



# DEEP CONNECTION

2020 INTEGRATED ANNUAL REPORT



Global Ferronickel  
Holdings, Inc.



# ABOUT THE REPORT

102-50, 102-52, 102-53, 102-54

Now on its third year of publishing a Sustainability Report, the Company shares here the performance and impact of its Economic, Environmental, and Social programs and activities from January 1, 2020 to December 31, 2020. The report has been prepared in accordance with the Global Reporting Initiative Standards: Core Option.

For further inquiries regarding this report, you may contact:

👤 Ruel Asuncion

✉ [rjasuncion@gfni.com.ph](mailto:rjasuncion@gfni.com.ph)

# TABLE OF CONTENT

4	<b>Company Profile</b>
4	Mission, Vision, Values
4	List of Industry Associations
4	Awards and Recognition
4	Organizational Structure & Subsidiaries
5	Core Values
6	<b>PGMC at a Glance</b>
6	General Information
7	Economic Contribution
7	Employment
7	Environmental Protection & Rehabilitation
7	Social Development & Management
7	Mining Forest Program
7	Our Process
8	COVID-19 Response
10	<b>Message from our leaders</b>
11	<b>President's Report</b>
12	FNI Steel
12	Awards and Recognition – PMIEA
13	COVID-19 Response
14	Social
14	Environment
15	Information and Education Campaign
15	Beyond Compliance
16	Safety and Health
16	Land Resources Management
17	Water Resources Quality and Management

17	Waste Management
17	Air Quality Management
18	Noise Abatement
18	Conservation Values
19	Mining Forest Overview
20	Land Resources Management
21	Conservation Values
24	<b>Industry Appreciation</b>
25	Nickel Mining
28	<b>Our Leadership</b>
31	Management Team
32	<b>Corporate Governance</b>
32	Enterprise Risk Management
33	ERM Framework
34	FNI Risk Management
35	<b>Sustainability for PGMC</b>
35	Sustainability Framework
37	Materiality
38	Stakeholder Engagement
41	<b>Social Performance</b>
41	Employee Welfare
42	Employee Statistics
46	Benefits
46	Parental Leave

46	<b>Ensuring Good Labor Practices</b>
47	Health and Safety
48	Training
48	Health Control and Services
49	Emergency Preparedness and Response
50	<b>Community Welfare and Development</b>
50	SDMP Breakdown
51	Education Program
51	Health Program
51	Livelihood and Infrastructure
51	<b>Supply Chain Management</b>
52	<b>Environmental Performance</b>
52	EPEP Spending
53	Resource Consumption
55	GHG Emissions
56	Air Quality
57	Water Resources
59	Solid and Hazardous Waste Management
60	Land Rehabilitation and Reforestation
65	<b>GRI Content Index</b>
71	<b>Financial Highlights</b>
72	<b>Financial Statements</b>



# COMPANY PROFILE

## MISSION

102-16

To deliver value by carrying out our activities in an environmentally, socially, and financially responsible manner for the benefit of the nation, the communities where we operate, our employees, customers and other stakeholders.

## VISION

To be a leading Filipino company engaged in the mining of metals and related businesses.

## LIST OF INDUSTRY ASSOCIATION

102-13

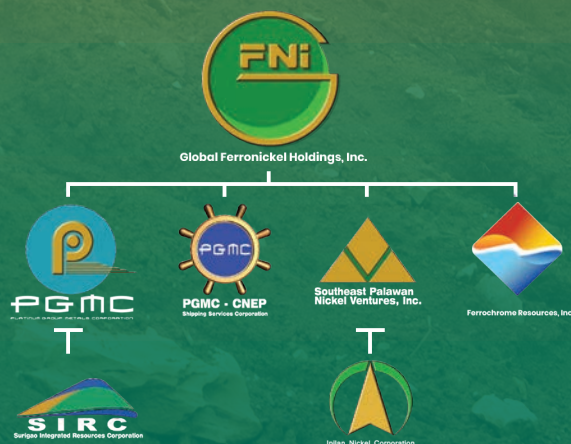
1. Chamber of Mines
2. Philippine Nickel Industry Association
3. Filipino Chinese Chamber of Commerce
4. Caraga Chamber of Mines

## AWARDS & RECOGNITION

1. PMIEA Platinum Achievement Award

## ORGANIZATIONAL STRUCTURE & SUBSIDIARIES

102-5





## CORE VALUES



**INTEGRITY**



**SOCIAL  
RESPONSIBILITY**



**CARING FOR  
THE ENVIRONMENT**



**MERITOCRACY**



**TEAMWORK  
AND SYNERGY**



**TAKING CARE  
OF OUR PEOPLE**



**ACCOUNTABILITY**



**FISCAL  
RESPONSIBILITY**

# PGMC AT A GLANCE

102-1, 102-2, 102-3, 102-4, 102-7, 102-8, 201-1

## General Information

 <p><b>Mineral Production Sharing Agreement Contractor</b></p> <p>Platinum Group Metals Corporation</p>	<p><b>Mineral Commodity</b></p> <p>Nickel Laterite Ore and other associated mineral deposits</p> 
 <p><b>Mining Tenement</b></p> <p>MPSA No. 007-92-X SMR (Amended 1)</p>	<p><b>Mineral Resource</b></p> <p>73.06 Million Dry MT @ 1.1% Ni and 30.2% Fe (As of October 15, 2020)</p> 
 <p><b>Date Approved (Renewal)</b></p> <p>June 21, 2016</p>	<p><b>Office Address</b></p> <p>7th Floor, Corporate Business Center Bldg., 151 Paseo De Roxas cor. Arnaiz Ave., Makati City</p> 
 <p><b>Date of Expiration</b></p> <p>February 14, 2042</p>	<p><b>Company Structure</b></p> <p>100% Filipino</p> 
 <p><b>Term of MPSA</b></p> <p>25 years: renewable for another term not exceeding 25 years</p>	<p><b>Basic Information</b></p> <p>Region: Region XIII (CARAGA) Province: Surigao del Norte Municipality: : Claver Barangays: 14 Population of Claver (as of 31 August 2015): 32,773</p> 
 <p><b>Contract Area</b></p> <p>5,220 hectares or 16.18% of Claver's total land area</p>	<p><b>Total Land Area &amp; Mineral Potential</b></p> <p>Land Area: 32,260 hectares Major economic activities: Nickel mining and processing, farming and fishing</p> 



## Economic Contribution



### Mining Investments

**PhP 1.306 Billion**  
(as of December 2020)



### Gross Output

**5,161,826**  
Wet Metric Tons of Nickel  
Production Cost  
**PhP 1.6 Billion**  
(as of December 2020)

### Exports

**5,627,097 WMT**  
worth **PhP 6.602 Billion**  
(as of December 2020) China is the  
company's major market.



### Taxes & Fees Paid

**PhP1.512 Billion** Amount of  
national and local taxes, fees and  
royalties generated and contributed to  
the Philippine economy in 2020



## Employment



**2,948**

Company employed as of 2020

**PhP 210.05 Million**

Estimated total cost of labor at  
the mine site in 2020



## Environmental Protection & Rehabilitation

**PhP 84.68 Million**

implementation of approved plans /  
programs / projects / activities under  
its Environmental Protection and  
Enhancement Program,  
and Final Mine Rehabilitation and /  
or Decommissioning Plans,  
respectively in 2020



## Mining Forest Program

**1,936,501 seedlings**

Cumulative number of seedlings  
planted by the mining company in  
more than 514.65 hectares of mined-  
out and other areas since year 2000  
up to December 2020



## Social Development & Management



**PhP48.14 Million**

Amount committed by the  
company for the development  
of its host and neighboring  
communities through the  
approved Social Development and  
Management Program in 2020

**1 Host, 1 Neighboring and  
10 Non-impact Barangays  
in Claver**

Stand to benefit from the  
implementation of its  
approved SDMP. Also,  
the company assisted selected  
municipalities within the Province  
of Surigao del Norte during the  
onset of the COVID-19 pandemic



## Our Process

1. Clearing/Grubbing and Topsoil Removal
2. Bench Forming
3. Ore Mining
4. Ore Beneficiation and Stockpiling
5. Ore Barge/LCT Loading
6. Vessel Loading

Progressive Rehabilitation, Temporary Revegetation  
Program, Dust Control, Siltation Mitigation Measures,  
Drainage Management

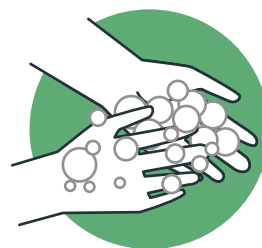
# COVID-19 RESPONSE

As of end December 2020, PGMC has had no known recorded suspect, probable and confirmed cases of COVID-19 among its employees. The Company works to keep it that way, ensuring safety and security remains top priority.

Strict adherence to safety and health protocols in response to the COVID-19 threat was demonstrated with the Company's comprehensive COVID-19 approach and response aimed towards prevention. These included the following activities:

## Temperature Monitoring

Everyone onsite, including general contractors and service providers, are required to undergo temperature checking as screening process for early detection of fever, one of the symptoms infection. The Company ensures that all employees are free of any signs of infection before and after working. Temperature monitoring sheet is submitted daily to the Clinic by all departments.



## Installation of Hand Washing Areas

The Company installed hand washing areas in all buildings and departments in the mine site. Frequent and proper handwashing is one of the most effective ways to prevent transmission of viruses, including COVID 19.

## Office Disinfection

All department offices are required to conduct daily disinfection and cleaning to maintain a safe and healthy workplace. Additional attention is given to surfaces most frequently touched by people.



## Preventive Measures for Port Facility Embarkation and Disembarkation

Strict implementation of preventive measures on embarkation and disembarkation of stevedores, agents, and surveyors are imposed. Only vessels that already completed the 14-day quarantine period and received a "Free Pratique" from the Bureau of Quarantine (BOQ) are allowed to anchor at the PGMC port.

## Provision of Quarantine Facility

Any employees from outside the province and areas with local transmission are placed in the Company's quarantine facility for the mandatory 14-day period. Two facilities with 22 beds are located at Causeway 1, apart from the quarantine facilities of the general contractors. More quarantine facilities are currently being constructed.





## Isolation Facility

An employee undergoing quarantine and exhibiting acute respiratory illness is moved to the Isolation Facility, where regular and frequent monitoring is being done. One such facility is located in Platinum Heights which has 11 beds partitioned properly based on DOH guidelines.



## Wearing of Face Mask and Face Shield.

All employees in the mine site are required to wear a face mask and face shield at all times in adherence to the minimum health standard set by the DOH. Face masks and face shields are being provided to all employees.

## Practice of Social Distancing

At the mine site, employees practice social distancing and keep apart a minimum of 1.5 meter at all times. Service buses are only filled up 50% capacity.



## Provision of COVID-19 PPEs

The Company ensures that supply of Personal Protective Equipment (PPE) is readily available and sufficient for the use of health care personnel and high-risk employees. The PPE includes head covers, fluid resistant surgical and N95 masks, disposable gloves, eye goggles and face shield, and shoe covers.

## Inspection and Monitoring in the Mine Site

Conducting regular thrice-a-week inspection ensures that departments are strictly implementing the protocols mandated.

## COVID-19 Waste Disposal

All PPEs used are disposed of in a designated COVID-19 waste disposal concrete vault, in accordance with guidelines on disposal of COVID-19 related waste and aligned with the Company's commitment to implementation of ISO 14001 Environmental Management System (EMS).

## Clinical Assessment on COVID-19 Prior to Work Resumption

Following interim guidelines on the resumption of work, employees undergo Clinical Assessment and give information regarding their travel history and exposure as well as have their physical and health status checked before work resumption.

