a core health team composed of department heads was formed under the governor’s office to push the health agenda.

Through a partnership with the Makati Medical Center Foundation, the province will be getting help in fixing its hospital systems.





An Unmarked Grave. This is where 36-year-old Jacqueline is buried. She bled to death after giving birth at home to her seventh child, Jacquie Mae, in August 2016. From their house in Buruanga, Aklan, her husband Joseph took her to the nearest hospital, but it was unattended. He rushed to the next hospital, farther away, but Jacqueline never made it: she had lost too much blood and was declared dead on arrival.

This is the tragic, preventable death that has nudged Aklan Governor Florencio Miraflores to reexamine the links in the province's health delivery network and to focus vast government resources on improving peripheral health facilities to service remote villages. Today, Aklan allocates almost half of its annual budget to health, in the hopes that no more children would be left motherless.



Location: Dr. Rafael S. Tumbokon Memorial Hospital

Not just hospitals but municipalities, too

For Miraflores, however, engaging the municipalities is critical. He tells mayors how prioritizing health is good for their political careers. To help them improve their municipal health systems, the governor has committed to provide the additional support to upgrade healthcare services and facilities. MHOs have also found an ally in Miraflores who included all MHOs in the local health board that meets monthly. He is also keen on re-educating health personnel on how to interact with clients. The latter was a realization after encountering a senior citizen who said she was ignored in a health facility because she was only wearing slippers.

For 2018, 38 percent of Aklan's budget—an unprecedented ₱748 million—is allocated for health. This will fund the following programs of the provincial government:

- Improve different towns' rural health units and birthing centers
- Give barangay health workers additional monthly allowance
- Issue smart cards loaded with ₱5,000 financial assistance to 148,000 indigents in the province, and
- Push provincial hospital to level 2.

Miraflores's transformation showcases ZFF's work of shaping enlightened and committed leaders. Health leadership and governance interventions at the country's regional, provincial, municipal, and even barangay levels must continue to ensure that a devolved health delivery system works.

“We have to put together the cooperation between the provincial and municipal health workers so we can have an effective health delivery system. It hasn't worked in the past, maybe 20 years, since the Local Government Code was passed. So the challenge is how to put it all together again.”

—Aklan Governor Florencio Miraflores on what he is setting out to do for the health of his province

For Miraflores, credit to the relative swiftness of health reforms in the province should go to his team that includes the provincial health officer, budget officer, personnel officer, local finance committee, and other key officials. **“I have people who are very committed to health services,”** he said.

Though he does not expect to see 2017 health indicators to show significant improvements given the reforms needed, Miraflores is positive they are on the right track. For one, he is hopeful normal deliveries will decline in the provincial hospital to finally decongest it.

(See related chart on page 41.)





Regional director finds a provincial health champion ally

The quick pace of health reforms introduced in Aklan gave the regional director of Department of Health (DOH) Region VI an ally in making the region the healthiest in the country.

“We will bank on the accomplishments of Aklan so other governors will be convinced that PLGP works. The measurement of whether it worked or not is the improvement not just of governance but of the health status, so everyone should be involved. They should be a part of the solution,” said Marlyn Convocar, regional director of DOH in Western Visayas.

Initially a skeptic, Convocar now believes the DOH-ZFF partnership program, the **Health Leadership and Governance Program (HLGP)**, will help the DOH meet its goals of better health outcomes, better health systems, and equitable health financing under the Formula One Plus agenda.

“You could not really force yourself into the local government units and tell them you have to do all these things. That’s where HLGP comes in—to influence them to refocus their thinking,” Convocar said.

“We don’t have full authority on the LGUs because of the devolution. There’s fragmentation in the implementation of health services. So if they (local chief executives) can be influenced through a shift in their governance paradigms, then they can focus on (attaining metrics under) the Performance Governance System.”

—Region VI DOH Director Marlyn Convocar on the value of sustaining Health Leadership and Governance Program

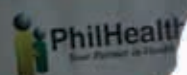
Kailangan ba ninyo ng tulong sa pagkamit ng PhilHealth benefits?



MAAASAHAN NINYO KAMI.

PhilHealth CARES

Cultural Assistance, Referrals and Engagement Services



Location: Iloilo Provincial Hospital



**NANAY,
KAHIT KAILAN...
KAHIT SAAN...
PAG-ARIN MO
SI**

GAMIT KO!!!

BANT



Location: Calbayog District Hospital

Continuity of care in challenging areas

ZFF's work is not without its challenges, especially in places divided by politics.

One of the first governors to join the PLGP, Samar Governor Sharee Ann Tan took all of three terms to fix the hospitals, instill a sense of dignity among health workers, and regain the people's trust in public health institutions.

The continuity of healthcare is an important aspect of *Spark Samar*, the province's flagship development campaign, but the referral system from the barangays to the rural health units to the hospitals remains hindered by politics.

“My principle is—and I’m very vocal about this to mayors and their employees—we want to put in place a good referral system,” Tan said. **“We will not talk about politics, just the programs, because even if we don’t like each other, we have to work together.”**

One of the biggest challenges in the province now is the number of teen pregnancies. At the Calbayog District Hospital, 70 to 80 percent of all pre-natal checks involved teens, with the youngest mother at 14. Contraceptive prevalence rate is a mere 37.8 percent in 2016.

(See related chart on page 41.)

“I’m happy to hear my people taking the initiative to improve our health performance, especially after they win awards. They used to complain about their heavy workload. I even became very unpopular during my second term because I really wanted to fix our (hospital) problems. They said I was harsh and hot-headed, but I had to be strict. Now, I tell my people my strictness is paying off. I remind them we really just needed to fix our system, and once we have a good system in place, work becomes easier.”

—Samar Governor Sharee Ann Tan on continuing to enjoy millions of income from PhilHealth after the reforms done in their provincial and city hospitals



Strengthening health leadership in the coming years

Samar is one of several ZFF partner local governments observing an increasing trend in teenage pregnancies. Hence, the Foundation has begun work on interventions intended to help local health leaders educate the youth and parents, prevent early pregnancies, and assist teen mothers.

The Foundation also has an ongoing program to improve the nutritional status of pregnant women and the first 1,000 days of children, i.e., from time of conception until two years.

While it has been developing health-issue specific programs, health leadership and governance remains at the core of ZFF's interventions. Specifically, the Foundation will prioritize fixing the provincial health systems through its PLGP. Though more difficult to implement, it is proving to be more effective in facilitating quick health system improvements not only in the provincial system but also in the municipal system.

As the Foundation continues to work with local governments, it knows it will still encounter leaders who will be skeptical of its strategy or unwilling to have health as top priority. But given the number of provincial and municipal health leaders who have seen how improving the health of their people has led to overall community progress, ZFF is optimistic leaders at every level of the Philippine health system will work together to ensure every Filipino, especially the poor, will receive timely, accessible, and high-quality healthcare services.



ZFF Numbers GRI 102-6

740

Municipalities
with Health Change Model
(HCM) interventions

40

Provinces with HCM
interventions

41.8M

Population of ZFF
municipalities and
provinces

88

Health facilities funded
by ZFF

1.6M

Population in areas where
ZFF facilities were built

3,037

Health Leaders Trained

Health Leaders for the Poor 346

*Municipal Leadership and
Governance Program* 1,453

*Provincial Leadership and
Governance Program* 197

*Health Leadership and
Management Program* 1,028

*Bridging Leadership
Fellowship Program* 13

13

Academic Partners

151

Faculty Trained

₱834.5M

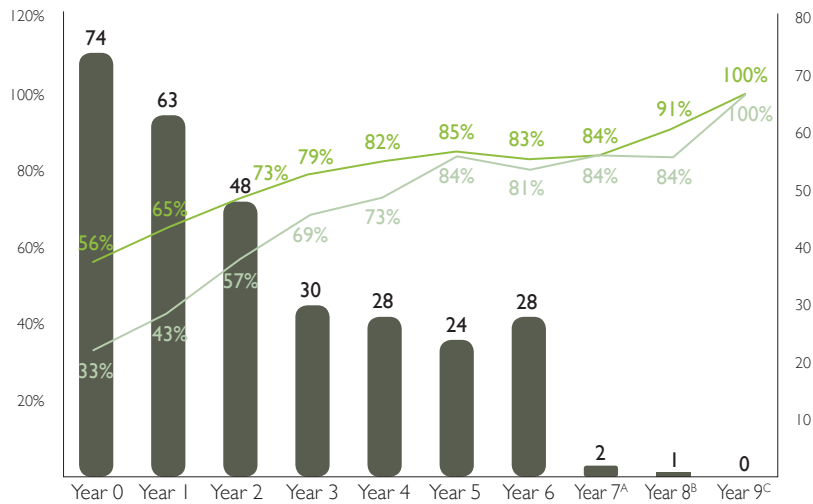
Zuellig family commitment
spent (2009-2017)

₱528.2M

Funds from partners
(2012-2017)

Health Indicators

Maternal health indicators in prototype municipalities*



In 2008, the Foundation created its strategy called the Health Change Model to realize the Zuellig family's desire to improve health outcomes of the Filipino poor. The strategy focuses on improving local health leadership so health systems can become responsive to the needs of the poor. It was pilot-tested in 2009 in nine rural municipalities, which in 2012 grew to 72.

Year 0 refers to the baseline year, which varies per municipality depending on the year it began its ZFF program.

*Number of LGUs included based on completeness of data:

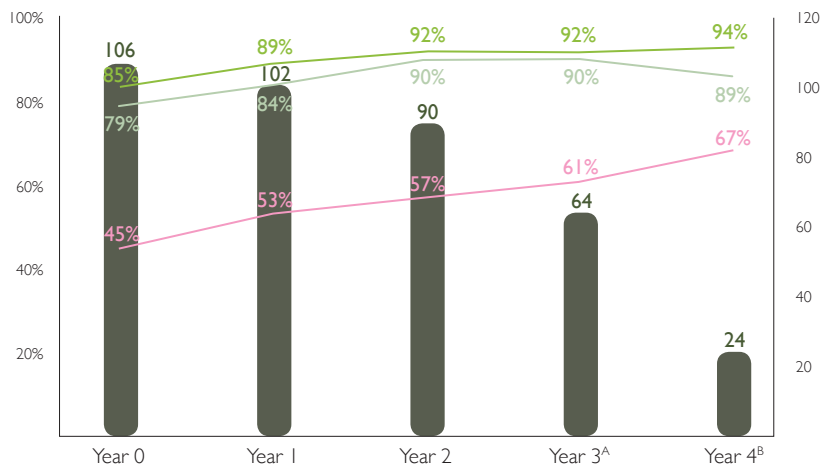
Years 0-6: 72

^AYear 7: 37

^BYear 8: 21

^CYear 9: 9

Maternal health indicators in mainstream municipalities*



In 2013, a partnership with the Department of Health allowed more municipalities across the country to receive ZFF interventions through the Health Leadership and Governance Program.

Year 0 refers to the baseline year, which varies per municipality depending on the year it began its ZFF program.

*Number of LGUs included based on completeness of data:

Years 0 - 2: 182

^AYear 3: 159

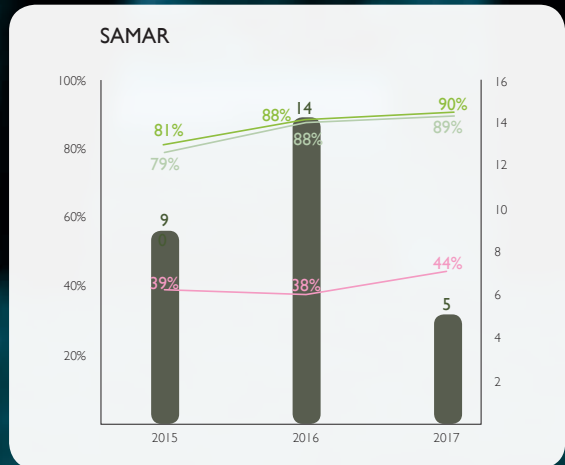
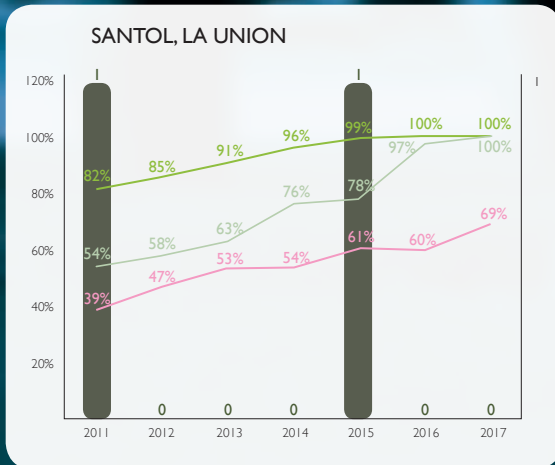
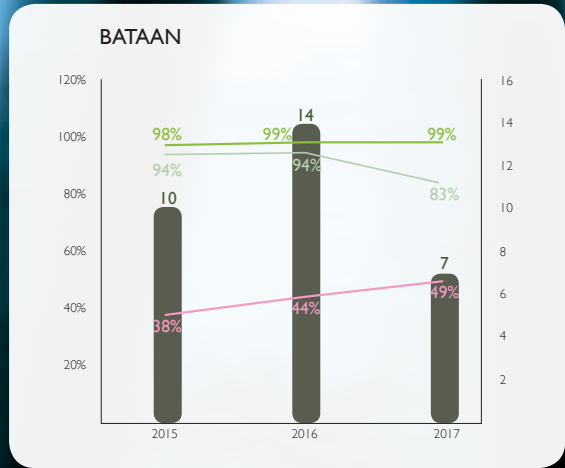
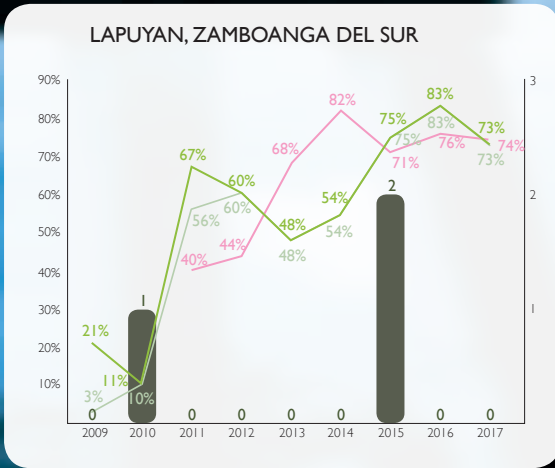
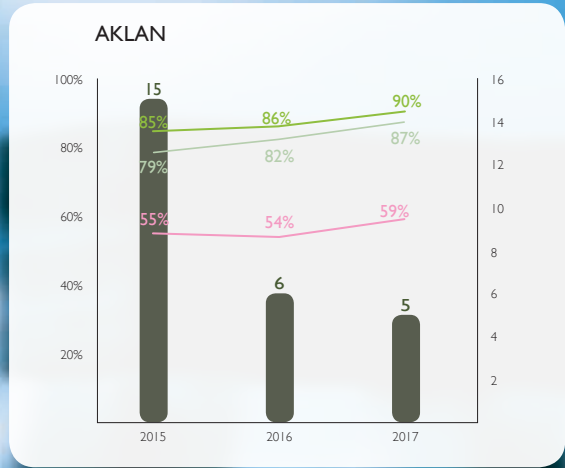
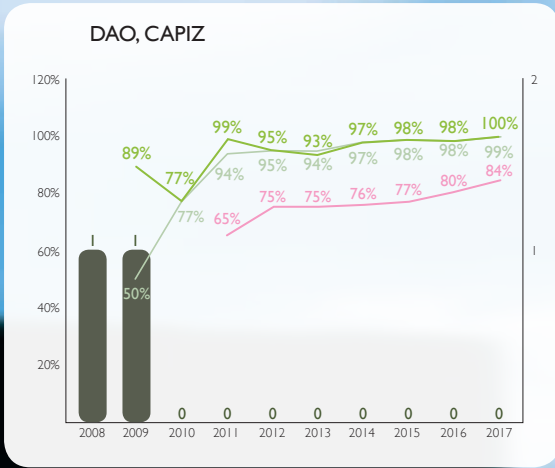
^BYear 4: 38

Source: Field Health Services Information System

- Number of maternal death
- Skilled birth attendant
- Contraceptive prevalence rate
- Facility-based delivery

Municipalities

Provinces



Sources: Field Health Services Information System, local government units

*2017 are partial-unofficial





Sustainability Report

Bridging Leadership for Rural Health

A well-informed, knowledgeable, and accountable local leadership in rural communities will create healthcare systems responsive to the needs of the poor and marginalized. The “Bridging Leadership” framework enables local health leaders with knowledge and skills to bring different stakeholders together and effectively collaborate to overcome the challenges faced by their community.

“Washington Sycip...has long maintained that to alleviate poverty, which affects millions of Filipinos nationwide, there are three basic areas that need to be improved: basic education, cost of credit to the poor, and rural health.”

—“A helping hand,” BusinessWorld, 30 June 2016

Report Scope and Boundaries

GRI 102-46, GRI 102-54

This is the fourth consecutive year the Zuellig Family Foundation (ZFF) is reporting on the organization's sustainability performance in terms of economic, social, and environmental aspects. This report covers initiatives and projects from January to December 2017. This report has been prepared in accordance with the GRI Standards: Core option.

The Foundation considers this process of sustainability reporting as an opportunity for the organization to assess its effectiveness in its programs and to study the multi-faceted impact of its activities. By undertaking this annual exercise, the Foundation aims to examine its own actions, learn from experiences and make improvements to further strengthen the Foundation to better serve more people and make a difference in the lives of the poor and underserved Filipinos.

The information and data presented in this report have been consolidated by ZFF's Sustainability Technical Working Group, which is responsible for monitoring, evaluating and analyzing performance records from process handlers.

Approach to Sustainability

The Foundation's philosophy is to focus on its area of expertise — health, which is a basic need and one wherein the Foundation can contribute significantly. The focus was further refined into rural health where the Foundation aims to make a sustainable impact through a transformative health leadership and governance approach.

ZFF is mindful that its sustainability approach should help the organization remain consistent with the values it advocates: sense of duty and purpose, reliability, leadership and integrity. At the same time, its avowed goals are aligned with the country's Sustainable Development Goals (SDGs) for health, as ZFF is determined to be relevant and responsive

to realities on the ground. This responsive approach allows the organization to adapt and modify processes in practical and pragmatic ways.

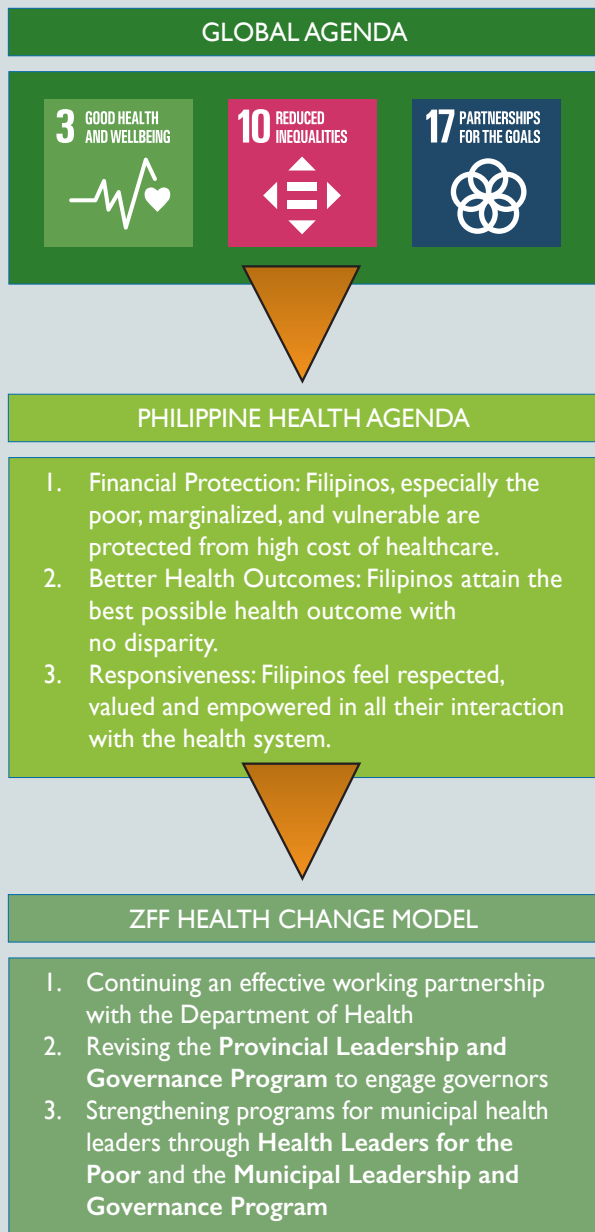
Working toward these health-related SDGs, the Philippine Health Agenda (PHA) framework 2016-2022 under the current administration aims for financial protection, better health outcomes, and responsiveness.

ZFF has further evolved the "Health Change Model" (HCM) in support of the country's renewed push for the PHA. Therefore, ZFF's HCM intervention continues to provide assistance through initiatives that help create a responsive health system.

In essence, the program's evolution served to reinforce the role of the ZFF Institute for Health Leadership as steward of quality and effectiveness of the Foundation's various programs with a credible certification process for trainers.

ZFF also continuously improves and develops the program processes and materials through its own experiences and learnings while running the said programs. Training materials are improved with the inclusion of actual cases, practices and innovations. The Foundation maintains a knowledge management system that enables ZFF to capture and store important learnings, and to develop these into materials for training participants, policy-makers, and the general public.

The Foundation is intent on being relevant, effective and innovative in the pursuit of its mission. As a relatively small unit in terms of staffing and headcount, the Foundation is fully cognizant of its responsibility to efficiently and professionally manage the finite resources purposely and specifically endowed to produce results that impact the lives of poor families in its current project sites in 740 municipalities and 40 provinces, especially those in geographically isolated and disadvantaged areas.



Material Topics for ZFF

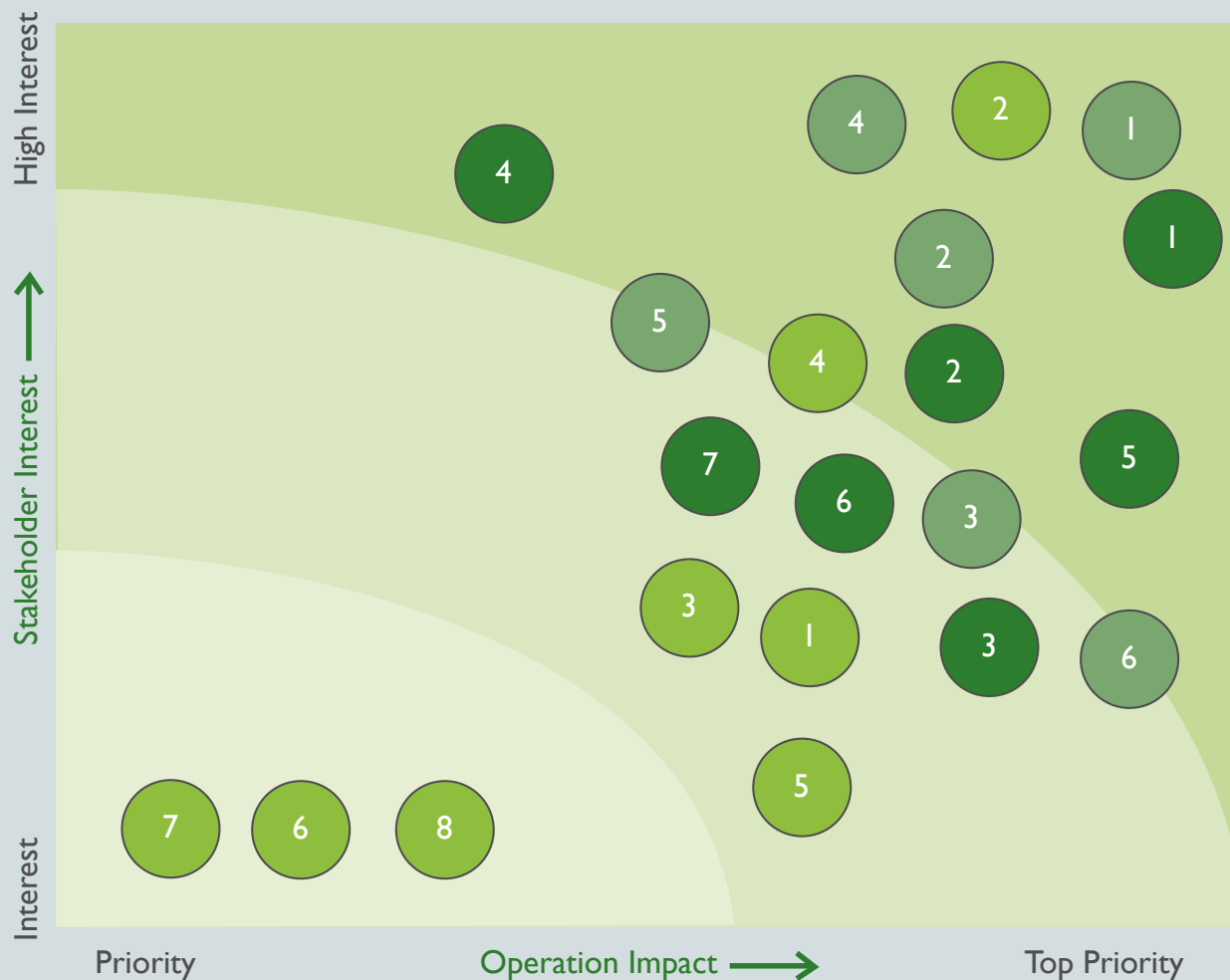
ZFF has followed the Global Reporting Initiative's (GRI) prescribed material topics identification process described below to help the Board in its continuous assessment of key material aspects the Foundation monitors and measures for further process improvement.

- I. **Identify** the potential areas, outside and within the organization, which are aligned to the Sustainable Development Goals.
- II. **Assess** and prioritize key material issues through internal discussion.
- III. **Validate** the identified key issues through stakeholder discussions and management review.
- IV. **Develop** strategies that ensure the key material aspects are addressed by its programs.
- V. **Measure** ZFF performance on a regular basis and make disclosures to stakeholders through sustainability reporting.
- VI. **Improve** its performance on key issues year-on-year.

The Foundation continues to assess and validate the identified key issues while developing appropriate responses to address the concerns. Success markers and progress metrics such as maternal mortality, infant mortality, number of health facilities, number of skilled birth attendants, etc. are included in the program design and are reported in depth in the Annual Report. Meanwhile, other performance metrics not usually readily visible, such as social and environmental metrics, are shared here in the Sustainability Report.

“This gap must be addressed, but the intervention comes with great risks and must be faced with—in the words of Dr. Stephen Zuellig—‘courage and steadiness.’ From the very start, we knew the Foundation will be guided by the Zuellig family values: sense of duty and clarity of purpose, leadership and integrity, good management, and reliability.”