## Information Drive on COVID-19

Information drive on how the disease is transmitted and methods of prevention, emphasizing proper hygiene, is regularly conducted for all employees. They were also given a full orientation on the COVID-19 protocols in the mine site. Reminders were placed in all offices, through posters and



## Rapid Antibody Test in the Mine Site for Personnel Who Underwent Quarantine

After going through 14-day quarantine in our facilities, employees who travelled outside the province and in areas with declared local transmission received repeat Rapid Antibody Testing (RAT) with negative result as basis for clearance. The use of RAT is based on the recommendation from the DOH.



# MESSAGE FROM OUR LEADERS

102-6, 102-14

The year 2020 was unprecedented. Our mining season had just been underway when we had to temporarily stop operations for almost two months as a result of the coronavirus outbreak. During that time, production took a backseat as we shifted our focus on the health, safety and well-being of our employees and our host communities. But despite the momentary halt to our operations, we were able to bounce back and managed to ship 5.625 million WMT - surpassing our adjusted target for the year of 5 million WMT. The higher prices of nickel last year also had a positive impact on our top line and the improved efficiency in our operations contributed to our bottom-line growth.

Industry reports indicated similar trends. The Mines and Geosciences Bureau (MGB) said that the metallic mining industry was able to remain resilient and even posted a 1.13 percent growth in 2020 as the value of the industry's metallic mineral production increased to P132.21 billion from P130.74 billion in 2019. MGB attributed this in large part to nickel as the local industry continued to cater to China's growing demand for stainless steel. The Philippines was the second biggest supplier of nickel ore to China having contributed 52 percent or PhP 64.48 billion of the industry's total earnings in 2020, followed by gold with P47.6 billion.

Another welcome development is the lifting of Executive Order 79, which puts an end to the nine-year moratorium on mineral agreements. We appreciate the government's recognition of the industry's role in economic recovery and development. The mining industry has always been a major contributor to taxes and regional GDP. In December 2020, MGB reported that the mining industry as a whole contributed over PhP 72 billion to the country's GDP during the first three quarters of 2020. In May 2020, the MGB also states that the mining industry directly employs an estimated 190,000 employees.

We at FNI have always contributed to countryside development by providing employment and livelihood opportunities that help foster growth in our host communities. The majority of our employees come from nearby areas, and we firmly believe that for every worker employed, there are an additional four indirect jobs created. And in spite of the many challenges, we remained committed to operational excellence and responsible mining. As testament to this, we received the Platinum Achievement Award in the Surface Mining Category in the 2020 Presidential Mineral Industry Environment Awards (PMEIA) for our exemplary practices in the conduct of surface mining operations that contribute towards sustainable mineral development by promoting responsible management of the environment and natural resources.

We, together with the mining industry, are more than ready to assist in the recovery of the economy. And through supportive legislation, the industry will be in a position to contribute even more to the national GDP, exports and employment.



**JOSEPH C. SY**  
Chairman



# PRESIDENT'S REPORT



We at Global Ferronickel Holdings Inc. (GFHI) are very grateful that despite the COVID-19 pandemic, we were able to finish the year on a high note. Although we experienced a slowdown in production, especially during the early part of the community quarantine, management's proactive response together with the support and cooperation of all our employees allowed us to quickly get back on track. It also put us in a better position to offer much needed assistance to others in need, prioritize the health, safety and well-being of our employees. What we have learned during this pandemic is that every peso counts. In this manner we are grateful to have had the opportunity to continue operating and being able to provide for our employees and their families, pay our taxes on time and contribute a significant amount for relief efforts to our local communities.

For the year ended December 31, 2020, our net income stood at Php1.86 billion, 43% higher than the previous year's net income of Php1.30 billion. Revenues went up by 9.1% to Php7.26 billion in 2020 as against Php6.65 billion in 2019.

Nickel ore shipments went down by 4.5% to 5.625 WMT (Wet Metric Tons) in 2020 compared to 5.890 million WMT due to the temporary suspension of operations in April to combat the spread of the coronavirus. We only managed to ship 103 vessels in 2020 compared to 108 vessels in 2019.

Despite the decrease in volume versus the previous year, the higher prices of nickel in 2020 had a positive impact on our top line and improved the efficiency of our operations. This contributed to our bottom-line growth.

The average realized nickel ore price in 2020 was US\$26.16 per WMT, 20% higher than that of the previous year. The resulting product mix was 68% (3.831 million WMT) low-grade nickel ore and 32% (1.794 million WMT) medium-grade nickel ore in 2020 as against 45% (2.660 million WMT) low-grade nickel ore and 55% (3.230 million WMT) medium-grade nickel ore in 2019. Earnings before Income Tax, Depreciation, and Amortization (EBITDA) continued to improve year-on-year. The 2020 EBITDA amounted to Php3 billion or an EBITDA margin of 41.49% compared to Php2.3 billion or a margin of 35.36% in 2019.

**DANTE R. BRAVO**  
President

# FNI STEEL

The construction of the US\$50 million Rebar Steel Rolling Plant in Mariveles, Bataan of Global Ferronickel Holdings Inc (FNI) has begun and once commercial operations are underway in 2022, the facility is estimated to have an annual output of 600,000 tons of steel bars. This will allow us to gain a six percent market in an industry that utilizes 10 million metric tons of steel annually.

We invested at least US\$50 million to go into the steel manufacturing business and we decided to set up the steel plant in Mariveles, Bataan with Hong Kong based Huarong Asia Limited. Our partner was supposed to sell out between US\$25 to US\$30 million more to jump start operations by 2021. We would have wanted to begin construction in 2020 but it was delayed due

to the pandemic, specifically due to the imposed travel restrictions as some of our technical experts are based abroad.

Once operational, the plant is expected to produce 600,000 metric tons of carbon steel rebars every year. This will allow us to gain a six percent market share in an industry that utilizes 10 million metric tons of steel annually.

To support the operations of the steel plant, FNI has acquired a 60% stake in the port operator of the Free Airport Area of Bataan (FAB). This will help ensure easy and steady access to port services with the importation of raw materials, especially during construction.

## AWARDS AND RECOGNITION - PMIEA



Last February 2021, we received the Platinum Achievement Award, Surface Mining Category, in the 2020 Presidential Mineral Industry Environment Awards (PMIEA). We were recognized for our exemplary practices in the conduct of surface mining operations that contribute towards sustainable mineral development by promoting responsible management of the environment and natural resources.





## COVID-19 RESPONSE

Our first order of business was to ensure the health and safety of all our employees and to provide them with all the support they need to weather the crisis. We mounted a massive information campaign to guide them and their families and instituted strict protocols in the workplace that were more stringent than those prescribed by the Department of Health (DOH), the Department of Trade and Industry (DTI) and by the Department of Labor and Employment (DOLE).

These measures include the procurement of Personal Protective Equipment (PPE), disinfectants and other supplies for COVID-19 prevention. They also meant providing for employee testing, setting up of isolation areas, coordination with the local government units (LGU) with regards to the traffic of personnel to and from the mine site, adoption of new work routines mandated by the Department of Health (DOH) and the Inter-Agency Task Force on Emerging Infectious Diseases (IATF) and the revision of shipping guidelines and procedures in response to health and safety measures.

With the release of the Mines and Geosciences Bureau (MGB) memoranda dated March 27, 2020 and April 1, 2020, allowing mining companies to re-align unutilized Social Development and Management Program (SDMP) funds to assist the host, neighboring and non-impact communities in their respective localities, we and our Representative of Host and Neighboring Community (RHNC) members convened to make the necessary adjustments.

PGMC's Community Relations and Development personnel worked on the frontlines to deliver essential services without compromising the minimum health standards and help sustain communities amid the crisis. They actively participated in the municipal-wide COVID-19 information drive to educate people and provide them with the correct information. The Company also gave much needed relief assistance across to the entire province of Surigao Del Norte. Thousands of food packs were given out to households in Claver and nearby communities. We also provided medical assistance and distributed medical supplies such as KN95 and surgical masks, biohazard suits, thermal scanners, goggles, alcohol, disinfection tents and other health essentials for the benefit of local and regional hospitals, provincial, municipal and barangay LGUs, barangay and municipal checkpoints and other frontliners including the police, military and media personnel. To date, more than Php 31 million have been spent benefitting 41,041 households.





## SOCIAL

Sustainable development presents a particular challenge in meeting social and economic goals that are locally defined and consistent with the Company's own vision. Over the years, we have strived to innovate and create a mechanism for effective design and implementation of our Social Development and Management Program (SDMP). From 2007 up to the first semester of 2020, the money spent on the programs, projects and activities (PPAs) have reached Php 308.98 billion.

These projects for Health, Education, Livelihood, Public Utilities and Socio-Cultural Preservation are continuously funded to support the Development of Host and Neighboring community (DHNC) programs with the intent of building communities that are empowered, resource-based, self-reliant and self-sustaining.

In 2020, PGMC produced 27 graduate scholars (bringing the total to 97 since the program started), constructed new school buildings and supported 29 public schools in Claver as part of its Education program. Under the Livelihood and Public Utilities component, we initiated the construction of farm to market roads in support of newly formed and existing People's Organizations (POs). We sponsored religious and cultural activities for the Socio-cultural development of communities and implemented substantial programs for Health. The extent to which we integrate these practices into our core business represents the Company's commitment to sustainability and accentuates its mission to empower communities through grassroots development.

## ENVIRONMENT

Creating a culture of environmental stewardship is a deeply ingrained principle that guides our operations. This is achieved through shared leadership and maximum engagement with internal and external partners, as well as the surrounding communities.

To effectively implement an Environmental Management System (EMS) that meets the ISO 1400:2015 standard, PGMC outlined a comprehensive Environmental Policy Statement, which earned the Company recertification from international Total Quality Assurance provider Intertek in October 2019. This remarkable streak is attributed to the continuous improvement of the Company's Annual Environmental Protection and Enhancement Program (AEPEP).

As such, PGMC's 2019 EPEP recorded a 97.08% annual financial accomplishment out of a P100.5 million budget and received a P103.5 million budget allocation the following year. At the onset of the COVID-19 pandemic, PGMC re-aligned its 2020 EPEP budget towards relief operations and other sustainability projects such as community gardens, egg production, and aquaculture, amounting to more than Php9 million.





## INFORMATION AND EDUCATION CAMPAIGN

Through its Information, Education and Communication Campaign (IEC), PGMC responded to the government's call to provide people with correct and legitimate information in support of the mandated health standards set by the government and the Company.

There has been a lot of misinformation about the effects of mining in the host and surrounding communities. To correct this misinformation, the IEC team conducted a Mining 101 lecture to one hundred selected students representing 20 national high schools in the Province of Surigao del Norte. This event was held in collaboration with the JCI Nickel during their search for "The Outstanding Students of Surigao" (TOSS) in January 2020.

To inform the public of the mining industry's role in the COVID-19 pandemic response, PGMC participated in the 1st PNIA (Philippine Nickel Industry Association) webinar. Concerned units also actively participated in community meetings, orientations, and briefings for the Company's involvement in various projects and programs.

Before the pandemic, the Company facilitated tours of the mine site from other mining companies, agencies, and the academe. This was seen as one of the best ways to showcase and share best practices and benchmarks in mining operations. These visits were also opportunities to change and correct misconceptions and negative perceptions about mining.

Despite the current conditions brought about by the COVID-19 pandemic, PGMC is committed to working to protect the environment through its active participation in DENR's "Recognizing Individuals/Institutions toward Vibrant and Enhanced Rivers" for Life program or RIVERS in Baoy River, which separates the municipalities of Gigaquit and Claver. This initiative is a collaboration with CENRO, MENRO, mining companies, and both LGUs of Claver and Gigaquit and aims to raise awareness in protecting and conserving water bodies that contain resources vital to humans.

## BEYOND COMPLIANCE

On top of its SDMP projects, PGMC is determined to go the extra mile in supporting the Provincial Government's program for education, the Heals Plus Caravan sa Eskwelahan, where the company donated 1,584 English and Mathematics books worth Php483,491.94 for the use of the pupils of Surigao del Norte, and Php300,000 counterpart from the funds of the Development of Mining Technology and Geosciences (DMTG).