—ZFF President Ernesto D. Garilao



Good Governance

- 1. Ethical Funding
- 2. Corporate Governance
- 3. Internal Process Management
- 4. Financial Management
- 5. Compliance to Stakeholder Requirements
- 6. Stakeholder Communication
- 7. Partnership Management

Operational Impact

- 1. Material Consumption
- 2. Workplace Wellness
- 3. Human Rights Protection
- 4. Safety and Security
- 5. Energy Management
- 6. Water Management
- 7. Waste Management
- 8. Greenhouse Gas Emissions

Program Management

- 1. Better Healthcare Programs in the Community
- 2. Program Monitoring, Evaluation, and Learning
- 3. Public Awareness and Advocacy
- 4. Better Livelihood and Wellbeing of Community
- 5. Program Effectiveness Management
- 6. Feedback and Complaints Management

Material Topic	Topic Boundary		Disclosure	
	Internal	External	Page No.	Title
Ethical funding	✓		48	Ethical Funding
Corporate governance	✓		49	Corporate Governance
Internal process management	✓		52	Internal Process Management
Financial management	✓		68	Financial Highlights table
Compliance to stakeholder requirements	✓		49	Stakeholder Engagement
Stakeholder communication		✓	49	Stakeholder Engagement
Partnership management		✓	9, 53	Pioneering Municipal Leaders, Better Healthcare Programs in the Community
Material consumption	✓		61	Material Consumption
Workplace wellness	✓		55	Workplace Wellness
Human rights protection	✓	✓	59	Human Rights Protection
Safety and security	✓		58	Safety and Security
Energy management	✓		60	Energy Management
Water management	✓		61	Water Management
Waste management	✓		61	Waste Management
GHG emissions	✓		61	GHG Emissions
Better healthcare programs		✓	53	Better Healthcare Programs in the Community
Program monitoring, evaluation, and learning	✓	✓	54	Program Monitoring, Evaluation, and Learning
Public awareness and advocacy		✓	54	Public Awareness and Advocacy
Better livelihood and wellbeing		✓	11	Bridging leader boosts economic effort in Dao
Program effectiveness management	✓		54	Program Effectiveness Management
Feedback and complaints management	✓	✓	54	Feedback and Complaints Management

Good Governance

Rooted in a genuine desire to make a difference

GRI 102-16, GRI 205-2

The Zuellig Family Foundation (ZFF) considers the principles of good governance and ethical practice as the core of its existence. Set to the standards modeled by its founders, policies and decisions are designed to protect the invaluable trust and confidence of its stakeholders toward its goal of helping create better health outcomes for the rural poor.

Ethical Funding GRI 102-5

The Foundation is predominantly funded by the Zuellig family. There are also leveraged and co-funded programs in partnership with different organizations such as multilateral funding agencies, corporate foundations, government agencies, and other non-government organizations to facilitate a “collective impact approach” in mobilizing resources and engaging partners for public health. In its partnership with the Department of Health and the Commission on Population, ZFF uses its own funds independently from that of national government agencies.



David Zuellig 60 Daniel Zuellig 56

TRUSTEES,
ZUELLIG FAMILY FOUNDATION

These cousins help steer the foundation, which has improved health care in poor rural areas, significantly reducing mortality rates for infants and mothers. The family's Zuellig Group—a low-profile but powerhouse pharmaceutical company in Asia—has contributed an average of \$2.3 million annually over the last five years to the foundation. With 83 staff members, it trains rural governors, mayors and their staff in leadership and good governance. Beginning in 2009 with nine municipalities, the program now serves 640 municipalities—42% of the country—aided by partnerships with the Philippine health department, the UN and the U.S. government. The company's roots extend back to the cousins' Swiss grandfather, who started a Manila trading business in the early 1900s.

In 2017, Forbes Asia cited ZFF trustees David Zuellig and Daniel Zuellig as among “Asia’s 2017 Heroes of Philanthropy,” noting how “these cousins help steer the foundation, which has improved healthcare in poor rural areas, significantly reducing mortality rates for infants and mothers. The family’s Zuellig Group—a low-profile but powerhouse pharmaceutical company in Asia—has contributed an average of \$2.3 million annually over the last five years to the foundation.”

Corporate Governance **GRI 102-18**

The Foundation is led by its Board of Trustees, a group of 10 people serving as the highest governing body. It is led by the chairman and the president, who are aided by a treasurer and a secretary. The chairman presides over all meetings of members of the Board, and supervises and directs the affairs of the whole Foundation. It is, however, the president who acts as the chief executive officer, executing all resolutions or decisions made by the Board. The president is also responsible for directing and overseeing the Foundation's activities.

As the main governing body of the Foundation, the Board exercises the main corporate power especially in terms of conducting business and controlling property. The Board also determines the acceptance and approval of all gifts and contributions to ZFF to ensure complete adherence to the Foundation's ideals as expressed in its mission, vision, and goals.

The Board always includes two permanent members from the Zuellig family. It is up to the family to determine who among them will sit on the Board at any time. Accompanying these two are members of the Foundation who are elected to sit as part of the Board. An elective member is an individual who has been known to have rendered distinguished service to the community and other areas of public welfare or development, or has made a significant contribution to the Foundation itself.

Members of the Foundation can vote on all matters relevant to the organization, use facilities, participate in all deliberations and meetings, and examine all books and records of the Foundation. They, of course, should obey and comply with all bylaws, rules, and regulations promulgated by

the Foundation, as well as attend all meetings and contribute to the development of the organization's programs. Moreover, all members can be appointed or elected to any position of service within ZFF.

Stakeholder Engagement **GRI 102-42, GRI 102-43**

ZFF enjoys the support of several groups of stakeholders who are directly involved with the organization and its programs—whether as partner or beneficiary—and the Foundation takes pains to actively engage each of them to create an environment where people are open to learning from each other.

Stakeholder engagement is at the heart of the Foundation's work, bearing the basic principles of how ZFF is able to stimulate participation and push for its advocacies. Through effective stakeholder engagement, the Foundation influences different groups of people to commit to HCM and promote its practice to a wider audience.

Anchored on the values it espouses, the Foundation communicates and relates to its stakeholders in a transparent, professional and inclusive manner. It is purpose-driven and endeavors to always be fair and just in all its dealings and transactions.

INTERNAL STAKEHOLDERS	KEY CONCERNS	RESPONSES
Staff	<ul style="list-style-type: none"> ▪ Compensation and Benefits Package ▪ Alignment of work with personal values, passion and purpose (job fit) ▪ Recognition of staff’s added value and unique contribution to the vision of the Foundation ▪ Professional and personal development and advancement ▪ Supportive and enabling working environment 	<ul style="list-style-type: none"> ▪ Compensation and benefits exceed industry standards ▪ Fairness and consistency in job classification and pay assignments are observed; Talent Bank database ▪ Structured employee advancements, in-house and external training, biannual appraisal process, Staff Development Grant ▪ Personal good health as part of its Sustainability Policy, free medical screening tests and HIV/AIDS seminars
Members of the Board	<ul style="list-style-type: none"> ▪ Unique/distinctive and maximum contribution/value of the Foundation to the health sector ▪ Implementation of strategies identified ▪ Judicious use of fiscal resources and grants ▪ Foundation’s work impacts on reducing health inequities ▪ Continued support from partners and other stakeholders 	<ul style="list-style-type: none"> ▪ Establishment of Health Change Model (HCM) as a sustainable solution to solve issues on health inequities ▪ Nationwide implementation of HCM ▪ Engaging partners, building relationships and utilizing technology to leverage sustainable advancements
Zuellig family	<ul style="list-style-type: none"> ▪ Work of the Foundation should be a good manifestation of “giving back” to the Zuellig family’s country of birth ▪ Operations of the Foundation should follow family values, enhance family brand 	<ul style="list-style-type: none"> ▪ Participation in addressing health inequities in the Philippines through HCM ▪ Work of the Foundation is guided by Zuellig family values

EXTERNAL STAKEHOLDERS	KEY CONCERNS	RESPONSES
Department of Health	<ul style="list-style-type: none"> ▪ Contribute to the achievement of the Philippine Health Agenda ▪ Technology transfer in health leadership and governance ▪ Contribute to the development of provincial health champions 	<ul style="list-style-type: none"> ▪ DOH is an active partner in engaging local governments and other stakeholders for better health ▪ ZFF Institute transfers training, coaching and quality assurance to DOH
Local government units / regulators	<ul style="list-style-type: none"> ▪ Be equipped with appropriate knowledge, skills, attitudes and values to be able to implement health-related projects and programs in community ▪ Recognition as change leader in community ▪ Implement practical solutions to local health problems and concerns ▪ Improvement of community health systems ▪ Access to other resources and partners for health ▪ ZFF quality brand in training 	<ul style="list-style-type: none"> ▪ ZFF formation programs surface the need for health leaders to be accountable for their constituents' health. Leaders are also taught to bring their people to work together toward a common health vision.
Partners	<ul style="list-style-type: none"> ▪ Contribution of Foundation to partners' cause and recognition of partner organization through ZFF work ▪ Involvement in program development and implementation ▪ Compliance with program deliverables and financial performance standards ▪ Unique/distinctive and innovative contribution/value of the Foundation to the health sector including reduction of health inequities 	<ul style="list-style-type: none"> ▪ ZFF's work with partners is focused on ensuring programs lead to concrete results leading to improved health outcomes of the poor.
Academics	<ul style="list-style-type: none"> ▪ Technology transfer of health leadership development program ▪ Increase partner's relevance to society ▪ Access to continuing learning and research on health leadership and governance 	<ul style="list-style-type: none"> ▪ Materials researched are designed for public consumption ▪ Partners are tapped as leverage to further expand HCM in localities ▪ Sharing through publications the knowledge of its health models and programs

Internal Process Management

GRI 102-11, GRI 103-1, GRI 103-2, GRI 103-3, GRI 205-2

The Foundation promulgates a Quality Policy in its manual that states: "Zuellig Family Foundation is committed to provide and continually improve quality program management, capability building, knowledge management, partnership development and other supporting services, as well as conform to international standards and comply with applicable national legal and regulatory requirements, to achieve better health outcomes for the poor through health leadership and governance."

Therefore, the Office of the President, together with the other members of the Management Committee, endeavors to lead ZFF in ensuring compliance with the standard, regulatory, and statutory requirements. It also champions the implementation of its quality management system.

Also, through the Administrative Services Unit, which acts as the overall coordinator for all quality management systems-related tasks, it is the Office of the President which ensures the following are done in planned intervals:

- Internal audit
- Management review
- Corrective action implementation and monitoring
- Risk assessment and management implementation and monitoring

The Office of the President also ensures the context, scope, risk assessment and needs and expectations of ZFF clients and interested parties are taken into account and documented especially during the regular strategic planning sessions.

Prior to the external audit, the ZFF Management Committee conducts management review meetings to discuss quality management systems-related issues as contemplated in the ISO 9001: 2015 standard. The Office of the President ensures such meetings are documented and everyone is informed on the actions that need to be taken as a result of such meetings.

Program Management

Quality leadership and partnerships: The keys to sustainability

GRI 103-1, GRI 103-2, GRI 103-3

The Foundation's programs are geared toward enabling leadership and cultivating partnerships that are focused and purpose-driven. Strategic planning and quality implementation include paths to continuous learning and process improvements.

Better Healthcare Programs in the Community

In terms of absolute numbers of employees, the Foundation is considered a small enterprise with less than 100 people in its roster, a great majority of whom are from Luzon. Being a non-profit with specific objectives and time-bound programs, it functions best with majority of the technical roles assigned as project-based while also finding value in outsourcing.

Aside from the committed support of the Zuellig family, the Foundation is also supported by international institutions that believe in the advocacy and strategic HCM approach introduced by ZFF.

For instance, ZFF and the United States Agency for International Development are continuing its collaboration for the institutionalization of the **Health Leadership and Governance Program**. Implementation of major program interventions such as capability-building on leadership for selected DOH central office units, regional office staff, provincial governments, and city governments to prototype strengthened mechanisms for the improved governance of integrated service

delivery networks in Regions VI, IX, X, XII, and the Autonomous Region in Muslim Mindanao began in the fourth quarter of 2017.

There is also the action research project with Swiss-registered Kristian Gerhard Jebsen Foundation for the municipalities of Looc in Romblon and Gamay in Northern Samar. This project is in the midterm of its second partnership period and will run until the third quarter of 2019. Key project interventions are on leadership training and coaching for nutrition, improvement of frontline health workers' technical competencies, intensified tracking and identification of needs of pregnant women and under-2 children, and socio-behavioral change communication for nutrition. The project intends to develop models on strengthened governance of nutrition programs at the local level.

With the support of the US-Philippines Society and Pascal Guissaz of CareerPlus SA, ZFF developed adolescent sexual and reproductive health (ASRH) information and orientation materials targeting parents of teenagers. These materials are based on the "Learning Package for Education Development" modules of the Commission on Population and will be used as part of the demand generation ASRH programs of the local government units.

Program Monitoring, Evaluation, and Learning

GRI 413-1

ZFF programs identify key metrics to track over time as indicators of progress, and in most cases this is the maternal mortality ratio and its surrogate indicators of facility-based deliveries and the presence of skilled birth attendant. A technical roadmap or scorecard guides the quality implementation of the programs. This is then used as a tool to monitor and evaluate progress and learnings and to recommend course corrections if needed.

Program Effectiveness Management

GRI 103-1, GRI 103-2, GRI 103-3

A prescribed method for assessment of program effectiveness is included in the technical roadmap. Using balanced scorecards will realistically show where issues such as health system fragmentation impedes the delivery of quality health services to the people who need it most. Because the Foundation introduced interventions at various levels of the health system, stronger health leadership and governance would effectively integrate healthcare service delivery such that patients get the quality care they need and the Filipino rural poor get better health outcomes.