This solidifies the company's initiative to empower communities from the grassroots level by reaching out to the underprivileged in their areas of concern, especially the indigenous peoples (IPs). Thus, the company was able to spearhead the relief operation and distribution to several IP groups nearby through its CRD section and actively took part in feeding malnourished and undernourished indigenous children and rationing fresh and clean water to its host and neighboring communities, especially in the areas where the water source is inaccessible.





## SAFETY AND HEALTH

Due to the COVID-19 pandemic, PGMC implemented heightened safety and health-related protocols and provided maximum deterrence to workers to easily manage these challenges. In accordance with Presidential Proclamation No. 922 "Declaring a State of Public Health Emergency throughout the Philippines" and R.A. 11469 "Bayanihan To Heal as One Act," PGMC worked on strengthening its COVID-19 prevention and control measures through a set of established guidelines and procedures.

The catchphrase "SAFETY FIRST" best sums up the company's efforts in safety and health as no life is worth any amount of money and no job is so important nor any service so urgent when it comes to safety. Relatedly, the company's emergency response preparedness team ended with a very good performance last year, reaping the 1st runner-up award in the Fire Brigade Competition during the National Safety Competition in Baguio City – ANMSEC (Annual National Mine Safety Environment Conference) 2019; 1st place in Ladder Raising with Rescue; 1st runner-up in Fire Fighting; and 3rd place in Busted Hose and Up the Ladder during the 5th CARAGA Mining Symposium and Safety Competition. The same team was dispatched for relief and rescue operations during the aftermath of the 6.6 magnitude earthquake in Makilala, South Cotabato and Padada, Davao del Sur.

The company abides by the Mine Safety and Health Policy, an ISO 14001:2015 Environmental Management System aimed at ensuring the health and safety of mineworkers and properties. PGMC also has its own facilities, medical equipment, and a trained company doctor, nurses, and first-aid responders who provide all employees with comprehensive access to medical and holistic care.

Based on the monthly General Accident Reports for Fiscal Year July 2019 to June 2020, the company incurred 6,472,353.25 man-hours with no lost time accident both fatal and non-fatal, bringing the total to 15,754,576.68 hours to date.

## LAND RESOURCES MANAGEMENT

Considering the impact of mineral extraction on land resources, PGMC not only adheres to regulatory mandates but aligns its operations with the goal to create a safer and more sustainable post-mining land condition, as stipulated in the Final Mine Rehabilitation and Decommissioning Plan.

While PGMC has secured five Special Tree Cutting and Earth-balling Permits (STCEP) since 2007, covering 297.5 hectares within its MPSA area, only 85.5 hectares were disturbed and only 17,918 trees were cut as of June 2020. Furthermore, in adherence to the 1:100 replacement ratio, 1,018,165 trees out of the required 1,791,800 have been planted. The remaining 773,635 seedlings are currently being reared in company nurseries.

As of June 2020, the company had pioneered the following accomplishments:

- Planted a total of 1,018,165 trees covering a total area of 502.33 hectares within and outside its MPSA, with a survival rate of 93.55%;

- Rehabilitated a total mined-out area of 145.86 hectares planted with 262,557 mixed-type of species adhering to the principle of ecological successions; and
- Temporarily re-vegetated a total area of 140 hectares of inactive mine areas in CAGA 2 and CAGA 4 wherein 1,030,536 grass cuttings were planted since 2018

PGMC also underscores the potential of bamboo planting in the reforestation and rehabilitation of mined-out areas. As such, bamboo planted in the high elevated mined-out areas of CAGA 4 Blocks 1 and 30 showed a promising growth rate of more than six-feet high after more than a year of plantation since 2019 and successfully generated four to six shoots. Different bamboo species were planted since the project started as early as 2012.



## WATER RESOURCES QUALITY AND MANAGEMENT

The company also seeks to protect nearby water bodies against contamination and siltation caused by land disturbances and other environmental factors such as rainfall and erosion at the mining areas.

Through the implementation of the Storm Water Drainage Management Plan, 96 units of settling ponds and 45 units of sediment traps were constructed at CAGA 2 and 3, with a total impounding capacity of 816,624 cubic meters. The company also took significant efforts to further rehabilitate the adopted Tandawa Creek and Kinalablaban River water bodies, which involve riverbank stabilization, gabion installation, and river clean-up, planting of trees along the riverbanks, mechanical dredging, and manual desilting.

## WASTE MANAGEMENT

PGMC believes it will be able to achieve its environmental objectives and targets in reducing waste generation as well as the pollution associated with its disposal through effective waste management. Under ISO:14001, every employee is encouraged to reduce waste generation through effective waste management and advocating campaigns such as #BeatPlasticPollution. Notably, about 9.84% of the company's overall solid waste generation has been reduced during the 1st Semester of CY 2020, as compared to that of the previous year.

## AIR QUALITY MANAGEMENT

PGMC manages air quality by implementing dust control measures that are compliant with the Philippine Clean Air Act of 1999 and acceptable to the expectations of the nearby communities. Among these are regular water spraying, road ballasting and maintenance, roadside vegetation, and cleaning and maintenance of national highways. A monthly Ambient Air Quality Monitoring is employed using an e-sampler by Meet One Instruments, Inc. to gauge effectiveness in terms of Total Suspended Particulates (TSP). All sampling results for the period of July 2019 to June 2020 were all within DENR standards.



# NOISE ABATEMENT

The Company's noise abatement measures, such as fencing haul roads with G.I. sheets, using a muffler/silencing system on heavy equipment and generators, follow a hierarchy of controls that includes engineering, administrative, and personal protective equipment like earplugs for personnel exposed to loud noise. This year's results of the monthly noise level monitoring within the mine site and in nearby communities are all within the acceptable level set by the National Pollution Control Commission (NPCC).

# CONSERVATION VALUES

PGMC is committed to protect biodiversity for its invaluable ecosystem services. Thus, the company has allotted a 50-hectare area with flora and fauna for Biodiversity Conservation located within CAGA 5, which served as the major source of seeds and planting materials needed during the rehabilitation stage. A three-hectare Botanical Garden was also established to serve as a depository for different species of plants collected within the company's MPSA and was further developed as a natural park offering a scenic view from the observation pad.

The company's goals for sustainable biodiversity conservation within its MPSA are extended and shared with communities such as the adoption of the mangrove forest and ecosystem of Barangay Bagakay, Claver in Surigao del Norte to restore

the density and diversity of their mangrove and beach forest that mostly consist of *Nypafrutican* (Nipa) and some other true mangrove species.

For more than 13 years, PGMC has always practiced the "above and beyond approach" in all facets of compliance by initiating capacity-building activities and engaging people in socio-economic activities while developing the ecosystem. Small but meaningful victories like this push the company to do better in other aspects of its operation.

Among these are the establishment of Clonal Facility, Vermicomposting Facility, Herbal Garden, Organic Vegetable Garden, Dragon Fruit Garden, Tilapia Fish Pond, and Organic Rice Farm, as well as taking part in DENR's "Recognizing Individuals/Institutions towards Vibrant and Enhanced Rivers (RIVERs) for Life" program, which show that PGMC upholds environmental stewardship in everything it does.

Through the biggest challenges mankind would face, the value of solidarity always prevails, compelling each of us to work together and create the sense of meaning humanity is seeking. As stewards of the environment, PGMC vows to undertake every measure to manage the impacts of its operations and carry out effective rehabilitation. And being the responsible company it has always strived to become, the company will continue to uphold its role in developing communities by creating jobs, delivering basic and essential services for health, education, and infrastructure, and enabling communities to become self-sufficient, self-sustaining, and self-reliant even after mine life.







# MINING FOREST OVERVIEW

As an advocate of responsible mining, Platinum Group Metals Corporation (PGMC) carries out its vision by cultivating a culture of environmental stewardship. Fueled by its burning passion and commitment, it always seeks to adopt environmental best practices. The Company seeks to work towards the preservation and restoration of forests to achieve a sustainable and balanced ecosystem by initiating efforts that involve not only its employees but the communities as well.

Plantations at mine-rehabilitated areas in CAGA 2 and 4 were also maintained through regular watering, application of fertilizer, and re-planting. Both organic and inorganic fertilizers were used in reforestation maintenance. From July 2019 to June 2020, a total of 119.15 hectares was maintained. The Company's nursery operation, which started in 2007, acts as the foundation of its reforestation programs. People from the host and Ips communities lead the production, care, and maintenance of the four Company-owned nurseries (Central Nursery, Platinum Nursery, Biodiversity Conservation Nursery, and Mangrove Nursery).

Plantations at mine-rehabilitated areas in CAGA 2 and 4 were also maintained through regular watering, application of fertilizer, and re-planting. Both organic and inorganic fertilizers were used in reforestation maintenance. From July 2019 to June 2020, a total of 119.15 hectares was maintained. The Company's nursery operation, which started in 2007, acts as the foundation of its reforestation programs. People from the host and IPs communities lead the production, care, and maintenance of the four Company-owned nurseries (Central Nursery, Platinum Nursery, Biodiversity Conservation Nursery, and Mangrove Nursery).

Another major aspect of the reforestation program is the National Greening Program (NGP) which is seen as a climate change mitigation strategy. It seeks to enhance the country's forest stock to absorb carbon dioxide, which is largely blamed for global warming. This involves land resource management through slope stabilization, mined-out area rehabilitation, nursery operation, maintenance of reforested/re-vegetated areas, and reforestation of areas within and outside MPSA areas. Some of these are forestlands, mangrove and protected areas, ancestral domains, civil and military

reservations, urban greening areas, inactive and abandoned mine sites, and other suitable lands. Its primary objective is to grow 1.5 billion trees in 1.5 million hectares nationwide within six years.

From the time PGMC started its implementation in 2012 up to the 1st quarter of 2020, a total of 784,433 trees were planted, covering an estimated 564.44 hectares. About 128,013 seedlings were also donated to schools and LGUs including PENRO-Surigao del Norte and MENRO-Claver in Surigao del Norte. This was accomplished despite having no area for its NGP project since the company opted to implement it through Maintenance (Enrichment planting, Fertilizer application, and watering) within the MPSA area.

PGMC, however, temporarily stopped its activities in the Enrichment Planting of NGP areas outside MPSA due to the COVID 19 pandemic. The area allotted for the Mining Forest Program totaled 486.88 hectares, while 564.44 hectares and 986.46 hectares accounted for the National Greening Program.

PGMC seeks to efficiently restore an area that has been disturbed by the mining operation through a cut and fill method, widely considered as one of the most effective techniques. As of June 2020, about 46.7 hectares of mined-out areas were rehabilitated within CAGA 4 (Blocks 18, 29, 28, 30, & 43) and CAGA 2 (Blocks 17, 18, 11), allotting several blocks for Bamboo plantation, such as Block 30 at CAGA 4 and Block 11 at CAGA 2.

Meanwhile, slope stabilization is done through reshaping and downgrading the slope gradient to 45 degrees and installing coco coir/nets along the slopes afterward to further mitigate soil erosion, followed by revegetation and planting of trees. From 2014 to the first half of 2020, slope stabilization was successfully performed on a total of 13.47 hectares located at CAGA 4 (Kantogis and Bolitas), Platinum Nursery and Contractors areas.

The maintenance and protection of these areas are carried out through the combined efforts of two Company Foresters with 95 reforestation personnel on fixed term and two regulars, and about 2,500 local residents. This highlights the involvement and interest of the respective communities. One of the most important aspects of this cause is the conduct of research and studies on reforestation. For this period, research on "Carbon Stock Assessment within the MPSA Area of PGMC (PGMC)" was held in January 2020.

PGMC's commitment to establish Mining Forests goes beyond observing the government's standard. It has become an advocacy that centers on reversing biodiversity loss and mitigating climate change. To achieve this, communities are encouraged to get involved in various activities to increase their knowledge and interest in the program.