Feedback and Complaints Management

GRI 416-1

The Foundation encourages its people to adhere to strict policies and systematic processes covering business ethics and proper office decorum as it aims to maintain an atmosphere of trust and respect in the workplace.

ZFF practices an open-door policy, wherein employees can and are able to voice thoughts on issues without fear of discrimination, reprisal or retribution, especially from management. There is a Grievance Procedure and Dispute Resolution in place that ensures employees'

concerns are addressed through proper channels. Providing channels of communication for people to share their feedback or air grievances, the HR department conducts focus group discussions as well as organizational surveys. Providing an official feedback and complaints management channel for its external partners, a complaint form has been included at the website which is found at <http://zuelligfoundation.org/contact-us/>.

The ZFF code of conduct protects the values of the organization. Those who may be reported for violating the values are recognized to have a right to due process and are asked to submit to an ethical investigation. This process leads to a just and proper disciplinary action. Due consideration is also given to different perspectives and aspects of the issue on hand. Cases or actions against the code of conduct remain confidential and forms part of the employee's record.

By the same token, the Foundation makes an effort to recognize the commitment of the staff to upholding the values of the organization, adding value through their talents and their unique contribution to its continued growth. Our exceptional staff are recognized and presented with Presidential Citations and honored in simple but meaningful ceremonial rites.

Public Awareness and Advocacy

Although the Foundation prefers to be low-key in the media, it maintains a public channel through its website and regularly organizes industry forums and dialogues where various stakeholders can share the latest innovative concepts and exchange ideas and learning regarding the development of rural health.

Operational Impact

Championing ecologically-conscious processes

The Foundation advocates and espouses the values of leadership, accountability and transparency in all aspects, especially in the way it operates administratively. The impact of its operations on the ecology influences its decisions, with long-term benefits considered deeply in making choices.

Workplace Wellness **GRI 103-1**

As articulated in its Sustainability Policy, ZFF encourages its people to be ambassadors or exemplars of personal good health. It advocates for staff to be health champions by having their own targeted personal health agenda. The Foundation advocates awareness of personal health conditions through sound research and information dissemination as well as a review of lifestyle and pursuit of a healthy one.

A. Health **GRI 403-3**

ZFF holds classes, screening tests, and provides follow-up assistance for the prevention, identification and management of health concerns or illnesses. All staff are required to have their annual physical exam and flu vaccination, both sponsored by the Foundation. A wellness calendar detailing activity rollouts for the year is made available by the end of January each year.

ZFF has a Disease Screening program that is seen as a way to proactively manage predisposed and unexpected health risks, and allows for better management of existing conditions. There are also programs encouraging lifestyle changes such as healthy eating and stress management. Exercise sessions are also conducted in the Foundation's premises, and for those who attend these sessions or who bike to work, a shower facility is available in the office.

HR has oversight on these Health and Wellness programs; any improvements that may be proposed are vetted and approved by the Management Committee.

ZFF's Wellness for Women Program is directed at mothers' concerns, and this includes conditional leave benefits. The Foundation grants benefits for female staff as provided for in Philippine laws, specifically the Magna Carta of Women, the Expanded Breastfeeding Promotion Act of 2009, and the Anti-Violence Against Women and their Children Act of 2004. An additional observation of the rights of women includes having additional breaks for lactating mothers to allow them to express milk as necessary.



All ZFF staffers are also expected to help ensure a drug-free workplace. The Foundation undertakes advocacy, education, and training programs/activities to educate its officers and staff on the adverse effects of dangerous drugs. Mandatory drug testing at a DOH-accredited drug testing center forms part of the pre-hiring requirements. Meanwhile, random drug tests are conducted unannounced throughout the year. All costs of drug testing are covered by the Foundation.

“ZFF has facilitated an inclusive environment where moms confidently and comfortably perform their work—welcoming kids to the office and training activities because of emerging family need, as well as having understanding management who supports their staff who may need to attend to personal motherhood needs. I believe ZFF has one of the more mother-friendly environment for working moms among government agencies and private organizations.”

—Heidee Buenaventura, M.D., Manager,
ZFF Institute for Health Leadership

B. Training Development

With the Foundation focused on advancing the achievement of better health outcomes for the Filipino poor, staff development at ZFF is geared toward professional development where training and further education are tracked to measure how these experiences cascade to benefit the rural poor in terms of better health outcomes.

Unique to ZFF is a continuing education program open to all its staff members. Known within ZFF as the Staff Development Grant, staff can avail of the opportunity to take a course in health and development. Allowed on a part-time basis and only at a local academic institution, the intended post-graduate course must correspond to a ZFF-approved program. Minimum prior work experience required is two years. The grant covers the full duration of the course up to five years, depending on the Foundation scholar's ability to maintain the required academic performance level. The scholar is required to complete the course within the five-year span.



As a Foundation scholar, staff members remain full-time employees whose work schedules are then adjusted to accommodate schoolwork. Extended to them is the use of ZFF's facility beyond office hours, access to available references, and photocopying services of non-restricted material. This support structure allows for a balanced and optimized focus toward work and course loads.

C. Professional Growth **GRI 404-2**

Professional development is boosted by a regular performance management system, which includes coaching, mentoring, and competency assessment processes allowing for generous and sustained growth opportunities. This process also serves as the basis for promotion, merit increase, and training and development. Furthermore, identification of development needs is made through the completion of staff development plans by staff members so their career tracks are tailored to their needs. Support and validation are given through regular coaching and mentoring sessions conducted by the group directors and/or managers, as well as through the quarterly appraisal process.

Employee development is structured to ensure that a staff member is able to handle and take on job requirements within the Foundation, and in any local public or foreign private or funded health institutions. In-house and external training programs are undertaken by the staff to build on competencies, skills, and knowledge helpful in the achievement of the Foundation's goals (see *Table 5 on page 63*).

“As an individual and as a professional, ZFF provides me with opportunities to learn and apply the skills I continue to acquire through different work assignments. ZFF exposes me to a large network of public health professionals and organizations, which help broaden my perspectives and help me improve the quality of my work. My work assignments are also geared toward using my strengths so that I can contribute maximally to the attainment of ZFF's goals. In addition, ZFF has also been very supportive in terms of continuing professional education opportunities—I have been sent to different training activities to help me further develop my competencies.”

—Ellen Medina, M.D., Manager, ZFF Institute for Health Leadership

Succession planning is also considered critical to the Foundation's operations to ensure sustainability. Staff with excellent performance and equivalent experience are included in a succession planning pipeline development where they undergo mentoring, training, job rotations, and other functions necessary to hone their potential for higher leadership roles.

D. Safety and Security

GRI 103-1, GRI 103-2, GRI 103-3, GRI 403-3

The safety and security of its people are of utmost priority for the Foundation.

Being located within the same facility, ZFF follows Zuellig Pharma Corporation's (ZPC) Emergency Management Framework in identified stress and emergency cases. ZFF is an active participant in emergency preparedness and response programs to determine and reinforce staff readiness and response capabilities to address emergencies.

The Foundation also has set communication protocols for times of calamities or civil disturbance to keep all employees aware and informed of what is happening and the appropriate courses of action. The organization informs its people when conditions are deemed too hazardous to report for work.

The ZPC and ZFF facility has professional safety and security staff and management, with the expressed duty to uphold human rights in the exercise of their function. They are also trained on customer service processes and standards. Still, as with health, personal accountability is also expected for personal safety and everyone is expected to practice a "safety first" mindset in the workplace.

The organization is always concerned about preparing and equipping its people with practical knowledge because traveling is a big part of the work in ZFF and all staff members are encouraged to take public

transport as much as is practicable. Within the city, the staff uses office vehicles or taxi services. When going to remote project sites, air travel is preferred and contingency plans are required when such trips involve transporting large amounts of cash and provisions for safely storing such cash follows security protocols. Since some of the project sites are high-risk areas (e.g., has cases of open violence or armed hostilities), staff members are given safety orientations and training on how to behave and prepare themselves in such situations.

The general idea when traveling is always to prioritize safety, with proper planning of an itinerary to maximize a trip and avoid any unnecessary risks. This also involves studying an unfamiliar area before going there and even learning a few local words that may be useful in emergencies (e.g., "police," "fire"). Travelers are also encouraged to study the local culture to find out what locals may consider offensive behavior.

ZFF also has guidelines in terms of where to stay, how to take care of one's personal documents, and how to determine where the safest places are to walk. All personnel are discouraged from traveling alone or at times of the day that may be considered unsafe.

Should ZFF staff be required to operate a transport vehicle, safety is deemed paramount. This includes the usual safety precautions of wearing a seatbelt, keeping track of how much fuel is left in the tank, knowing the full condition of the vehicle before travel commences. Drivers are asked to always prioritize primary and not alternate routes because primary routes are, more often than not, better lit, better paved, and have much better access to services if these are needed. Personnel are also always encouraged to consult with locals and local partners regarding what areas must be avoided especially in terms of criminality or safety.

E. Human Rights Protection **GRI 405-1**

The greatest strength of an organization is its people, and it shall rise or fall on the quality of their talents, work ethics and values.

The Foundation therefore endeavors to attract, hire and retain a diverse mix of talents for its workforce, who are able to work as a team and support each other in pursuit of the Foundation's goals. To do this, ZFF maintains a healthy work environment enabled by policies that uphold the following principles:

- performance evaluation aligned to the strategies of the Foundation
- non-discrimination and inclusion with due consideration given to an individual's wellbeing as a person and employee
- compliance with the Magna Carta for Disabled Persons (Republic Act 7277)
- a drug-free workplace; the Foundation supports Article V of RA 9165, otherwise known as the Comprehensive Dangerous Drugs Act of 2002, its implementing rules and regulations, and the Labor Department Order No. 53-03, series of 2003
- conformity to RA 8504 otherwise known as the Philippine AIDS Prevention and Control Act of 1998

F. Equality

The principles of Equal Opportunity and Non-Discrimination are embedded in ZFF's human resource development policies and practices. There is zero tolerance in the organization for any form of discrimination or harassment.

Equal opportunity means expectation of the same employee standards, compensation and privileges, fringe benefits, incentives or allowances, and other employee benefits such as the right to medical records privacy with regard to one's medical condition and history.

Non-discrimination means all core and program staff members receive the same benefits upon engagement. Fairness and consistency in job classification and pay assignments are observed. At the minimum, compensation and benefits meet with industry standards including those of the Association of Foundations, League of Corporate Foundations and the DOH.

Applicants, who are persons with disabilities (PWDs), can expect equal opportunity in the selection process based on the qualification standards prescribed for an appointment to a position. They undergo the exact same procedures as to application, hiring, training and promotion, discharge of staff, and other terms and conditions of employment.

Furthermore, reasonable accommodation may be expected by a PWD employee in terms of facility upgrades for enhanced accessibility—modification of work schedule and equipment or devices used and appropriate modifications or use of auxiliary aids relating to company material within the company premises, and other similar accommodations for PWDs.

“I experienced a friendly and supportive workplace as I have never experienced any forms of discrimination or restrictions being a member of LGBTQI community. I have never been restricted to express my real gender identity, but I am pretty aware about the context and circumstance particularly my responsibility in dealing with the stakeholders professionally. I have felt that gender was never an issue since equal opportunity has been provided regardless of your gender.”

—Romulo Nieva, Jr., R.N., Associate,
Policy, Advocacy and Coalitions

For 2017, there have been no reported complaints lodged by the Foundation's partners. Under the oversight of the ZFF Vice President for Partnerships, operational issues and concerns within the Foundation's partnership programs are addressed immediately and directly resolved by its program units.

Similarly, ZFF received no discrimination complaint in 2017. ZFF has embedded in its recruitment, selection, and hiring policies fairness to uphold non-discrimination. The Foundation continues to commit to a policy of equal opportunity for all persons and does not discriminate on the basis of race, color, national origin, age, marital status, sex, sexual orientation, gender identity, gender expression, disability, religion, height or weight. As of today, there is no instance of discrimination in hiring decisions, or engagement of work.

G. Workforce Diversity **GRI 405-1**

In terms of absolute numbers of staff, the Foundation is considered a small enterprise with less than 100 people in its roster, a great majority of whom are from Luzon. Being a non-profit with specific objectives and time-bound programs, it functions best with majority of the technical roles assigned as project-based while also finding value in outsourcing.

With the Foundation practicing an Equal Employment Opportunity Policy, there is a general balance in the composition of the staff, with about 40 percent men and 60 percent women in its workforce. From this number, women occupy about 46 percent of the middle- to senior-management positions while men occupy the other 54 percent.

Environmental Impact

As an organization that cares about environmental sustainability, ZFF believes every little thing counts toward changing the world for the better. The Foundation's carbon footprint is relatively small compared to other organizations but the responsibility to act with consciousness and care carries the same weight and significance. The Foundation "walks the talk" and conscientiously monitors and measures its materials consumption. Among the unavoidable material consumption of the organization is the use of paper. In-house, ZFF practices the re-use of the back side of used paper for printing needs. It measures its paper consumption diligently to ensure it only uses them as needed.

A. Energy Management

GRI 103-1, GRI 103-2, GRI 103-3

ZFF has also chosen to invest in cost-effective measures that will yield continuous savings over the long term. In adopting such measures, it ensures members' productivity is not adversely affected and project implementation is not impeded. While replacing existing functional technologies may seem wasteful, ZFF deems it better to replace them, considering the environmental harm old technologies can make.