Thus, any possible means of reforestation assistance was extended to the communities during the period under review including a donation of a total of 2,500 indigenous seedlings to the office of MENRO, Claver, Surigao del Norte on February 4, 2020. The company also donated a total of 5,000 indigenous seedlings to the office of PENRO, Surigao del Norte on March 13, 2020. Livelihood assistance through seedling purchase coming from the host and neighboring communities is also practiced, totaled to 231,263 seedlings purchased as of the period.



# LAND RESOURCES MANAGEMENT

Land resources management is a multidisciplinary component of the AEPEP as it requires engineering, geology, and forestry for its effective planning and implementation. As the Company's mineral extraction normally has considerable impact on land resources, PGMC ensures that its operations adhere not only to regulatory mandates but most importantly, aligned with its goal to convert the current land-use to a safer and more sustainable post-mining land condition for the future generation stipulated in the approved Final Mine Rehabilitation and Decommissioning Plan. In compliance, the company had the following accomplishments for the following activities:

## SPECIAL TREE CUTTING AND EARTH-BALLING PERMIT COMPLIANCE

Mining activities are bound by stringent government regulations especially in terms of preserving the balance of the forest ecosystem. Like any other mining company, PGMC had to acquire a Special Tree Cutting Permit and one of the permit's conditions is to replace each tree that is cut with 100 seedlings of indigenous species.

From 2007 to date, PGMC has secured five (5) Special Tree Cutting and Earth-balling Permits (STCEP) 3-P from DENR Regional Director of Region XIII and Provincial Environment and Natural Resources Office, CARAGA Region according to the clearance granted by the Undersecretary for Field Operations within the affected area of the company's Mineral Production and Sharing Agreement (MPSA) No. 007-92-X located at Barangays Hayanggabon and Cagdianao, Claver, Surigao del Norte. The permits cover a total area of 297.5 hectares and will affect 58,110 trees within the areas of CAGA 1, 2, 3, 4, and 5. Each permit is valid for one year starting from its date of issuance.

As of June 2020, only 85.5 hectares of land was disturbed within the area with STCEP, and only 17,918 trees were affected during the duration of the permits. In compliance with the 1:100 ratio of replacement, PGMC had already planted 639,754 trees of indigenous species out of the required 1,791,800 for replacement. The remaining seedlings were supposed to be planted at the Municipality of Malimono. However, the activity was halted due to travel restrictions of the Covid-19 pandemic. Meantime, the seedlings were carefully maintained at Company nurseries.

## PROGRESSIVE MINE REHABILITATION

Progressive rehabilitation is one of the major activities that the company conducts in order to gradually restore the pre-mining condition of mined-out areas. It consists of activities that require both engineering and forestry-related work incorporating the best method for soil erosion control and biodiversity preservation. This activity starts with the declaration of mined-out areas by the Mine Planning Section where a Land Use Report and Map 3-S indicating all areas subject to rehabilitation is communicated to the MEPE Office. This is followed by the preparation of design and cost estimates for reshaping, backfilling, soil amelioration, site preparation, and final planting activities.

Based on the approved design from the Mine Planning Section, the Survey team proceeds to undertake ground lay-outting and staking to serve as reference for the reshaping and backfilling operations of the Land Rehabilitation Section (LRS). Reshaping aims to restore the distorted landform of the area after the ore has been fully extracted. In this activity, mine wastes are being utilized as backfill materials and the recommended angle for the slope formation is less than 30°. After the slope formation, benching operation is conducted following the five-meter bench height and five to 10-meter bench width specifications, followed by the spreading and leveling of one-foot thick topsoil. When all earthworks are completed, the company Forester conducts a site validation to determine the schedule of planting for the newly re-shaped mined-out area.

Plantation is not only the oldest but is also the most prominent activity in the rehabilitation of mined-out areas. Since growing vegetation in a highly mineralized area is relatively



challenging, PGMC continues to conduct trial plantations to ensure sustainability in its reforestation efforts. The company introduced mixed-type of species in its planting activity, adhering to the principle of ecological succession. Primarily, grasses such as Carabao Grass, Red Bugang, Cogon, and Needle Grass were planted first to provide green cover to the re-shaped area. This also reduces soil erosion and minimizes the evaporation rate of soil moisture.

After the establishment of grasses, fast-growing pioneering types of trees such as Agoho, Mangium, and Auri were planted to serve as shade and soil ameliorant. Finally, the climax tree species were introduced including Mancono, Maribuhok, Kamagong Bundok, Lokinai, and species of trees under the families of Myrtaceae and Dipterocarpaceae. These tree species were among those that existed in the area before the clearing operation of the company. As of June 2020, PGMC has already planted a total of 262,557 trees covering an area of 145.86 hectares under its progressive mine rehabilitation program.



## CONSERVATION VALUES

Conservation is defined as the act of caring for and protecting the Earth's natural resources for the current and future generations. Since mining may pose threats to biodiversity, PGMC took various efforts to promote the conservation of both terrestrial and aquatic ecosystems which include:

### DELINEATION OF A BIODIVERSITY CONSERVATION AREA

Committed to make a positive contribution to the protection of biodiversity and ecosystem services, PGMC launched an initiative that helped prevent biodiversity loss in the future. In 2019, the Company integrated a biodiversity management program through its policy and biodiversity strategies and delivered best practices with time-bound targets. Fifty hectares of area diverse with flora and fauna was allocated for Biodiversity Conservation located within the mining area of CAGA 5, which also serves as the major source of seeds and planting materials needed during the rehabilitation stage of the mining operation. The area is being closely monitored annually to determine species diversity, abundance, and tagging of potential seed trees for seed collection.

### DEVELOPMENT OF BOTANICAL GARDEN

To preserve and showcase all species found in the mine site area, PGMC initiated the establishment and development of a Botanical Garden, covering an area of around three hectares, it serves as the depository of the different thriving species of plants collected within the Company's MPSA. Each collected species is planted and maintained in the garden with a name tag for easy identification for visitors and researchers.

As of June 2020, the Company had collected the following: 42 species of trees, four species of shrubs, nine species of palms, seven species of herbs, six species of grasses, 11 species of epiphytes, three species of ferns, and 20 species of ornamental plants. Aside from being the home of numerous species, the Company's Botanical Garden was also developed as a natural park that offers a scenic off-coast horizon that can be experienced from the garden's observation pad.

### ESTABLISHMENT AND MAINTENANCE OF THE NATURAL FOREST NURSERY

PGMC initiated the establishment of a 3,000 square-meter Natural Forest Nursery located within the active mining areas





of CAGA 2 and 4 with the goal of expanding the possible areas for seed source during the rehabilitation stage. This area was set aside to act as a natural seed dispersal area where all seeds of indigenous tree species may disperse into both active and mined-out areas. It is also where the earth-balled indigenous saplings are transferred before the clearing activities to ensure that these species will continue to grow and diversify. It is being closely monitored to determine species diversity, abundance, and tagging of potential seed trees for seed collection. For CY 2020, the company planned to develop an additional three hectares of this type of nurseries by the end of 2020.

## ESTABLISHMENT AND OPERATION OF MANGROVE NURSERY

Mangroves are salt tolerant trees that grow in coastal saline or brackish water. They act as buffers for strong winds and waves during intense storms, hold soil, protect the shoreline during heavy periods of rainfall, stabilize the shoreline remains, and reduce soil erosion. Most importantly, mangroves are a biodiversity hotspot that provides a nesting and breeding habitat for numerous species of fish and

amphibians. A mangrove nursery is where mangrove seedlings are raised and nurtured until they are ready for planting.

As the company looked into efforts to rehabilitate not only the coastal areas affected by its mining operations but also the mangrove ecosystem within the Municipality of Claver, PGMC established a 0.23-hectare Mangrove Nursery located at Causeway 1 and a 0.50-hectare Satellite Nursery at K1 area, with a combined capacity to accommodate 110,000 seedlings of different varieties of mangrove propagules and mangrove associate species at any given time. About nine families of true mangrove species and nine species of mangrove associates, also known as the “beach forest species” are currently present at the company’s nursery. Seeds, propagules, and wildlings of each species were collected from matured trees with desirable characters and good seedling quality. Prospective collection areas are Claver, Socorro, Panyog, and within PGMC mangrove areas.

To ensure high-quality mangrove production, all aspects encompassing mangrove management were carefully planned and carried starting from site selection and preparation, mangrove species selection suitable for different types of soil, soil and seedbed preparation, seed stock for sowing, shading protection, watering, application of fertilizers, weeding, re-arrangement of sapling bags unto maintaining sanitation at the nursery area. Furthermore, the nursery had offered livelihood opportunities for the host and neighboring communities because of the continuous demand for propagules. As of June 2020, 78,515 mangrove seedlings are currently maintained in the nursery.

In 2015, the company began its mangrove plantation activities and enrichments for the continuing protection and preservation of the mangrove ecology along the coastal areas of Sitios Kinalablaban and Panyog. As of June 2020, the company had already established a total of 14.15 hectares of mangrove plantations at Causeways 1 and 2, Kinalablaban Rivers 1 and 2, and Sitio Panyog. These areas are regularly monitored and maintained by Coastal Resource Management (CRM) Section workers. Maintenance activities include the removal of





entangled debris or detritus, removal of barnacles and other pests, uprooting and replacement of sick or dead plants, and installation of mangrove barrier.

## ADOPT-A-MANGROVE FOREST

PGMC does not limit its commitment to implementing sustainable programs for the promotion of biodiversity conservation within its MPSA; it also extends and shares these goals with the communities. One of the company's notable efforts was the adoption of the mangrove forest and ecosystem of Barangay Bagakay, Claver, and Surigao del Norte. This environmental undertaking aims to restore the density and diversity of mangrove and beach forests of the barangay that mostly consists of *Nypa fruticans* (Nipa) and some other true mangrove species. During this year's National Arbor Day Celebration, about 500 mangrove propagules were planted in the adopted area with the participation of the Women's Organization of Barangay Bagakay and PGMC employees. To date, the company has planted 20,000 mangrove species of *Rhizophora* sp. most commonly known as "Bakauan babae," spanning a total area of two hectares.

## ENHANCEMENT OF THE CORAL REEF ECOSYSTEM

Aside from their ecological significance, healthy coral reefs have been recognized as an important marine resource that provides livelihood opportunities to local folks through fisheries and tourism. However, in Lambason (Millari Island), there is evident degradation in its coral reef ecosystem caused by various stressors such as natural events, pollution, and ill fishing practices. To ensure the protection and development of the coral reef ecosystem in the island, the municipal and barangay LGUs passed their respective resolutions which paved the way for the establishment of Lambason Island Marine Sanctuary

(LIMS). To support this environmental endeavor, PGMC committed to adopting the LIMS through a memorandum of agreement with the LGUs. This means that the company shares the responsibility to provide financial and technical support for the activities designed for LIMS.

In September 2018, PGMC initiated the deployment of 35 concrete coral reef modules in the selected areas of the LIMS to provide solid surfaces where coral larvae and other recruits could settle and colonize. Then in June 2019, trial coral transplantation was conducted by the company's licensed scuba divers in partnership with Cagdianao Fisher Folk Organization (CFO) to improve the coral cover in the area.


During the trial, the team conducted the asexual method of reproduction where they go around the area to look for broken-off pieces of coral, the corals of opportunity that appear alive and healthy. These corals of opportunity are collected and again connected to artificial reef structures or any substrate to eventually reproduce asexually.

About 50 coral fragments were collected and were connected on rocky substrates during the trial. With this, the company is looking forward to setting up a coral nursery, where corals can be reproduced and sustained to provide naturally-grown corals for the recovery of biodiversity in the LIMS. These methods may take some time, especially for slow-growing species to form an abundant reef, but it will be worth the wait to see healthy, lively coral reef in the future.


PGMC's attempts to incorporate in its whole enterprise the objectives of reforestation and biodiversity conservation demonstrate the vital role mining companies play in initiating programs where people can purposefully utilize the benefits that minerals provide, while reversing the effects of aggregate activities that profoundly impact human life and bringing nature back in a good shape. By accelerating the recovery of forests, not only does the company become more engaged and accountable in environmental preservation; communities involved also take part in advocating for the conservation of diverse ecological and social systems.



# INDUSTRY APPRECIATION



Mining can be considered as a primitive activity that can be traced back as far as the ancient civilizations. Historians, paleontologists, and other experts have shown that prosperous generations of Ancient Egypt, Rome, and Greece have long before utilized the vast resources of the earth through mining. It was through this that early ancestors were able to forge their equipment for hunting and fighting, weave their clothing that protected their bodies from heat and cold, and gather other survival necessities from the materials extracted from the earth. With mining, civilizations flourished and new technologies emerged. It also secured the future of the succeeding generations.



In recent times, mining does not just give us our necessities for survival, but also opens up greater possibilities. The products of mining have been integral in the different industries, such as medicine, electronics, transportation, aeronautics, engineering, and several other fields. Moreover, the mining activity has dramatically evolved into a complete science of well-structured methods that increase mineral yields while minimizing its social and environmental costs.

To understand mining, one has to keep in mind that activities related to it are not all equal and the same. Different mining methods are used depending on the minerals to be extracted. Among these are the geological profile of the site, type of mineral to be extracted, and several other factors. According to the American Geosciences Institute, there are four main methods of mining, namely, underground mining, surface mining, placer mining, and in-situ mining. Underground mining is an expensive activity used to extract deeper and more valuable deposits, while surface mining is typically used for more shallow materials; placer mining is used to sift out valuable metals from sediments; and in-situ mining is





primarily used to extract uranium. The latter involves dissolving the mineral resource in place then processing it at the surface without moving rocks from the ground.

Unlike ancient times, we now also have several laws placed by several countries and jurisdictions to regulate mining activities and to ensure that operations are done in a proper and responsible way. Scientists, engineers, regulators, and other professionals have come hand-in-hand to craft progressive laws to promote balance between supporting the growth of the mining industry and controlling the social and environmental impact of mining activities. Due to the grave importance of mining in the daily lives of people and the general macroeconomics of the world, it is not enough to control and regulate mining. Whether we acknowledge it or not, mining is and will always be an integral part of our daily lives; thus, it is not a field to be neglected but a science to be developed for better utilization.

## NICKEL MINING

Nickel is mined using surface mining, specifically contour mining, due to the shallow placement of the deposits. With this type of mining method, the overburden spoil is removed by creating benches alongside the terrain of the mountain and deposits are mined using simple hauling and loading equipment. Also, due to the shallow disturbance on the surface, progressive rehabilitation can be done simultaneously with the mining activities.

Locally, the Nickel industry is considered to be a significant part of the Philippine economy. For 2018 alone, the country has produced a total of 27.09 million DMT of Nickel ore amounting

to Php 55.18 billion, making Nickel production the most significant chunk in the 2018 Philippine metallic production by value. This translates to 45% share of the total pie, which placed the country as the second biggest Nickel producer in the world next to Indonesia.

Nickel is the fifth most abundant element on Earth and is believed to be the second most abundant element in the Earth's inner core. Most of it is found beneath the earth surface and is usually available in two types of deposits: laterite deposit, which is a result of intensive weathering of surface Nickel-rich rocks, and magmatic sulfide deposit. Due to its strength, ductility, and resistance to heat and corrosion, it has been used in the developments of a wide variety of materials. Nickel is one of the most commonly and widely used metal found in kitchenwares, electronic devices, construction, and transportation materials.

## USE OF NICKEL AND ITS EMERGING DEMAND

On the global landscape, Nickel demand has been resilient and growing with most of the global Nickel production going to the manufacturing of stainless steel. According to the latest CRU data, stainless steel industry cuts 71% of the global Nickel demand in 2018. Due to the boom in infrastructure development around the globe, stainless steel demand continues to grow as it gains unfaltering support from the strong production of the Nickel mining industry. It is also, however, good to note that there are other increasing demands for the use of Nickel. One notable emerging use of it is in the production of batteries for electric vehicles (EVs). Although the contribution of EV batteries in the Nickel demand is still small, it is seen to post a tremendous growth in the future, given the





drive of several nations to promote green technology. The rise of EVs is considered to be a catalyst for the growth of global Nickel demand.

China, being the leading producer of EVs globally, targets to sell a total of two million EVs and hybrid vehicles annually by 2020. This is amidst their advocacy to reduce pollution and lessen their dependence on fuel imports. According to Vale research, given the importance of Nickel in the production of EV batteries, the boom in this industry is expected to create an additional Nickel demand of 350,000 to 500,000 tonnes by 2025. Moreover, the new developments and researches on EV batteries support the growth of Nickel demand.

Currently, EV batteries are produced using six parts Nickel, one part Cobalt, and one part Manganese. However, research shows that an increase in the Nickel content also increases the battery's capacity at a lesser cost. Due to Cobalt price hike and the cost-efficiency of Nickel, it is expected that EV batteries will soon be produced using 8:1:1 ratio favoring Nickel.

The world has been reaping the benefits of Nickel mining for several hundreds of years. The products of Nickel have provided the society with its necessities and have led it to modernization and economic progression. It has brought new technologies that enable people to live a more comfortable life and has opened up possibilities for future generations. Moreover, with developments in science, new technologies and methods have been employed by companies to minimize the environmental impact of mining activities while maximizing its benefits.

Other than the economic benefits of Nickel mining, the policies in place and the willingness of the mining companies to give back more to society have brought programs for the development of the local communities, as well as the enhancement and rehabilitation of the environment. Mining companies promote inclusive economic growth in marginalized communities through the continuous

implementation of social development programs and provision of local job opportunities. They help the government stretch its reach to the mining communities, which are usually isolated and underdeveloped. These companies provide capital resources and technical expertise, gathered through years of quality mining operations experience so that the community can reap the benefits of the natural resources available.

Since Nickel-rich areas are not agriculturally viable due to the high concentration of iron and other metals, the only beneficial and proper use of it is mining. However, without the support of mining companies, it will be difficult for the local government and communities to extract natural deposits in these areas. More so, without the supportive policies from the government and the backing of local communities, it will be impossible for these companies to unlock the enormous potential of the vast natural resources of the country. Working hand-in-hand with the community and the government, the mining industry is empowered to utilize the natural wealth of the country for the benefit of all.

It seeks to provide better job opportunities to the local citizens, develop roads, bridges, schools, hospitals, and other infrastructures for shared use, and conduct various livelihood programs for sustainable local economic growth.

In the Philippines, the Social Development and Management Program (SDMP) is an essential part of daily mining activities. It is embedded in the core operations of the business and budget, with a minimum amount set by the regulators as a percentage of operational costs religiously allocated to it every year. Moreover, the programs are carefully evaluated prior to implementation to guarantee their relevance to the community and ensure sustainability.

Insofar as mining is a temporary use of land, it is vital for the mining companies to rehabilitate the land after the extraction of deposits. Contrary to popular belief, mining is one of the most environmentally responsible industries around the globe.





Given that the success of the mining industry highly depends on the richness of the natural resources, it is in the best interest of the mining companies to preserve, rehabilitate, and enhance the environment. Therefore, strict implementation of industry policies, the various permits needed for the commencement of operations, and the requirement of comprehensive feasibility studies and mining plan, mining companies become well-guided in conducting their ventures ethically and responsibly.

In the Philippines, the mining industry is one of the few, if not the only industry, that is required to set aside an annual budget for the protection and enhancement of the environment. This budget, which is computed as a percentage of direct mining cost, is spent on revegetation of the mine site, protection of adjacent bodies of water, reduction of pollution in the air, and other related activities. The Environmental Protection Enhancement Program (EPEP) mandated by the Department of Environment and Natural Resources (DENR) thru the Mines and Geosciences Bureau (MGB) has been an integral part of the daily operations of all mining companies.

Capital resources, technical and professional services, human resources, and a considerable amount time have been allotted by these companies not just to restore the natural environment to its former glory but to further enhance the ecosystem for the use and benefit of all the generations to come.

### **COST AND BENEFIT OF MINING**

Economics has taught us that there is no such thing as a free lunch. This adage implies that all goods and services that we acquire require certain cost for a tradeoff. For every choice we make, we forego other options and therefore serves as an opportunity cost for us. If, for example, you develop an area for commercial and residential use, then you are foregoing the option to convert the land for agricultural use. However, despite this trade-off, we assume that choice we make is the most logical and the most beneficial choice among all other options.

Mining is never exempted to this rule. Choosing an area to be a mine site foregoes all other possible use for the land. However, the decision to utilize the land for mining undergoes extensive research to ensure that this is of the best interest of the country and the best option for the use of land. The overall benefits of mining should outweigh the environmental and social cost of mining activities. Given that most mine sites are secluded, less developed non-agricultural lands, the area cannot be utilized for other use except mining. Moreover, given the vast treasures provided to us by nature, it is more costly for us to forego the opportunity to utilize these resources for the greater good. Throughout centuries, mining has been providing the world with raw materials to reach new heights of progress and modernization. It has also been providing housing, transportation, clothing, communication, healthcare, and several other scientific breakthroughs. It has also unlocked diverse possibilities beyond the realm of our imagination. Furthermore, the benefits of mining flow beyond macroeconomic scale and trickle down to every household around the globe. It has provided the society with beneficial products for consumption, has provided jobs to the less opportune communities, has given better infrastructure and services, has promoted programs to protect the environment, and has helped the government to successfully execute its economic programs through the responsible payment of taxes and royalties. With the vast potential of the mining business in fueling the economy and the society towards progress, it warrants our support through proper and supportive legislation.

Mining has already faced several headwinds that have impeded its growth and prevented the industry from maximizing the economic and social benefits of our natural resources. Locally, there are still lots of improvements that need to be executed to improve the global competitiveness of the industry and secure our flourishing success.

Based on the 2018 survey conducted by the Fraser Institute, the Philippines is at the bottom seven of the 91 jurisdictions in terms of mining policies. Foreign investors have low investment appetite on the local mining business mainly due to its high-risk, low-return profile amidst the moratorium on new mining permits, the ban on open-pit mining, and massive tax burden amongst several other unfavorable policies.

Despite the societal improvements provided by the product of mining, the general public commonly antagonizes mining due to several negative misconceptions towards the industry. Various industries and sectors have benefitted from and progressed due to the products of mining, but the burden of tedious environmental rehabilitation and social development activities are solely carried by the mining companies. Mining companies can only do so much in their endeavors without the support of the community and the government. These companies and the whole mining industry need the sustenance of the community and legislative support from the government to harness the flourishing God-given resources and use these for the common good of the current and future generations.

# OUR LEADERSHIP



## **JOSEPH C. SY | CHAIRMAN**

Joseph Sy became Chairman of both the Company and PGMC on 6 August 2015 and 10 August 2015, respectively. Prior to this, he was appointed President of the Company on 29 August 2014 and had served as President of PGMC since 2011. Joseph is also a Director of the Ipilan Nickel Corporation, former Treasurer of the Philippine Nickel Industry Association (PNIA), and the Director of Mining for the Philippine Chamber of Commerce and Industry (PCCI). He has more than 16 years of experience in managing companies engaged in mining and mineral exploration and development. Mr. Sy studied management at the Far Eastern University Manila.