Use of lighting within the facilities remain at eight hours per day not through any company restriction but due to the buildings' design where adequate lighting throughout the day is made possible by well-illuminated windows. The electricity consumption is commensurate to the activities of its people.

For instance, fluorescent lighting was replaced with LED lighting and the old air-conditioning units were replaced with new inverter air-conditioning units. Such choices are made for the long-term benefits, not only in cost but also in environmental impact. This results in an annual reduction of 426 kilowatts every year for the last three years, which can be directly attributed to the use of more eco-friendly technology.

Overall, conservation initiatives have helped to bring electrical consumption down in 2017 by as much as 3,815 kilowatt-hours, lowering the Energy Use Intensity by 5.6 percent.

B. GHG Emissions

GRI 103-1, GRI 103-2, GRI 103-3

ZFF is committed to managing greenhouse gas (GHG) emissions and addressing GHG emissions in its humble operations through a strong conservation mindset and discipline. Encouraged by the positive results of management initiatives which saw an overall 19 percent improvement in GHG emission figures, the Foundation believes its strategies are effective and produce long-term impact that it is aiming for (see *Table 7 on page 64*).

C. Water Management

GRI 103-1, GRI 103-2, GRI 103-3

There is no specific measure undertaken by the Foundation to bring down water use as it is already considered at an acceptable level. Conservation and wise water use is encouraged and people are reminded to turn off the faucet when not in use. The office also uses the dual flush system for its toilet facilities.

D. Material Consumption


Aggressively expanding the reach of its health programs across the country entails a marked increase in its use of paper materials. The increase in numbers corresponds directly to its program expansion efforts and the cascade of documents and training materials used therein.

E. Waste Management **GRI 103-1, GRI 306-2**

Though at the same time, the ecologically-conscious approach to consumption of materials makes ZFF an active advocate of the Repurpose-Reuse-Recycle (3R) movement, encouraging everyone to always seek to maximize the use of resources and making the extra effort to segregate recyclables for proper disposal to accredited junk buyers (see *Table 8 on page 65*).

Table 1: Workforce Count

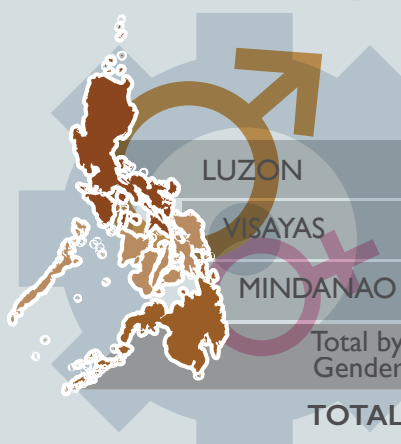
GRI 102-7, GRI 102-8, GRI 401-1



	2015		2016		2017	
	Count	of Total	Count	of Total	Count	of Total
Regular	18	18%	15	17.50%	15	16%
Outsourced	21	21%	21	24.50%	25	26%
Project-Based	61	61%	50	58%	55	58%
TOTAL	100		86		95	

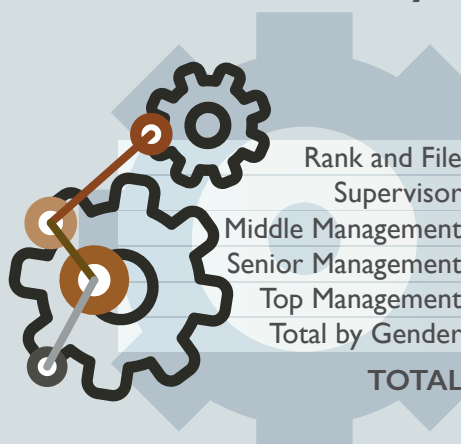
Table 2: Workforce By Region

GRI 405-1



	2015		2016		2017	
	Male	Female	Male	Female	Male	Female
LUZON	40	53	27	51	36	50
VISAYAS	0	1	-	2	1	1
MINDANAO	3	3	4	2	1	6
Total by Gender	43	57	31	55	38	57
TOTAL	100		86		95	

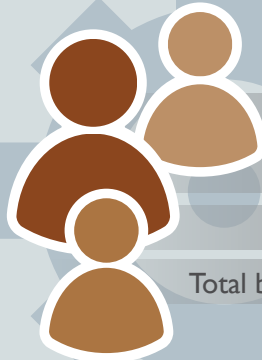
Table 3: Workforce By Rank



	2015		2016		2017	
	Male	Female	Male	Female	Male	Female
Rank and File	31	51	6	21	20	37
Supervisor	6	6	15	22	4	8
Middle Management	2	1	5	10	8	11
Senior Management	2	1	3	1	3	1
Top Management	0	0	2	1	3	0
Total by Gender	41	59	31	55	38	57
TOTAL	100		86		95	

Table 4: Workforce By Age

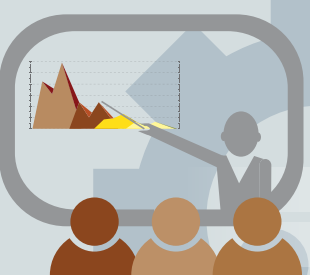
GRI 405-1



	2015		2016		2017	
	Male	Female	Male	Female	Male	Female
30 Below	15	14	11	25	12	16
30-50	21	45	17	27	22	38
50 Above	2	3	3	3	4	3
Total by Gender	38	62	31	55	38	57
TOTAL	100		86		95	

Table 5: Employee Training Hours

GRI 404-1



RANK	AVERAGE TRAINING HOURS PER EMPLOYEE		TOTAL ATTENDEES		TOTAL TRAINING HOURS	
	2016	2017	2016	2017	2016	2017
Rank and File	11.1	13	26	36	288.6	468
Supervisors	15.4	12.8	14	11	215.6	140.8
Middle Management	8	15.79	9	13	72	205.27
Senior Management	8	11.07	2	6	16	66.42
Top Management	8	12	2	2	16	24

Table 6. Energy Performance

GRI 302-1, GRI 303-1





		2015	2016	2017
	Electrical Consumption (kWh)	82,268.00	89,748.00	85,933.00
	Energy Use Intensity (KW/m2)	127.00	139.36	131.53
	Water Consumption (cu.m)	1,336.93	1,318.26	1,569.67
	Light Consumption (kW)	7,299	7,299	7,299

Table 7. GHG Emissions

GRI 305-1




Source Type	Total CO ₂		
	2015	2016	2017
 Company-Owned Vehicles (Diesel) in km	0.843	0.803	0.551
 Purchased Electricity	49.62	54.13	51.27
 Business Air Travel in km	106.99	245.17	191.21
TOTAL	157.453	300.103	243.031

Table 8. Waste Sold to Junk Buyer

GRI 306-2






Waste Type	Volume in Kilo
 Waste Paper	333
 Paper White	548
 Empty Box	132
 Plastic Bottle	11.5
 Newspaper	5
Total volume of waste (kg)	1,029

Table 9. Paper Consumption






Material by Type	Usage purpose	Quantity by weight or volume			
		2014	2015	2016	2017
 Bond paper (by the ream)	Documentation, Training, Workshop	445	2,419	397	949
 Manila Paper (by 2 pcs.)	Training, Workshop	330	3,640	2,043	486
 Cartolina (by 2 pcs.)	Training, Workshop	584	4,906	3,181	834

Table 10. Repurpose-Recycle-Reuse (3R) applicability

Material Type	3R capacity
Raw material	Repurposed, recycled and reused by volume or weight
 Bond paper	Back portion 3R'd through office printings
Manila Paper	n/a
 Cartolina	n/a
Toner	n/a (raw material)

Zuellig Family Foundation Management Staff **GRI 102-8**

Office of the Chairman

Roberto R. Romulo
Chairman

Melanie Reyes
Executive Assistant

Office of the President

Ernesto D. Garilao
President

Ramon R. Derige
Vice President

Anthony G. Faraon, M.D.
Vice President

Jessie Pascua
Executive Assistant

ZFF Institute for Health Leadership

Bien Nillos, M.D.
Director

Juan Villamor
Director

Heidee Buenaventura, M.D.
Manager

Ellen Medina, M.D.
Manager

Philip Jerome Flores, R.N.
Associate

Pamela Mangilin
Associate

Faith Narvasa, R.N.
Associate

Mary Rose Poa
Associate

Support Group

Wesley Villanueva
Director

Mark Mariano
Manager

Lerma Tan
Manager

Maricar Tolosa
Manager

Jannela Galias
Associate

Barbara Jamili
Associate

Patricia Nable
Associate

Jerald Apura
Assistant

Gilmer Cariaga
Assistant

Marianne Sarmiento
Assistant

Technical Services Group

Raymark Salonga, R.N.
Manager

Nayco Yap
Manager

Miko Balisi, R.N. D.
Associate

Franco Merjudio, R.N.
Associate

Keziah Terrado
Associate

Operations

Dorie Balanoba, M.D.
Director

Ramir Blanco, M.D.
Director

Joyce Arandia-Viar, M.D.
Manager

Jeremiah Calderon, M.D.
Manager

Sealdi Calo-Gonzales
Manager

Catherine Chung, M.D.
Manager

Angeli Comia, M.D.
Manager

Jescir Cresencio
Manager

Jeromeo Jose
Manager

Maria Luz Lopez-Ayusa, M.D.
Manager

Jenny Macaraan
Manager

Anjelica Nacnac, M.D.
Manager

Marilou Suplido
Manager

Timothy Ting, M.D.
Manager

Richmond Acosta, R.N.
Associate

Jasmin Ahmad
Associate

Axell Alterado, R.N.
Associate

Czarinna Araneta
Associate

Daisy Balucas
Associate

Vina Vanessa Castro
Associate

Elenneth Ann Chan, R.N.
Associate

Janet Clemente
Associate

Edison Dela Peña, R.N.
Associate

Venia Dorog
Associate

Ma. Jerry Elope, R.N.
Associate

Julius Jose Estoesta
Associate

Ely Marion Giron, R.N.
Associate

Kathrinna Legaspi, R.N.
Associate

Julie Anne Llavore, R.N.
Associate

Lucila Loterte
Associate

Roland Macanas
Associate

Charisse Malbacias, M.D.
Associate

Donna Medina, R.N.
Associate

Darwin Mohamad
Associate

Jacqueline Momville, M.D.
Associate

Dominque Monido, R.N.
Associate

Jennifer Nandu, R.N.
Associate

Romulo Nieva, Jr., R.N.
Associate

Rachel Paradiang
Associate

Angelique Santos, R.N.D.
Associate

Kristian Paul Soliven, R.N.
Associate

Jocelyn Toledo
Associate

Francis John Villamar, R.N.
Associate

Lou Ann Buenaventura, R.N.
Assistant

FINANCIAL HIGHLIGHTS GRI 103-1, GRI 201-1

THE ZUELLIG FAMILY FOUNDATION
(A Non-stock, Non-profit Corporation)

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	₱72,940,902	₱121,933,595
Receivables	221,563	611,383
Prepayments and other current assets	849,103	736,044
Total Current Assets	74,011,568	123,281,022
Noncurrent Assets		
Property and equipment	5,264,141	4,310,629
Retirement asset	2,688,356	5,280,540
Other asset	37,500	-
Total Noncurrent Assets	7,989,997	9,591,169
TOTAL ASSETS	₱82,001,565	₱132,872,191
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accrued expenses and other payables	₱23,178,282	₱21,203,169
Due to a related party	-	60,260
Total Current Liabilities	23,178,282	21,263,429
Noncurrent Liability		
Retirement liability	-	-
Total Liabilities	23,178,282	21,263,429
Fund Balance		
Restricted for retirement fund	15,320,765	12,486,996
Unrestricted	43,502,518	99,121,766
Total Fund Balance	58,823,283	111,608,762
TOTAL LIABILITIES AND FUND BALANCE	₱82,001,565	₱132,872,191

For the complete audited financial statement report and accompanying notes to financial statement, visit our website, www.zuelligfoundation.org, or scan the QR code found at the inside back cover of this report.

THE ZUELLIG FAMILY FOUNDATION
(A Non-stock, Non-profit Corporation)

STATEMENTS OF REVENUES, EXPENSES AND FUND BALANCE

	Years Ended December 31	
	2017	2016
REVENUES		
Donations	₱70,813,437	₱196,367,611
Interest	675,708	388,949
Gain from sale of asset	440,000	-
Others	46	357
	71,929,191	196,756,917
EXPENSES		
Professional fees	43,177,826	41,801,141
Salaries, wages and other benefits	24,561,320	26,765,509
Trainings and seminars	15,748,690	26,737,442
Transportation and travel	13,598,633	17,190,559
Utilities	10,370,227	9,952,348
Depreciation and amortization	2,486,492	4,002,530
Materials and supplies	3,442,085	2,744,744
Representation and entertainment	1,880,268	1,680,653
Infrastructure projects	3,936,008	656,446
Retirement costs (income)	2,592,184	(238,044)
Donations and contributions	1,801,001	123,760
Unrealized foreign exchange loss (gain) - net	9,910	(3,552)
Others	1,110,025	1,130,961
	124,714,669	132,544,497
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(52,785,479)	64,212,420
FUND BALANCE AT BEGINNING OF YEAR	111,608,762	47,396,342
FUND BALANCE AT END OF YEAR	₱58,823,283	₱111,608,762

For the complete audited financial statement report and accompanying notes to financial statement, visit our website, www.zuelligfoundation.org, or scan the QR code found at the inside back cover of this report.