## **DANTE R. BRAVO | PRESIDENT**

Dante Bravo became President of both the Company and PGMC on 6 August 2015 and 10 August 2015, respectively. Previously, he held various positions of increasing authority in PGMC, including Corporate Secretary, Chief Finance Officer, and, ultimately, Executive Vice President from 2011 to 2014. He has more than 10 years of corporate management experience. Mr. Bravo served as Senior Associate and Director at SGV & Co.; Professor of Law at San Beda College; Lecturer for the Mandatory Continuing Legal Education Program of the Supreme Court; and Chief Political Affairs Officer of Congressman Narciso R. Bravo, Jr. He is currently the President of the Philippine Nickel Industry Association (PNIA). He is a Certified Public Accountant. He completed his Bachelor of Laws from San Beda College and his Bachelor of Accountancy from the University of Santo Tomas. He placed 10th in the 2001 Philippine Bar Examinations.



## **MARY BELLE D. BITUIN | CHIEF FINANCIAL OFFICER**

Mary Belle Bituin became a Director of the Company on 22 October 2014, and Treasurer and CFO in January 2015. She was Vice President for Business Transformation at Globe Telecom where she worked since 1998. Ms. Bituin was an International Auditor at the Cooperative for Assistance and Relief Everywhere (CARE) in Atlanta, Georgia, USA, and prior to that was a Senior Auditor at SGV & Co. She is a Certified Public Accountant. Ms. Bituin completed her Bachelor of Science in Business Administration, major in Accounting, from the Philippine School of Business Administration, Manila, in 1988.





### **GU ZHI FANG | DIRECTOR**

Gu Zhi Fang became a Director of the Company on 22 October 2014. She has also been a Director and General Manager of Jiangsu Lianhua Paper of Wujiang, Jiangsu Province in China. Ms. Gu completed her degree in International Trade from Suzhou University in 1992.



### **NOEL B. LAZARO | DIRECTOR**

Mr. Lazaro became the Corporate Secretary and Corporate Information Officer of the Company on October 22, 2014. He also acts as its Senior Vice President for Legal and Regulatory Affairs. He joined PGMCO on August 1, 2014. He is a Director of INC and also a Director and Corporate Secretary of Southeast Palawan, PCSSC and SIRC. Mr. Lazaro served as a Partner for Siguion Reyna Montecillo & Ongsiako, an Associate at SyCip Salazar Hernandez & Gatmaitan, a Professorial Lecturer for the Lyceum of the Philippines College of Law, the De la Salle University Graduate School of Business and Far Eastern University Institute of Law, Master of Business Administration-Juris Doctor Dual Degree Program. He completed his Bachelor of Laws degree from the University of the Philippines College of Law and placed 19th in the 1995 Philippine Bar Examinations.



### **JENNIFER YU CONG | DIRECTOR**

Ms. Jennifer Yu Cong became a director of the Company on February 10, 2021. She joined Platinum Group Metals Corporation in 2011 and was assigned to the Billing & Collection Department. Fluent in Chinese language, she was transferred to the Marketing Department where she is assigned to handle buyer and ship-owner concerns from 2012 up to present. She obtained her degree in Chinese Language at the Huaqiao University in Xiamen, China. Prior to obtaining her degree, she also took up business related subjects in Chiang Kai Shek College and University of Santo Tomas here in the Philippines.



### **DENNIS ALLAN T. ANG | DIRECTOR**

Dennis Allan Ang became a Director of the Company on 10 August 2015. He is the Founder and President of Engagement, Inc., as well as the Founder of Full Metro Gear Corp. and is the Corporate Secretary of Maxima Machineries. Mr. Ang occupied several key positions at the Asian Institute of Management from 2001 to 2006. He completed his Bachelor of Science in Management Information Systems from the Ateneo de Manila University in 1997 and obtained his Masters in Business Administration from the Asian Institute of Management in 2001.



### **FRANCIS C. CHUA | DIRECTOR**

Francis Chua became a Director of the Company on 22 October 2014. He is the Chairman of the Board of Negros Navigation/2Go and a Board of Director/ Governor of the Philippine Stock Exchange. He is also the Founding Chairman of the International Chamber of Commerce Philippines (ICCP), Chairman Emeritus of the Philippine Chamber of Commerce and Industry, Inc. (PCCI), Chairman Emeritus of the Employers Confederation of the Philippines (ECOP), Honorary President of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. (FCCCII) and Honorary Consul General of the Republic of Peru in Manila. Mr. Chua also served as Special Envoy on Trade and Investments in China. He completed his Bachelor of Science in Industrial Engineering from the University of the Philippines in 1972 and received doctorate degrees in Humanities and Business Technology from the Central Luzon State University and the Eulogio Amang Rodriguez Institute of Science and Technology, respectively



### **SERGIO R. ORTIZ-LUIS JR. | INDEPENDENT DIRECTOR**

Mr. Sergio Ortiz-Luis Jr. became a Director of the Company on August 5, 2020. Mr. Ortiz-Luis Jr is also an Independent Director of other publicly listed companies namely: Alliance Global Group, Inc., Forum Pacific, Inc., Jolliville Holdings and SPC Power Corporation. He is also the Chairman of Waterfront Philippines, Inc. and a director of Wellex Industries, Incorporated. He is Vice-Chairman of Export Development Council, member of Industry Development Council and a private sector representative in The Philippine Bamboo Council. Also, an Honorary Chairman and Treasurer of the Philippine Chamber of Commerce & Industry and President & CEO of Philippine Exporters Confederations, Inc. He has been appointed Honorary Consul General of the Consulate of Romania in the Philippines (2015 to present), Treasurer of Consular Corps of the Philippines and Honorary Adviser of International Association of Educators for World Peace. He was also the recipient of the Sino Phil Asia International Peace Award and the Gawad Parangal ng Rizal in Entrepreneurship in 2019 and 2017, respectively.

Mr. Ortiz-Luis Jr. obtained his Bachelor of Science in Liberal Arts and in Business Administration from the De La Salle College. He is also a Masters in Business Administration Candidate at De La Salle College. He has a PhD in Business Administration hc from Angeles University foundation, PhD in Humanities hc from Central Luzon Agricultural College, PhD in Business Technology hc from Eugelio Rodriguez University, and PhD in Capital Management hc from the Academy of Multiskills, UK.



### **EDGARDO G. LACSON | INDEPENDENT DIRECTOR**

Edgardo Lacson became a Director of the Company on 29 June 2016. Mr. Lacson is a Director of the Puregold Price Club, Inc. He is also a Trustee of De La Salle University, ADR Institute for Strategic and International Studies, and the Philippine Disaster Recovery Foundation. He is Chairman of the Employers Confederation of the Philippines. Mr. Lacson is the President of MIS Maritime Corporation, Safe Seas Shipping Agency, and Marine Industrial Supply Corporation. He is also a Trustee, Past President, and Honorary Chairman of the Philippine Chamber of Commerce and Industry. He was a Director of the Philippine Stock Exchange from 2011 to May 2018. He completed his Bachelor of Science in Commerce, major in Accountancy, from the De La Salle College.





# MANAGEMENT TEAM



**JOSEPHY SY**

Chairman



**ATTY. DANTE R. BRAVO**

President



**CARLO A. MATILAC**

Senior Vice President  
for Operations



**MARY BELLE D. BITUIN**

Chief Finance Officer



**ATTY. NOEL B. LAZARO**

Senior Vice President  
for Legal and Regulatory  
Affairs and Corporate  
Information Officer



**MARIO A. NEVADO**

Compliance Officer



**ATTY EVEART GRACE  
POMARIN-CLARO**

Corporate Secretary  
and Alternate Corporate  
Information Officer



## Corporate Governance 102-18

### Board Committees

Joseph C. Sy  
*Chairman*

Dante R. Bravo  
Mary Belle D. Bituin  
Roberto C. Amores  
Edgardo Lacson

### Compensation and Remuneration

Roberto C. Amores  
*Chairman*

Joseph C. Sy  
Dante R. Bravo

### Nomination Committee

Edgardo G. Lacson  
*Chairman*

Ming Huat Chua  
Dante R. Bravo

### Audit, Risk & Related Party Transaction Committee

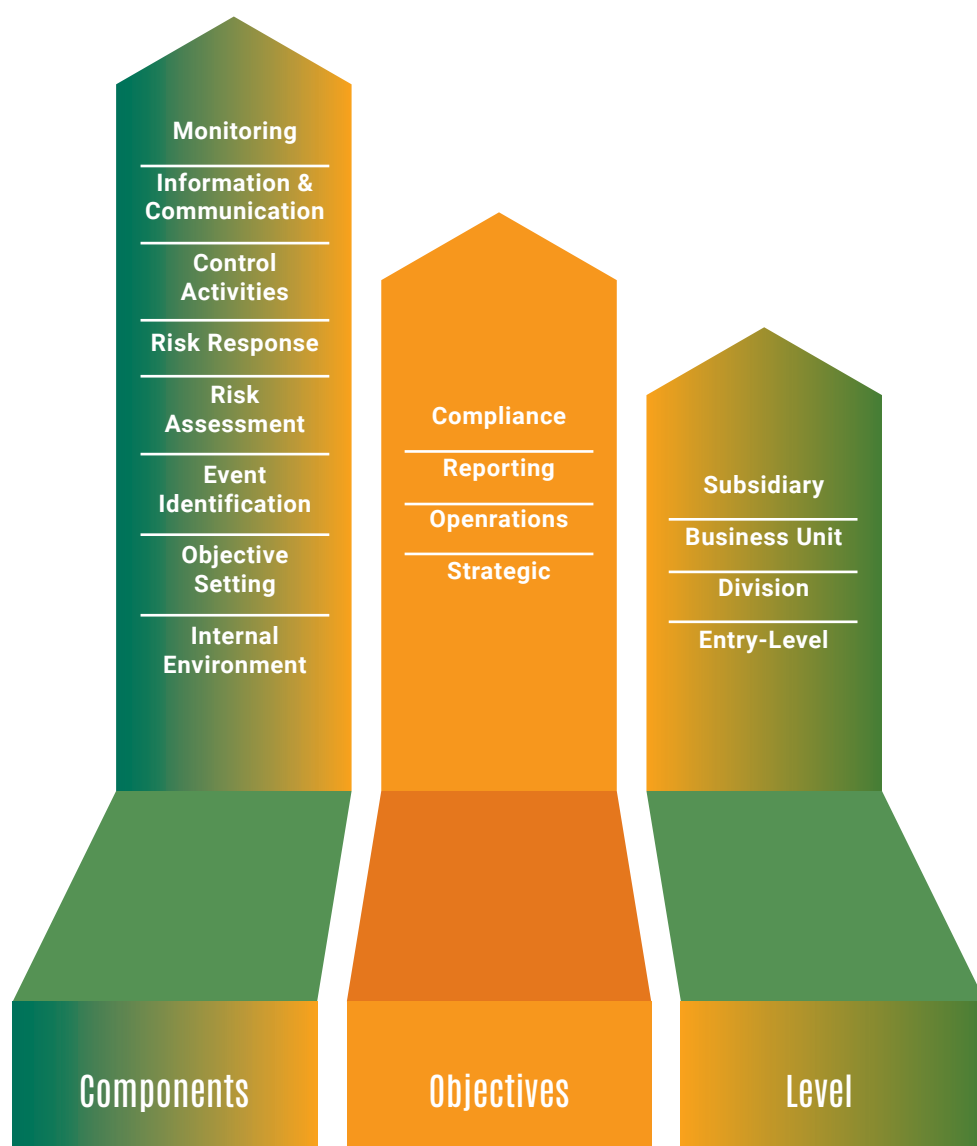
Roberto C Amores  
*Chairman*

Edgardo G. Lacson  
Dante R. Bravo

## Enterprise Risk Management 102-11

FNI recognizes that risk is inherent in all opportunities. To remain at the forefront of today's market, we believe in adopting an integrated approach on enterprise risk management that capitalizes on the value gained from managing risks and delivers on the requirements of all stakeholders – Company, shareholders, employees, suppliers, investors, regulatory agencies and communities.

As such, we have adopted an Enterprise Risk Management (ERM) process, which aims to align FNI's strategy, processes, people, technology, and knowledge to manage the level of exposure and uncertainties the Company faces, as it creates value for its stakeholders. ERM serves as the bridge between FNI's strategic direction and aligned operational execution.







## ERM Framework

At FNI, we recognize that Enterprise Risk Management is not a function or department, rather, it is a process, effected by an entity's board of directors, management and other personnel, enterprise-wide at strategic level, designed to identify potential events that may affect the entity, and manage risks to remain within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives . Furthermore, we recognize the importance of ERM in strategic planning and in embedding it throughout FNI's organization as it influences and aligns strategy and performance across all departments and functions (within the FNI Organization). FNI's ERM System, as designed, is based on the prominent COSO ERM Framework.

### **The eight (8) interrelated component of the Framework can be summarized into five (5) principles:**

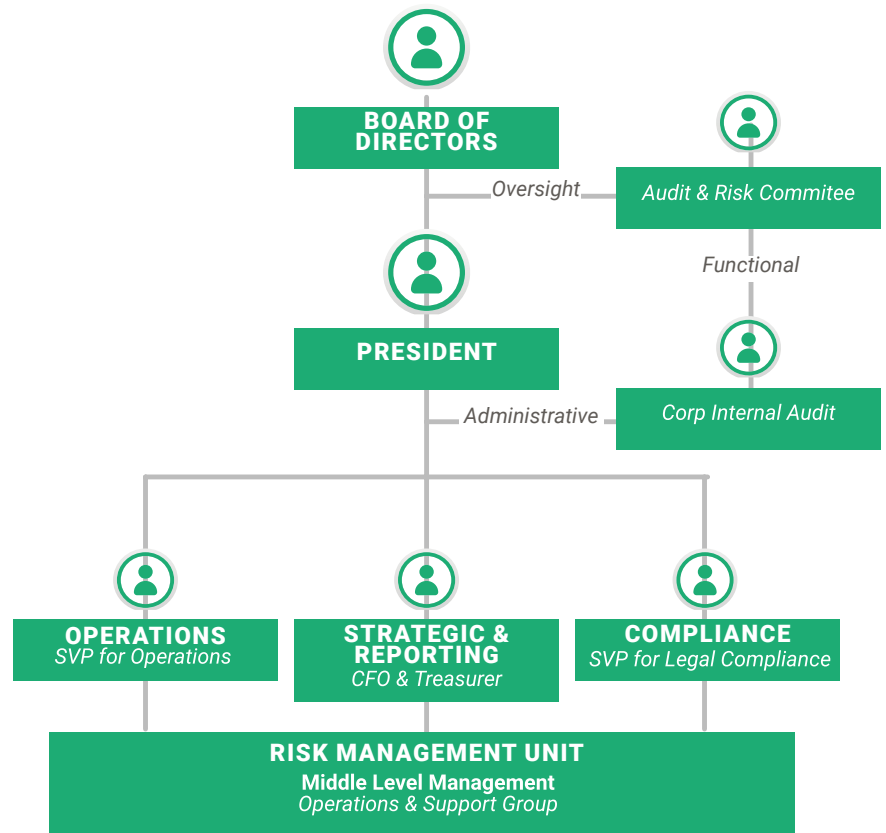
*Derived from COSO Enterprise Risk Management – Integrated Framework, September 2004.*

- **Governance and Culture:** where FNI's board and top management set the organization's tone and culture towards understanding of risk affecting the organization (internal and external factors); part of establishing good governance is reinforcing oversight responsibilities for enterprise risk management.
- **Strategy and Objective-Setting:** where FNI establishes its risk appetite and aligned with strategy; business objectives put strategy into practice while serving as a basis for identifying, assessing, and responding to risk.
- **Performance:** where risks are prioritized by severity in the context of established risk appetite; FNI then implement risk responses.
- **Review and Revision:** where FNI's ERM components are reviewed against the actual performance, to determine if revisions in the risk response is needed. Accordingly, it is imperative that FNI shall pursue continuous improvements.
- **Information, Communication, and Reporting:** where FNI's ERM System requires the continual process of information sharing, from both internal and external sources across all level the organization. Regular communication about risk management to the Board, ManCom, and other key stakeholders is established.

## Management's Role

FNI Management holds overall responsibility for managing risk to the entity and to continue to enhance its conversation with the board and stakeholders about using enterprise risk management to gain a competitive advantage. That starts by deploying enterprise risk management capabilities as part of selecting and refining a strategy.

The Board, through its Audit and Board Risk Oversight Committee, has the responsibility for overseeing risk management within the Company. FNI designated a lean ERM core team in support of the ERM Structure where Corporate Internal Audit, as established in its IA charter, shall help the management assess the effectiveness of FNI's Risk Management System and identify opportunity/ies for improvement. CIA will also assist in the ERM oversight role of the Board, with the support of the SVP for Legal and Compliance, SVP for Operations and SVP for Finance; as such significant risks and related risk strategies and the status of the risk management initiatives are communicated on a regular basis.

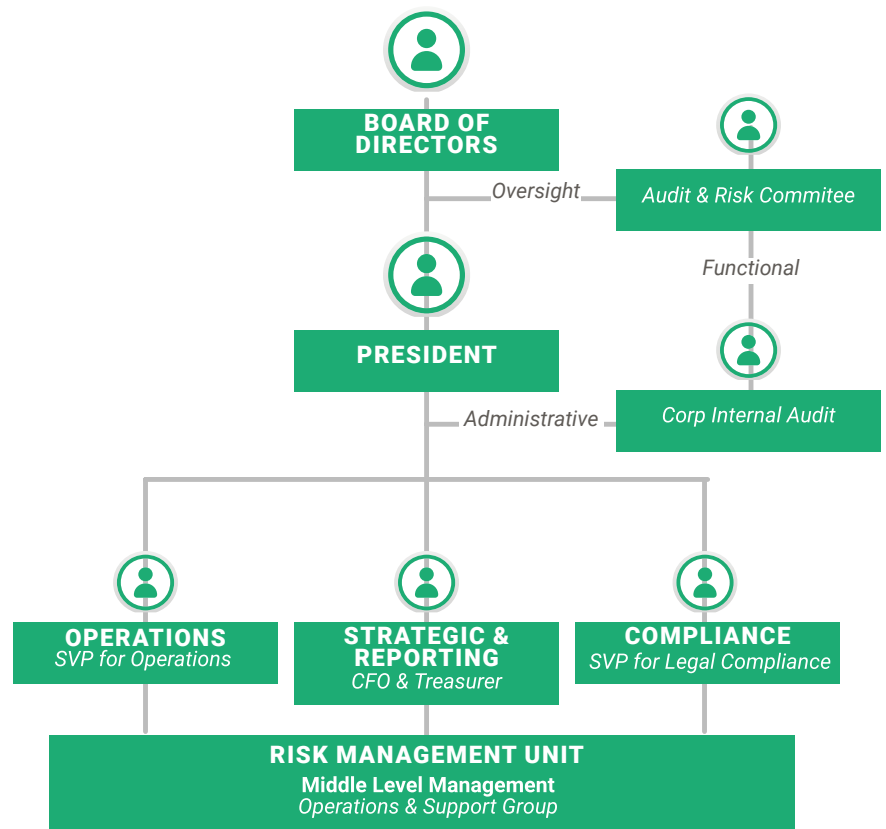


FNI Risk Management Oversight Structure

## IMPLEMENTING ERM SYSTEM IN FNI

In 2015, FNI started its ERM journey with an ERM Awareness Session. With external professional help, the Company was able to have a structured and well-defined process as it went through the ERM activities implemented in three (3) phases.

As a result, FNI's ERM System identified its key business risks, which affected interrelated risk drivers. Accordingly, ERM team agreed to implement risk responses and strategies to address the risks drivers and key business risks as a whole. Updates on the status of RM response and strategies are reported to the Board, President, ManCom and key stakeholders, on a periodic basis as agreed and approved by the Audit and Board Risk Oversight Committee.





# SUSTAINABILITY AT PGMC



## Sustainability Framework

The Company has been evolving its Sustainability Framework since 2018, continuing to identify operational alignments with global standards and goals, namely with those of the Initiative for Responsible Mining Assurance (IRMA), the International Council on Mining and Metals (ICMM), Mining Association of Canada's Towards Sustainable Mining (TSM) framework, and the United Nations Sustainable Development Goals (UN SDGs).

Principled prioritization, wherein the Company prioritized SDG targets based on an assessment of risks and benefits to people and the environment, was key to ensuring that the reporting process, guided by GRI standards, remains a useful and transparent engagement tool for all stakeholders to monitor the Company's continued progress. As such, our stakeholders can continue to help us take stock of our current programs and discover other ways we can contribute in helping solve the world's most pressing issues.

## Contribution to the Economy

### Material Topics

- Leadership and Governance
- Revenue & Income
- Fluctuation in Metal Prices

### Performance Highlights



#### SDG 8

- Shipped 5.625 million WMT, surpassing adjusted target of 5 million WMT
- Nickel industry contributed 52 percent or PhP 64.48 billion of the industry's total earnings in 2020
- Net income stood at PhP 1.86 billion, 43% higher than the previous year's net income of PhP 1.30 billion.
- Revenues went up by 9.1% to PhP 7.26 billion in 2020 as against PhP 6.66 billion in 2019



#### SDG 17

- 0 incidents of corruption
- 0 legal actions or employee grievances involving forced or child labor

## Environmental Performance – Stewards of the Environment

- Exploration Activities
- Chemicals Management
- Electricity Generation & Consumption
- Fuel Consumption – Transportation
- Water Consumption & Recycling
- Water Pollution/Impact on Water Sources
- Settling Pond Management
- Land Rehabilitation & Management
- Biodiversity & Ecosystem Management
- Geological Risk Assessment
- Waste Management



### SDG 6

- 217,066 cu.m total water extracted
- 217,066 cu.m water discharged
- 278,029 silt collected



### SDG 12

- 26,990 kg residual waste sent to landfills
- 9,478 kg recycled waste stored
- 19,774 kg biodegradable waste composted
- 11.56% drop in GHG emission compared to CY 2019
- 851,094 kWh Electricity Consumed
- 10.81% decrease in fuel consumption compared to CY 2019



### SDG 13

- PhP 84,686,583 total investment on EPEP



### SDG 15

- 502.33 has. total rehabilitated and reforested area
- 1,018,165 number of seedlings planted within and outside MPSA
- Re-vegetated a total area of 140 has. of inactive mine areas wherein 1,030,536 grass cuttings were planted since 2018
- The company has planted 20,000 mangrove species of *Rhizophora* sp. most commonly known as “Bakauan babae,” spanning a total area of two hectares.
- As of June 2020, only 85.5 has of land was disturbed, and only 17,918 trees were affected.
- Planted 639,754 trees of indigenous species out of required 1,791,800 for replacement

## Social Performance – Putting People First

- Local Employment
- Employee Relations & Labor Practices
- Health & Safety Performance
- Community Development
- Emergency Preparedness
- Facility Security



### SDG 1

- PhP 48,145,358.89 total spending on SDMP
- PhP 11,987,330.18 total spending on Livelihood Programs



### SDG 2

- PhP 12M for food security program



### SDG 3

- 6,472,352.25 man-hours with no lost time
- Total of 15,754,576.68 hours to date
- PhP 31M allocated and spent for COVID-19 efforts and response
- 22 malnourished children supported through nutrition and feeding program
- 30 barangay health workers supported



### SDG 4

- PhP 6,639,565.52 total investment on education
- Produced 96 graduate scholars
- 107 college student scholars from host, neighboring, non-impact barangays
- 23 schools supported for Brigada Eskwela
- 5 schools that are beneficiaries of school supplies and equipment



### SDG 8

- 444 regular/probationary and seasonal employees hired from local communities



### SDG 9

- 115k spent for purchase of materials for the construction of mushroom facility
- 29 residents provided with construction materials for relocation