GRI CONTENT INDEX GRI 102-55

“IN ACCORDANCE” – CORE OPTION



		Page No.	Omission
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016			
Organizational Profile			
GRI 102-1	Name of the organization	Inside Cover	
GRI 102-2	Activities, brands, products, and services	4, 6	
GRI 102-3	Location of headquarters	Back Cover	
GRI 102-4	Location of operations	22, 41	
GRI 102-5	Ownership and legal form	48	
GRI 102-6	Markets served	38, 39, 41	
GRI 102-7	Scale of the organization	62	
GRI 102-8	Information on employees and other workers	62, 66	
GRI 102-9	Supply chain		Not Applicable [No significant impact on sustainability]
GRI 102-10	Significant changes to the organization and its supply chain		Not Applicable [No significant changes in supply chain]
GRI 102-11	Precautionary principle or approach	52	
GRI 102-12	External initiatives		Not Applicable [No such initiatives]
GRI 102-13	Membership of associations	4	
Strategy			
GRI 102-14	Statement from senior decision-maker	4	
Ethics and integrity			
GRI 102-16	Values, principles, standards, and norms of behavior	48	
Governance			
GRI 102-18	Governance Structure	49	
Stakeholder engagement			
GRI 102-40	List of stakeholder groups	50	
GRI 102-41	Collective bargaining agreements	None of the employees are covered under the Collective Bargaining Agreement.	
GRI 102-42	Identifying and selecting stakeholders	49	
GRI 102-43	Approach to stakeholder engagement	49, 50	
GRI 102-44	Key topics and concerns raised	50	

		Page No.	Omission
General Disclosures			
Reporting practice			
GRI 102-45	Entities included in the consolidated financial statements	Entities included in the Annual Report and Sustainability Report are the same.	
GRI 102-46	Defining report content and topic boundaries	44, 47	
GRI 102-47	List of material topics	47	
GRI 102-48	Restatements of information	None	
GRI 102-49	Changes in reporting	None	
GRI 102-50	Reporting period	2017	
GRI 102-51	Date of most recent report	April 2017	
GRI 102-52	Reporting cycle	Annual	
GRI 102-53	Contact point for questions regarding the report	Back Cover	
GRI 102-54	Claims of reporting in accordance with the GRI Standards	44, Back Cover	
GRI 102-55	GRI content index	70	
GRI 102-56	External Assurance		Not Applicable [No external assurance conducted for this report]

		Material Topics	Page No.	Omission
Economic Performance				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its boundaries	68	
GRI 201: Economic Performance 2016	GRI 201-1	Direct economic value generated and distributed	68	
	GRI 203-2	Significant indirect economic impacts	11	
Compliance				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its boundaries	52	
	GRI 103-2	The management approach and its components	52	
	GRI 103-3	Evaluation of the Management Approach	52	
GRI 205: Anti-corruption 2016	GRI 205-1	Operations assessed for risks related to corruption	None	
	GRI 205-2	Communication and training about anti-corruption policies and procedures	48, 52	
	GRI 205-3	Confirmed incidents of corruption and actions taken	There were no such incidents.	
GRI 307: Environmental Compliance 2016	GRI 307-1	Non-compliance with environmental laws and regulations	None	
Energy				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its boundaries	60	
	GRI 103-2	The management approach and its components	60	
	GRI 103-3	Evaluation of the Management Approach	60	
GRI 302: Energy 2016	GRI 302-1	Energy consumption within the organization	64	
Water				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its boundaries	61	
	GRI 103-2	The management approach and its components	61	
	GRI 103-3	Evaluation of the Management Approach	61	
GRI 303: Water 2016	GRI 303-1	Water withdrawal by source	64	

Material Topics			Page No.	Omission
GHG Emissions				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its boundaries	61	
	GRI 103-2	The management approach and its components	61	
	GRI 103-3	Evaluation of the Management Approach	61	
GRI 305: Emissions 2016	GRI 305-1	Direct (Scope 1) GHG Emissions	64	
Effluents and Waste				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its boundaries	61	
GRI 306: Effluents and Waste 2016	GRI 306-2	Waste by type and disposal method	61, 65	
Labor Practices and Employee Relations				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its boundaries	55	
GRI 401: Employment 2016	GRI 401-1	New employee hires and employee turnover	62	
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its boundaries	58	
	GRI 103-2	The management approach and its components	58	
	GRI 103-3	Evaluation of the Management Approach	58	
GRI 403: Occupational Health and Safety 2016	GRI 403-3	Workers with high incidence or high risk of diseases related to their occupation	55, 58	
GRI 404: Training and Education 2016	GRI 404-1	Average hours of training per year per employee	63	
	GRI 404-2	Programs for upgrading employee skills and transition assistance programs	57	
GRI 405: Diversity and Equal Opportunities 2016	GRI 405-1	Diversity of governance bodies and employees	59, 60, 62, 63	
	GRI 405-2	Ratio of basic salary and remuneration of women to men	The ratio of salary is based on performance and position and not on gender	
GRI 406: Non-discrimination 2016	GRI 406-1	Incidence of discrimination and corrective actions taken	There were no such incidents	
GRI 410: Security Practices 2016	GRI 410-1	Security personnel trained in human right policies or procedures	All our security personnel are outsourced and are regularly trained by agency on human rights topics	
Community Development				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its boundaries	53	
	GRI 103-2	The management approach and its components	53	
	GRI 103-3	Evaluation of the Management Approach	53	
GRI 413: Local Communities 2016	GRI 413-1	Operations with local community engagement, impact assessments, and development programs	11, 15, 54	
	GRI 413-2	Operations with significant actual and potential negative impacts on local communities	None	
Customer Service				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its boundaries	54	
	GRI 103-2	The management approach and its components	54	
	GRI 103-3	Evaluation of the Management Approach	54	
GRI 416: Customer Health and Safety 2016	GRI 416-1	Assessment of the health and safety impacts of product and service categories	54	



2017 ZUELLIG FAMILY FOUNDATION ANNUAL AND SUSTAINABILITY REPORT

Corporate Communications – Zuellig Family Foundation

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Kimberly dela Cruz (pages 8, 14, 17, 23, and 29)

Ramoncito Vecina (pages 10, 13, 36, 38, and cover)



This Annual and Sustainability Report was printed on Forest Stewardship Council (FSC)-certified paper. In an effort to reduce consumption of resources from printing and distributing hard copies, an electronic copy of this report with complete 2017 audited financial statements may be downloaded from our website, www.zuelligfoundation.org, or by scanning the QR code found on this page.



Duly certified as development agency by the
Department of Social Welfare and Development (DSWD)

Accredited by the Philippine Council for NGO Certification (PCNC)

This report has been prepared in accordance with the GRI Standards:
Core option

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**ZUELLIG FAMILY
FOUNDATION**

Annual and Sustainability Report 2017 | Audited Financial Statements



Reducing
health system
fragmentation
through
improved
leadership and
governance



Vision: GRI 102-1

Zuellig Family Foundation (ZFF) is a catalyst for the achievement of better health outcomes for the poor by strengthening leadership and governance, with a primary focus on rural communities in the Philippines.

Goals:

1. All trained local health leaders have improved Bridging Leadership competencies.
2. All trained local health leaders are able to strengthen local health systems with equitable and sustainable community-driven arrangements for better health outcomes.
3. Lessons learned and evidence are disseminated to advocate for equitable policies in public health and governance.
4. Partnerships with government and other stakeholders are formed to support and institutionalize leadership and local health system developments.



Mission:

ZFF is dedicated to enhancing the quality of life of Filipinos by focusing on the achievement of the country's Sustainable Development Goals for health, in partnership with government and other stakeholders.



About the Cover

Susan Cabigayan, 18, is seven months pregnant with her second child. She and her firstborn, one-year-old Cedric, live in Barangay Literon in Calbiga, Samar, while her husband works in Leyte. Susan is among the many young mothers in the province, where teenage pregnancies have become a growing health concern. The provincial government is promoting the famous Lulugayan Falls, located in Barangay Literon, as a tourist destination under its Spark Samar campaign, which aims to boost livelihood, strengthen security and raise revenues to fund health programs.

A woman in a blue tank top and black leggings is sitting on a mossy rock by the edge of a waterfall. She is holding a baby in her arms and looking at the child. The waterfall is in the background, surrounded by lush green trees and foliage. The scene is peaceful and natural.

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- 8** Notes to Financial Statements

THE ZUELLIG FAMILY FOUNDATION
(A Non-stock, Non-profit Corporation)

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Zuellig Family Foundation, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Zuellig Family Foundation, Inc. (a nonstock, nonprofit corporation) (the "Foundation"), which comprise the statements of assets, liabilities and fund balance as at December 31, 2017 and 2016, and the statements of revenues, expenses and fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standard for Small and Medium-sized Entities ("PFRS for SMEs").

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing ("PSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the Code of Ethics for Professional Accountants in the Philippines ("Code of Ethics") together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

THE ZUELLIG FAMILY FOUNDATION
(A Non-stock, Non-profit Corporation)

INDEPENDENT AUDITOR'S REPORT

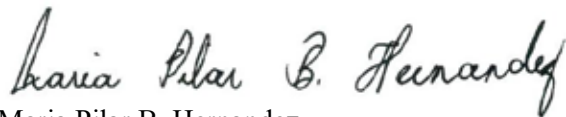
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 12 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of The Zuellig Family Foundation, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Maria Pilar B. Hernandez

Partner

CPA Certificate No. 105007

SEC Accreditation No. 1558-A (Group A),

April 14, 2016, valid until April 14, 2019

Tax Identification No. 214-318-972

BIR Accreditation No. 08-001998-116-2016,

February 15, 2016, valid until February 14, 2019

PTR No. 6621269, January 9, 2018, Makati City

May 4, 2018

THE ZUELLIG FAMILY FOUNDATION
(A Non-stock, Non-profit Corporation)

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱72,940,903	₱121,933,595
Receivables (Note 5)	221,563	611,383
Prepayments and other current assets	849,103	736,044
Total Current Assets	74,011,569	123,281,022
Noncurrent Assets		
Property and equipment (Note 6)	5,264,141	4,310,629
Retirement asset (Note 10)	2,688,356	5,280,540
Refundable deposit	37,500	–
Total Noncurrent Assets	7,989,997	9,591,169
TOTAL ASSETS	₱82,001,566	₱132,872,191
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accrued expenses and other payables (Note 7)	₱23,178,282	₱21,203,169
Due to a related party (Note 8)	–	60,260
Total Liabilities	23,178,282	21,263,429
Fund Balance		
Restricted	15,320,765	12,486,996
Unrestricted	43,502,519	99,121,766
Total Fund Balance	58,823,284	111,608,762
TOTAL LIABILITIES AND FUND BALANCE	₱82,001,566	₱132,872,191

See accompanying Notes to Financial Statements.

THE ZUELLIG FAMILY FOUNDATION
(A Non-stock, Non-profit Corporation)

STATEMENTS OF REVENUES, EXPENSES AND FUND BALANCE

	Years Ended December 31	
	2017	2016
REVENUES		
Donations (Note 8)	₱70,813,437	₱196,367,611
Interest (Note 4)	675,708	388,949
Gain from sale of asset (Note 6)	440,000	–
Others	46	357
	71,929,191	196,756,917
EXPENSES (Note 9)		
Professional fees	43,177,826	41,801,141
Salaries, wages and other benefits	24,561,320	26,765,509
Trainings and seminars	15,748,690	26,737,442
Transportation and travel	13,598,633	17,190,559
Utilities (Note 8)	10,370,227	9,952,348
Infrastructure projects	3,936,008	656,446
Materials and supplies	3,442,085	2,744,744
Retirement costs (income) (Note 10)	2,592,184	(238,044)
Depreciation and amortization (Note 6)	2,486,492	4,002,530
Representation and entertainment	1,880,268	1,680,653
Donations and contributions	1,801,001	123,760
Taxes and licenses	39,293	51,644
Unrealized foreign exchange loss (gain) - net	9,910	(3,552)
Others	1,070,732	1,079,317
	124,714,669	132,544,497
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(52,785,478)	64,212,420
FUND BALANCE AT BEGINNING OF YEAR	111,608,762	47,396,342
FUND BALANCE AT END OF YEAR	₱58,823,284	₱111,608,762

See accompanying Notes to Financial Statements.

THE ZUELLIG FAMILY FOUNDATION
(A Non-stock, Non-profit Corporation)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	(₱52,785,478)	₱64,212,420
Adjustments for:		
Movements in retirement asset	2,592,184	(12,708,076)
Depreciation and amortization (Notes 6 and 9)	2,486,492	4,002,530
Interest income (Note 4)	(675,708)	(388,949)
Gain from sale of transportation equipment (Note 6)	(440,000)	–
Unrealized foreign exchange loss (gain) - net	9,910	(3,552)
Revenues (expenses) before working capital changes:		
Decrease (increase) in:		
Receivables	389,820	7,633,878
Prepayments and other current assets	(113,059)	221,478
Increase (decrease) in:		
Accrued expenses and other payables	1,975,113	(14,719,307)
Due to a related party	(60,260)	(372,123)
Net cash generated from (used in) operations	(46,620,986)	47,878,299
Interest received	675,708	388,949
Net cash provided by (used in) operating activities	(45,945,278)	48,267,248
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property and equipment (Note 6)	(3,440,004)	(909,273)
Increase in refundable deposit	(37,500)	–
Proceeds from sale of transportation equipment	440,000	–
Net cash used in investing activities	(3,037,504)	(909,273)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(48,982,782)	47,357,975
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(9,910)	3,552
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	121,933,595	74,572,068
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱72,940,903	₱121,933,595

See accompanying Notes to Financial Statements.

NOTES OF FINANCIAL STATEMENTS

1. General Information

The Zuellig Family Foundation, Inc. (the “Foundation”) is a nonstock, nonprofit corporation registered with the Philippine Securities and Exchange Commission (SEC). Its registered office address is Km. 14, West Service Road cor Edison Ave., Sun Valley, Parañaque City. The primary purpose of the Foundation is to act as a modernizing force in shaping sound and effective policies in public health and nutrition in the Philippines. The Foundation has 15 and 14 regular employees in 2017 and 2016, respectively.

The Philippine Council for Non-Government Organization Certification (PCNC), on October 26, 2015 issued a certification for good governance and accountability for a period of five (5) years.

The Bureau of Internal Revenue (BIR) issued the Certificate of Registration for donee institution status that is valid until October 28, 2020. In accordance to the provision of Revenue Regulations (RR) No. 13-98 dated January 1, 1999, the donations received shall entitle the donor/s to full or limited deduction pursuant to Section 34(H)(I) or (2), and exemption from donor’s tax pursuant to Section 101(A)(3) of the National Internal Revenue Code of 1997.

The Foundation renewed its Certificate of Registration from the Department of Social Welfare and Development (DSWD) which is valid for 3 years covering the period September 2, 2016 to September 1, 2019.

The BIR has issued a certificate of tax exemption on December 2, 2016 which is valid for three (3) years. Being a nonstock, nonprofit corporation, it is not subject to income tax under Section 30 of the National Internal Revenue Code with respect to income received such as donations, gifts or charitable contributions. However, income from any of its properties, real or personal, or from any of its activities conducted for profit shall be subject to regular corporate income tax.

The financial statements were authorized for issuance by the Board of Trustees (BOT) on May 4, 2018.

2. Summary of Significant Accounting Policies

The significant accounting policies and practices applied in the preparation of these financial statements are set forth to facilitate the understanding of data presented in the financial statements.

Basis of Preparation

The financial statements have been prepared using the historical cost basis. The financial statements are presented in Philippine peso which is the Foundation’s functional and presentation currency and all values are rounded to the nearest peso, unless otherwise stated.

Statement of Compliance

The financial statements of the Foundation which were prepared for submission to the SEC and the BIR, have been prepared in accordance with the Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs).

2015 Amendments to the PFRS for SMEs

In August 2016, the SEC resolved to adopt the *2015 Amendments to the PFRS for SMEs* as part of its rules and regulations on financial reporting.

Most of the amendments clarify existing requirements and add supporting guidance to the existing standard rather than change the underlying requirements. Among the most significant amendments to the standard are:

- Permitting SMEs to use the revaluation model to measure items of property, plant and equipment
- Aligning the recognition and measurement requirements for deferred income tax with full PFRSs
- Allowing SMEs to use the equity method to account for investments in subsidiaries, associates and jointly controlled entities in the separate financial statements

The amendments are effective for annual periods beginning on or after January 1, 2017.

The adoption of the 2015 Amendments to the PFRS for SMEs did not have a significant impact on the Foundation's financial statements as the management still opted to use the cost model in measuring its property and equipment.

PFRS for Small Entities

In March 2018, the Philippine Securities and Exchange Commission resolved to adopt PFRS for Small Entities (the Framework) as part of its rules and regulations on financial reporting. This Framework was developed in response to feedback of small entities that PFRS for SMEs is too complex to apply. By reducing choices for accounting treatment, eliminating topics that are generally not relevant to small entities, simplifying methods for recognition and measurement, and reducing disclosure requirements, the Framework allows small entities to comply with the financial reporting requirements without undue cost or burden. Some of the key simplifications introduced by the Framework are as follows:

- For defined benefit plans, an entity is required to use the accrual approach in calculating benefit obligations in accordance with Republic Act (RA) 7641, The Philippine Retirement Pay Law, or company policy (if superior than RA 7641). Accrual approach is applied by calculating the expected liability as of reporting date using the current salary of the entitled employees and the employees' years of service, without consideration of future changes in salary rates and service periods.
- Investment properties can be carried either at cost or at fair value, depending on the policy choice made by the entity.
- There is no concept of "finance lease" under the Framework. All lease receipts (payments) are recognized as income (expense) as earned (incurred).
- Inventories are to be subsequently valued at the lower of cost and market value (i.e., the probable selling price to willing buyers as of reporting date).
- Entities are given a policy choice of not recognizing deferred taxes in the financial statements.

The Foundation plans to adopt the Framework when it becomes mandatory starting January 1, 2019. The adoption of this Framework is not expected to have significant impact to the financial statements of the Foundation.

Current versus Noncurrent Classification

The Foundation presents assets and liabilities in the statements of assets, liabilities and fund balance based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value. No restriction is attached to cash account.

Receivables

Receivables, which are based on normal credit terms and do not bear interest, are recognized and carried at transaction price. Where credit is extended beyond normal credit terms, receivables are measured at amortized cost using the effective interest method less provision for impairment. At the end of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in the statement of revenues, expenses and fund balance.

If there is any objective evidence that an impairment loss on receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in statement of revenues, expenses and fund balance for the period.

Prepayments

Prepayments are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expenses either with the passage of time or through use or consumption.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation, amortization and any accumulated impairment loss. The initial cost of property and equipment comprises its purchase price, and other directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment

when that cost is incurred if the recognition criteria are met. It excludes the costs of day-to-day servicing.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

Asset Type	Number of Years
Transportation equipment	5 years
Office equipment	3-5 years
Furniture and fixtures	3-5 years
Office improvements	3 years

The useful lives, depreciation and amortization method are reviewed periodically to ensure the period and method of depreciation and amortization are consistent with the expected pattern of economics benefits from items of property and equipment. If there is any indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of revenues, expenses and fund balance in the year the asset is derecognized.

Impairment of Property and Equipment

At each reporting date, the Foundation assesses whether there is any indication that any of its assets that are subject to depreciation or amortization may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Foundation estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in the statement of revenues, expenses and fund balance for the period.

Accrued Expenses and Other Payables

Accrued expenses and other payables are recognized in the period in which the related money, goods or services are received or when legally enforceable claim against the Foundation is established or when the corresponding assets or expenses are recognized.

Accrued expenses and other payable are recognized initially at the transaction price.

It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provisions.

Financial Instruments

Classification

The following are basic financial instruments:

- Cash
- A debt instrument that satisfies specific criteria
- A commitment to receive a loan that cannot be settled net in cash, and when the commitment is executed, is expected to meet the conditions of a debt instrument above
- An investment in non-convertible preference shares and non-puttable ordinary shares or preference shares.

Other financial instruments would include instruments that are not within the scope of basic financial instruments.

Recognition

Basic and other financial instruments are recognized in the statement of assets, liabilities and fund balance when the Foundation becomes a party to the contracts.

Initial Measurement of Financial Instruments

Basic financial instruments are measured at their transaction price including transactions costs.

If the contract constitutes a financing arrangement, it is measured at the present value of future payments discounted at a market rate of interest for a similar instrument (this is not applicable to assets and liabilities classified as current, unless they incorporate a finance arrangement).

If interest is not at a market rate, the fair value would be future payments discounted at a market rate of interest. Other financial instruments are initially measured at fair value, which is usually their transaction price. This will exclude transaction costs.

Subsequent Measurement

Investments in non-convertible preference shares and non-puttable ordinary, and preference shares that are publicly traded or their fair value can otherwise be reliably measured, are measured at fair value through profit or loss if a public market exists, otherwise at cost less impairment.

All other financial instruments are measured at fair value at reporting date. The only exception are equity instruments (and related contracts that would result in delivery of such instruments) that are not publicly traded and whose fair value cannot be reliably determined are measured at cost less impairment.

Impairment of Basic Financial Instruments

At each reporting date, an assessment is made as to whether there is objective evidence of a possible impairment. The impairment loss of basic financial instruments at amortized cost is the difference between carrying value and the revised cash flows discounted at the original effective interest rate.

The impairment of basic financial instruments at cost is the difference between the carrying value and best estimate of the amount that would be received if the asset was sold at the reporting date.

Reversal of impairment on basic financial instruments is permitted.

Impairment of Other Financial Instruments

Other financial instruments carried at cost are impaired on the same basis as basic financial instruments measured in the same manner.

Fair Value

The standard makes use of a fair value hierarchy. This is quoted prices in an active market, prices in recent transactions for the identical assets (adjusted if necessary), and use of a valuation technique (that reflects how the market would expect to price the asset and the inputs reasonably represent market expectations). Fair value, where there is no active market, is only considered reliable if the variability in the range of fair values is not significant and the probabilities of various estimates can be reasonably assessed.

Derecognition

The Foundation derecognizes a financial asset when:

- The contractual rights to the cash flows from the financial asset expire or are settled,
- The Foundation transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or
- The Foundation, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party.

The Foundation derecognizes a financial liability when extinguished.

Fund Balance

Fund balance includes all current and prior period results of operation as disclosed in the statement of revenues, expenses and fund balance. The amount is partially restricted for retirement obligations.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefit associated with the transaction will flow to the Foundation and the amount of the revenue can be measured reliably. Revenue is measured at fair value of the consideration received.

The following specific recognition criteria must also be met before revenue is recognized:

Donations. The Foundation recognizes donations, including unconditional promises to give, as revenue in the period received. Donations which are restricted and deferred for future projects are shown separately in the statement of assets, liabilities and fund balance as “Deferred revenue”.

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Other Income. Revenue is recognized when earned.

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in fund balance. Expenses are recognized in the statement of revenues, expenses and fund balance in the year these are incurred on the basis of:

- a. a direct association between the costs incurred and the earning of specific items of income
- b. systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or
- c. immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of assets, liabilities and fund balance

Retirement Costs

The Foundation has a funded, non-contributory defined benefit plan covering all regular employees. Retirement costs are actuarially determined using the projected unit credit method and incorporates assumptions concerning employees' projected salaries. The retirement cost is recognized during the employees' period of service and discounted using market yields on government bonds. Actuarial gains and losses are recognized as part of profit or loss in the statement of revenues, expenses and fund balance for the period.

Provisions

Provisions are recognized when the Foundation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Foundation expects reimbursement of some or all of the expenditure required to settle a provision, the entity recognizes a separate asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the statement of assets, liabilities and fund balance date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Foreign Currency Transactions

Items included in the financial statements of the Foundations are measured using the currency of the primary economic environment in which the Foundation operates (the functional currency).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Outstanding foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing at statement of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from

the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of revenues, expenses and fund balance.

Related Parties

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Transactions between related parties are accounted for at arms' length prices or on terms similar to those offered to non-related entities in an economically comparable market.

Events after the Financial Reporting Period

Post year-end events that provide additional information about the Foundation's financial position as of the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3. Significant Accounting Judgments and Estimates

The Foundation's financial statements prepared in accordance with PFRS for SMEs require management to make judgments and estimates that affect the amounts reported in the financial statements and related notes.

Judgments

Management makes judgments in the process of applying the Foundation's accounting policies on the classification of expenses.

Classification of Expenses. The Foundation classifies and allocates its expenses between project and general and administrative expenses according to their nature. Project expenses are expenses which are directly incurred for the completion of the Foundation's activities relating to community health partnership programs, training and capability programs and other projects. General and administrative expenses are expenses which are not directly related to projects.

Project expenses in 2017 and 2016 amounted to ₱103.0 million and ₱110.0 million, respectively, while general and administrative expenses in 2017 and 2016 amounted to ₱21.7 million and ₱22.5 million, respectively (see Note 9).

Estimates

The key sources of estimation uncertainty at the reporting date that have a significant risk of causing material adjustment to the carrying amounts of assets within the next financial year is discussed below.

Valuation of Retirement Asset. The determination of the asset and cost (income) of retirement benefits is dependent on the selection of certain assumptions used by the Foundation's management. Those assumptions include among others, discount rates, expected returns on plan assets and rates of compensation increase. While the Foundation believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumption

may materially affect the pension and other retirement obligations.

As at December 31, 2017 and 2016, the carrying value of net retirement asset of the Foundation amounted to ₱2.7 million and ₱5.3 million respectively (see Note 10).

4. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand and in banks	₱46,949,934	₱66,162,548
Short-term placements	25,990,969	55,771,047
	₱72,940,903	₱121,933,595

Cash in banks earn interest at the respective bank deposit rates. Short-term placements are made for varying periods of up to three months depending on the immediate cash requirements of the Foundation, and earn interest at the prevailing short-term placement rates.

Interest income earned from cash in banks and short-term placements amounted to ₱0.7 million and ₱0.4 million in 2017 and 2016, respectively.

5. Receivables

This account consists of receivables from:

	2017	2016
Program Partners:		
US Disbursing Office (USAID)	₱–	₱466,610
Loan receivable from staff	149,068	–
Advances to officers and employees	65,301	–
Other receivables	7,194	144,773
	₱221,563	₱611,383

- a. Receivables from program partners are noninterest-bearing and are generally on a 30 to 120-day term.
- b. Loans receivables from staff are due for settlement within the following year.
- c. Advances to officers and employees pertain to cash advances which are subject to liquidation.

6. Property and Equipment

This account consists of:

	2017				
	Transportation Equipment	Office Equipment	Furniture and Fixtures	Office Improvements	Total
Cost					
Balance at beginning of year	₱5,631,140	₱14,122,283	₱3,320,463	₱8,667,118	₱31,741,004
Additions	2,615,000	825,004	–	–	3,440,004
Disposal	(1,631,000)	–	–	–	(1,631,000)
Balance at end of year	6,615,140	14,947,287	3,320,463	8,667,118	33,550,008
Accumulated Depreciation and Amortization					
Balance at beginning of year	4,583,833	12,237,932	2,847,692	7,760,918	27,430,375
Depreciation and amortization (see Note 9)	524,921	1,076,556	163,254	721,761	2,486,492
Disposal	(1,631,000)	–	–	–	(1,631,000)
Balance at end of year	3,477,754	13,314,488	3,010,946	8,482,679	28,285,867
Net Book Value	₱3,137,386	₱1,632,799	₱309,517	₱184,439	₱5,264,141

In 2017, the Foundation disposed its fully depreciated transportation equipment with a total cost of ₱1.6 million for ₱0.4 million. Gain from the sale of transportation equipment amounted to ₱0.4 million.

7. Accrued Expenses and Other Payables

This account consists of:

	2017	2016
Accrued expenses:		
Professional fee	₱9,323,770	₱8,016,163
Transportation	5,228,259	7,196,406
Trainings and seminars	3,388,930	3,802,874
Payable to contractors	3,236,309	812,971
Due to government agencies	1,734,767	1,199,500
Other payables	266,247	175,255
	₱23,178,282	₱21,203,169

Accrued expenses, due to government agencies and other payables are due for settlement within the following year.

8. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes entities that are under common control with the Foundation, its donors, the BOT and their close family members.

In the ordinary course of operations, the Foundation is engaged in the following transactions with entities that are considered related parties.

Related Party	Nature of Transaction	Year	Volume of transactions	Outstanding Balance	Terms	Conditions
			<i>(Amount in millions)</i>			
The Zuellig Group, Inc.	Donations	2017	₱–	₱–	None	Unrestricted
		2016	148.0	–	None	Unrestricted
Roberto R. Romulo	Donations (a)	2017	0.01	–	None	Restricted
		2016	0.01	–	None	Restricted
Zuellig Pharma Corporation (ZPC)	Share in utilities (b)	2017 2016	0.7 0.9	– 0.1	90 days upon receipt of billings; noninterest-bearing	Unsecured

- a. These donations were restricted and earmarked for relief and recovery operations.
- b. The Foundation occupies an office space in ZPC's head office building, free of any rental charges. ZPC bills the Foundation for its share in utilities. ZPC's charges to the Foundation were recorded as part of "Utilities" account in the statements of revenues, expenses and fund balance. Unpaid utilities as of December 31, 2017 and 2016 were recorded under "Due to a related party" account in the statements of assets, liabilities and fund balance.

Total compensation to key management personnel amounted to ₱17.6 million and ₱13.6 million in 2017 and 2016, respectively.

9. Expenses

The Foundation's expenses consist of the following for the years ended December 31, 2017 and 2016:

	2017		
	Project Expenses	General and Administrative Expenses	Total
Professional fees	₱42,612,069	₱565,757	₱43,177,826
Salaries, wages and other benefits	13,785,508	10,775,812	24,561,320
Trainings and seminars	14,976,362	772,328	15,748,690
Transportation and travel	13,137,585	461,048	13,598,633
Utilities (Note 8)	8,280,889	2,089,338	10,370,227
Infrastructure projects	3,936,008	–	3,936,008
Materials and supplies	3,008,423	433,662	3,442,085
Retirement expense (Note 10)	–	2,592,184	2,592,184
Depreciation and amortization (Note 6)	–	2,486,492	2,486,492
Representation and entertainment	1,258,527	621,741	1,880,268
Donations and contributions	1,801,001	–	1,801,001
Taxes and licenses	–	39,293	39,293
Others	253,579	827,063	1,080,642
	₱103,049,951	₱21,664,718	₱124,714,669

	2016		
	Project Expenses	General and Administrative Expenses	Total
Professional fees	₱41,468,595	₱332,546	₱41,801,141
Salaries, wages and other benefits	16,129,483	10,636,026	26,765,509
Trainings and seminars	26,360,306	377,136	26,737,442
Transportation and travel	16,513,772	676,787	17,190,559
Utilities (Note 8)	5,861,317	4,091,031	9,952,348
Depreciation and amortization (Note 6)	–	4,002,530	4,002,530
Materials and supplies	1,684,724	1,060,020	2,744,744
Representation and entertainment	1,126,865	553,788	1,680,653
Infrastructure projects	656,446	–	656,446
Retirement income (Note 10)	–	(238,044)	(238,044)
Donations and contributions	123,760	–	123,760
Taxes and licenses	–	51,644	51,644
Others	86,527	989,238	1,075,765
	₱110,011,795	₱22,532,702	₱132,544,497

General and administrative expenses represent 17% of the total expenses in 2017 and 2016.

Project expenses were incurred due to the following activities:

a. Community Health Partnership Program

Municipal Health Systems Strengthening and Other Health Programs. To increase community awareness and participation on health programs and planning, the Foundation encouraged local leaders to form Core Groups and to hold Community Health Summits and “Buntis” Congresses.

Infrastructure Grants. The Foundation provided infrastructure and small equipment grants to chosen municipalities so that more people can avail of health services.

Barangay Health Systems Strengthening Program. The program involved Barangay Captains and Councilors on Health learning about bridging leadership and creating their own barangay plans on health.

b. Training and Capability Programs

Health Leaders for the Poor (HLP). The two-year, four-module program aims to improve the leading and managing practices of local health leaders to fix their local health systems and reduce health inequities. It incorporates classroom sessions and fieldwork for key municipal stakeholders working as convergence teams anchored on bridging leadership and multi-stakeholder engagement.

Municipal Leadership and Governance Program (MLGP). A one-year, two-module leadership formation program for local chief executives and municipal health officers intended to fix their local health systems such that better health outcomes for the poor are achieved.

Provincial Leadership and Governance Program (PLGP). A workshop for governors and provincial health officers (PHO) that aims to introduce health systems framework as a guide for analyzing the capacity of the province-wide health system, determine relevant interventions to address health challenges, and attain provincial health targets. The program includes executive sessions and coaching program for governors and PHOs after each module.

Other interventions involved are assessment of public hospitals, and coaching and mentoring of hospital management teams; and *lakbay-aral* (learning journeys) for local chief executives and key health leaders.

Health Leadership and Management for the Poor (HLMP). A training program designed to improve the leadership and management capability of relevant health officials of the Department of Health and faculty members of academic partners.

Barangay Health Leadership and Management Workshop (BHLMW). The program trains barangay leaders in health systems improvement. The goal is to make barangay health systems more independent and empowered through leadership workshops. The training has led to the establishment of Barangay Health Boards (BHBs) that helped improved behaviors of pregnant women. The BHBs has also served as municipal LGUs' arm for policy implementation in the communities.

A technical training component is also included to address barangay health workers' lack of appropriate knowledge and skills in delivering maternal and obstetric healthcare services. The technical training includes: (1) Pregnancy Tracking System; (2) Danger Signs of Pregnancy; and (3) Referral system to RHUs.

Continuing Leadership for Health and Development (CLHDP). The aim of the program is to help alumni partner municipalities of the Foundation to sustain health reforms in their local health systems by expanding concerns to include social determinants of health such as education and livelihood. Aside from maternal and child healthcare, the program aims to further improve health systems to address nutrition, tuberculosis, and adolescent sexual and reproductive health.

Health Leadership and Governance Program (HLGP). A joint initiative with the Department of Health (DOH) to strengthen the leadership and governance capabilities of local chief executives and public health professionals to address health system challenges. The program improves capacities and commitments of the regional and local health leadership as well as other

organizations, including the academe, to support local health systems development. There were 609 priority local government units identified by the National Anti-Poverty Commission (NAPC) for inclusion in the program when it was created in 2013.

In July 2017, the Foundation entered into a three-year partnership with the United States Agency for International Development (USAID) to implement the HLGP program. This aims to improve health outcomes on maternal and child health (MCH), family planning and reproductive health (FP/RH) and tuberculosis in 121 LGUs.

The United Nations Children Funds also responded to the DOH’s call for HLGP support. The HLGP implementation in UNICEF areas varies per level of LGU engagement. UNICEF covers the costs of training and coaching of nine municipalities and six cities.

City Leadership and Governance Program (CLGP). The program is an enhancement of an existing Short Course on Urban Health Equity (SCUHE) developed by DOH Bureau of Local Health Systems Development (BLHSD) and the Development Academy of the Philippines (DAP), and implemented in partnership with the World Health Organization (WHO). Other partners involved in the rollout of the training are the DOH-ROs and city health officers (CHOs).

CLGP has been conducted in 20 cities in partnership with the USAID, UNICEF, and BLHSD.

c. Other Projects

Action Research and Policy Studies. The Foundation has been conducting action researches on policy environments to determine and address factors that would contribute to the success and sustainability of health programs the Foundation’s partner municipalities. ZFF formed the Research Advisory Board composed of experienced researchers, who provide technical inputs during the development and conduct of the research studies.

10. Retirement Costs

The Foundation has a funded, noncontributory defined benefit plan covering all permanent employees. The benefits are based on employees’ projected salaries and length of service.

The present value of the retirement liability and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

The amounts included in the statements of assets, liabilities and fund balance are as follows:

	2017	2016
Present value of defined benefit obligation	₱15,320,765	₱12,486,996
Fair value of plan assets	(18,009,121)	(17,767,536)
Net retirement asset	(₱2,688,356)	(₱5,280,540)

Retirement expense (income) for the years ended December 31, 2017 and 2016 consists of:

	2017	2016
Current service cost	₱2,146,984	₱2,823,426
Interest cost	686,785	670,883
Expected return	(241,585)	(171,811)
Actuarial gain	–	(3,560,542)
Retirement expense (income)	₱2,592,184	(₱238,044)

Details of retirement liability as of December 31, 2017 and 2016 consists of:

	2017	2016
Balance at beginning of year	₱12,486,996	₱13,154,559
Current service cost	2,146,984	2,823,426
Interest cost	686,785	670,883
Benefits paid from the plan assets	–	(632,559)
Actuarial gain	–	(3,529,313)
Balance at end of year	₱15,320,765	₱12,486,996

Changes in the fair value of plan assets in 2017 and 2016 are as follows:

	2017	2016
Balance at beginning of year	₱17,767,536	₱5,727,023
Contributions	–	12,470,032
Benefits paid from the plan assets	–	(632,559)
Actuarial gain	–	31,229
Expected return	241,585	171,811
Balance at end of year	₱18,009,121	₱17,767,536

The allocation of the plan assets is shown below:

	2017	2016
Cash and cash equivalents	0.05%	77.1%
Investments in:		
Unit Investment Trust Fund (UITF)	4.17%	–
Government securities	95.89%	22.7%
Receivables	0.29%	0.3%
Trust fee payable	(0.12%)	(0.1%)

The plan assets of the Foundation are maintained by a trustee bank.

The plan assets are composed of cash in banks, receivables - net of payables and investments in UITFs and government securities. Descriptions of each category are as follows:

- a. Cash and cash equivalents consists of savings deposits and special savings deposits.
- b. UITFs are investments in various financial instruments such as money market securities, bonds and equities.
- c. Government securities are securities issued by government and government agencies with stated interest rates and fixed dates.
- d. Receivables - net of payables consist of interest receivables.

Reconciliation of retirement asset in the statements of assets, liabilities and fund balance is as follows:

	2017	2016
Balance at beginning of year	(P5,280,540)	P7,427,536
Retirement expense (income)	2,592,184	(238,044)
Contributions	–	(12,470,032)
Balance at end of year	(P2,688,356)	(P5,280,540)

The principal assumptions used in determining retirement benefits for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Discount rate	5.70%	5.50%
Expected return on plan assets	3.00%	3.00%
Expected rate of salary increase	7.00%	10.00%

The latest actuarial valuation report is as at December 31, 2016.

11. Other Matters

Exempt from Tax on Corporations

The Foundation being a nonstock and nonprofit charitable institution is exempted from taxation of corporation.

Republic Act No.10963

Republic Act No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of December 31, 2017.

12. Supplementary Information Required Under Revenue Regulations No. 15-2010

Below is the additional information required by RR No. 15-2010:

- a. The National Internal Revenue Code of 1997 also provided for the imposition of VAT on sales of goods and services. Accordingly, the Foundation's sales are exempt from output VAT while its importation and purchases from other VAT-registered individuals or corporations are exempt from input VAT.

b. Taxes and Licenses

Taxes and licenses, local and national, include licenses and permit fees under “Others” in the statements of revenues, expenses and fund balance.

	Official Receipt No.	Date of payment	Amount
Business permit	0894081	January 17, 2017	₱21,964
Barangay clearance	1086870-1	January 17, 2017	2,700
Community tax certificate	00019538 and 23937260	January 17, 2017	2,005
Others	Various	Various	12,624
			<u>₱39,293</u>

c. Withholding Taxes

	Paid	Accrued	Total
Expanded withholding taxes	₱4,403,002	₱1,263,826	₱5,666,828
Withholding taxes on compensation and benefits	4,907,362	416,025	5,323,387
	<u>₱9,310,364</u>	<u>₱1,679,851</u>	<u>₱10,990,215</u>

d. Tax Assessments

The Foundation has no tax assessments as of December 31, 2017.

e. Tax Cases

The Foundation has no outstanding tax cases in any other court bodies outside of the BIR as of December 31, 2017.



2017 ZUELLIG FAMILY FOUNDATION ANNUAL AND SUSTAINABILITY REPORT

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This Annual and Sustainability Report was printed on Forest Stewardship Council (FSC)-certified paper. In an effort to reduce consumption of resources from printing and distributing hard copies, an electronic copy of this report with complete 2017 audited financial statements may be downloaded from our website, www.zuelligfoundation.org, or by scanning the QR code found on this page.



Duly certified as development agency by the
Department of Social Welfare and Development (DSWD)

Accredited by the Philippine Council for NGO Certification (PCNC)

This report has been prepared in accordance with the GRI Standards:
Core option

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