### SDG 10

- 10 Indigenous Peoples hired in the workforce

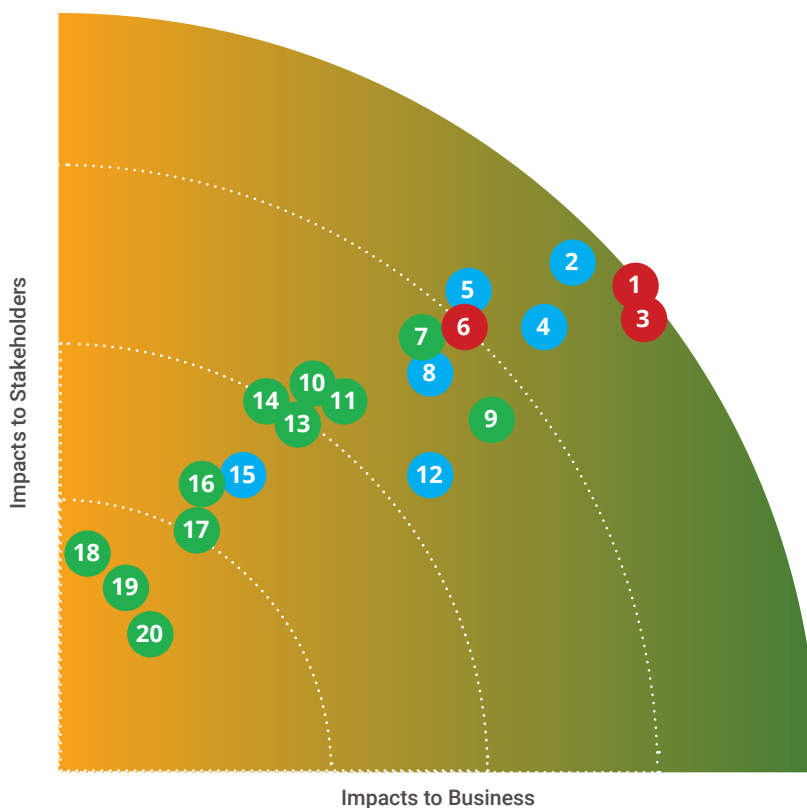


## Materiality

102-46, 102-47

Integral to the framework and the Company's reporting process is GRI's prescribed Materiality Assessment process that is used to identify particular economic, environmental, social, and governance (ESSG) issues that have a significant impact on both the business and stakeholders. With the restrictions brought about by the pandemic, the PGMC conducted the assessment in March 2021 using Google Forms. There were twenty-six representatives from different departments who participated.

The resulting matrix shows that the topics considered most material are in line with the Company's focus on having a strong foundation of leadership and good governance across all areas of operations while giving importance to strengthening relationship with its people and the community while maintaining financial growth.



### ECONOMIC

1. Revenue & Income
3. Leadership & Governance
6. Fluctuation in Metal Prices

### SOCIAL

2. Community Development
4. Employee Relations & Labor Practices
5. Health & Safety Performance
8. Emergency Preparedness
12. Local Employment
15. Facility Security

### ENVIRONMENTAL

7. Land Rehabilitation & Management
9. Water Pollution/Impact on Water Resources
10. Settling Pond Management
11. Exploration Activities
13. Biodiversity & Ecosystem Management
14. Waste Management
16. Geological Risk Assessment
17. Water Consumption & Recycling
18. Fuel Consumption & Recycling
19. Electricity Generation & Consumption
20. Chemicals Management

## Stakeholder Engagement 102-40, 102-42, 102-43, 102-44

PGMC recognizes that effective sustainability reporting will build trust with stakeholders as the Company demonstrates transparency and accountability. Through this report, both internal and external stakeholders can be engaged to continue the ongoing conversations as an organization moving as one towards delivering the most impact for the SDGs.

Reporting, therefore, is part of a whole stakeholder engagement framework that includes every proactive campaign in all available channels used by the Company. The success of its sustainability strategies and the framework relies deeply on the quality of the stakeholder engagements and its ability to connect and communicate with them in a timely and effective manner through channels that are accessible, convenient, and inclusive.

This was proven once again as the circumstances in 2020 called for implementing agile and responsive tactics within the channels and optimizing them to ensure the Company can suitably respond to the concerns of stakeholders that emerged due to the pandemic as well as long-term aspects material to them.

Stakeholders	Engagement Method	Key Concerns	Company's Response
<b>Employees</b>			
	<ol style="list-style-type: none"> <li>1. Annual Town Hall meetings</li> <li>2. Monthly bulletins</li> <li>3. Information drive lectures</li> <li>4. Employee engagement programs</li> <li>5. COVID-19 response</li> </ol>	<ol style="list-style-type: none"> <li>2. Compensation, benefits, and incentives</li> <li>3. Career growth and development</li> <li>4. Safe workplace during COVID-19</li> </ol>	<ol style="list-style-type: none"> <li>1. Performance, Planning, and Evaluation program</li> <li>2. Loyalty awards and salary increments</li> <li>3. Regular skills training</li> <li>4. Employee engagement activities and events</li> <li>5. Office and vehicle disinfection</li> <li>6. Quarantine facilities</li> <li>7. Provision of PPEs</li> <li>8. Rapid Antibody Test on all Employees on the Mine Site</li> <li>9. Accommodation and meal provision for stay-in employees</li> </ol>



## Communities

- |   |  |  |
|---|--|--|
| 1. Consultation for SDMP planning and formulation           | 1. Fresh water supply and water system               | 1. Prioritizes applicants from its neighboring communities   |
| 2. Information, Education and Communication (IEC) campaigns | 2. Garbage disposal of contractors                   | 2. Feeding programs, scholarship programs, skills development, training, financial literacy, and management training, water supplies |
| 3. MMT, RHNC, FGDs  | 3. Skills and development training                   | 3. SDMP execution  |
| 4. Monthly barangays sessions and project monitoring        | 4. Values formation                                  | 4. Realignment of SDMP, CSR, and EPEP funds to assist communities affected   |
| 5. Job fairs  | 5. Peace and order                                   |  |
| 6. COVID-19 response  | 6. IP's health                                       |  |
|   | 7. Employment, labor, and livelihood                 |  |
|   | 8. Support during calamities and medical emergencies |  |
|   | 9. Support during COVID-19 pandemic                  |  |

## Contractors

- |   |  |  |
|---|--|--|
| 1. Regular meetings for environment and safety concerns | 1. Limited space for housing                                 | 1. Safety and health orientations                |
| 2. Orientations, inspections, and reports               | 2. Coordination with PGMC for manpower when working overtime | 2. Safety incentive schemes                      |
| 3. General Contractors Association                      | 3. Limited space for parking of equipment                    | 3. Environment awareness sessions                |
| 4. Intersport Fest                                      | 4. Proper disposal of waste                                  | 4. Report on salaries and government remittances |

## Investors

- |                                   |   |                                     |
|-----------------------------------|---|-------------------------------------|
| 1. Investor briefings             | 1. Dividends and returns                    | 1. Annual and quarterly disclosures |
| 2. Analyst briefings              | 2. Sustainable growth plans and initiatives | 2. Sustainability reporting         |
| 3. One-on-one briefings as needed | 3. Transparency and governance              | 3. Public disclosures               |
|                                   |   | 4. Press releases                   |

## Local Government

- |  |                                 |  |
|--|---------------------------------|--|
| • Mine Rehabilitation Fund Committee (MRFC) activities   | • Program-related concerns      | • Livelihood programs                              |
| • Barangay sessions (as standee), as needed for clarifications or particular concerns, sociocultural activities support, consultations | • Compliance                    | • Timely submission of compliance documents        |
| • MMT activities   | • Lack of sanitation facilities | • Provision of materials for sanitation facilities |

## Local Government

- |  |                                  |   |
|--|----------------------------------|---|
| 1. Mine Rehabilitation Fund Committee (MRFC) activities  | 1. Program-related concerns      | 1. Livelihood programs                              |
| 2. Barangay sessions (as stand-ee), as needed for clarifications or particular concerns, sociocultural activities support, consultations | 2. Compliance                    | 2. Timely submission of compliance documents        |
| 3. MMT activities  | 3. Lack of sanitation facilities | 3. Provision of materials for sanitation facilities |

## Regulatory Bodies

- |  |               |  |
|--|---------------|--|
| 1. Regular compliance and accomplishment reports | 1. Compliance | 1. Timely submission of reports and payments |
|--|---------------|--|

## Suppliers

- |                             |                                |                                       |
|-----------------------------|--------------------------------|---------------------------------------|
| 1. Annual vendors' meetings | 1. Timely payments             | 1. Timely payments                    |
| 2. Vendors' accreditation   | 2. Fair accreditation policies | 2. Coordination with suppliers        |
| 3. Ocular inspection        | 3. Delivery                    | 3. Transparent accreditation policies |

## Industry Associations

- |   |  |                       |
|---|--|-----------------------|
| 1. Annual conferences                   | 1. Contributions and updates               | 1. Events sponsorship |
| 2. Regular meetings                     | 2. Regional community relations conference |                       |
| 3. Monthly meetings with CARAGA chapter |  |                       |

## Customers

- |                           |                    |  |
|---------------------------|--------------------|--|
| 1. One-on-one engagements | 1. Product quality | 1. Improvements in extraction process and ore preparations   |
|                           |                    | 2. Submission of quality assurance results via third parties |



# SOCIAL PERFORMANCE



The Company's relationship with its people and the communities where it does business, the different facets of the corporate culture that illustrates its support for their rights, and the standards and targets on performance metrics that it has set for itself are covered under this section on Social Performance.

In 2020, the Company recorded a total of 1,669 people in its employ. The employees come from both local communities and other regions, with bias towards local hires as part of its commitment to contribute to economic progress of local communities.

With an avowed policy to being an equal opportunity employer, the Company is a source of productive employment for the local communities and indigenous peoples within its area. The Company prioritizes offering jobs to the local applicants and makes sure that the host community and neighboring communities are aware of the opportunities available.

And because of the nature of work, the mining industry is traditionally more attractive for male applicants. A non-discrimination policy in the recruitment process, however, ensures that everyone – regardless of their gender, race, religion, ethnicity, or educational attainment – will have an equal playing field in the recruitment process with roles open to all as long as they are qualified for the position.

For last year, the male to female ratio remained at about 7 males for every 1 female employee in the Company's workforce. At the same time, hiring indigenous peoples within its scope is something PGMC perceives as an opportunity. The Company is able to identify various groups of indigenous peoples within its scope and offers them employment opportunities in its mine site as it hopes to increase the number of hires from the group in the future.

## Employee Welfare 102-7, 102-8, 405-1

**12.65**

**% Female in the workforce**

**87.35**

**% Male in the workforce**

**25**

**Number of employees from indigenous communities and/or vulnerable sector\***

\*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

The nature of the work also dictates that mining operations are mostly conducted during the dry season, so the Company employs seasonal rank and file workers who are called into service during peak months.

The seasonal workers are also provided with benefits such as SSS, HDMF, 13th month pay, and incentives. With this, the Company aims to manage attrition rate, which the annual level for 2019 was pegged at 7%, commonly caused by redundancy, opportunities abroad, and further studies.

PGMC works on building a good relationship with employees through its comprehensive People Programs and policies designed to sustain employee engagement. This includes competitive salaries and benefits such as provision of health insurance, meals, uniforms, and bonuses. With this good relationship, employees can remain engaged and build a long-term career with the Company where they get continuous training and development.

## Employee Statistics

### By Contract Type and Gender

Contract Type	Male		Female		Total
	Head Office	Mine Site	Head Office	Mine Site	
2020					
Regular/ Probationary	38	97	32	42	197
Seasonal	0	1306	2	152	1,460
TOTAL	38	1403	34	194	1,669
2019					
Regular/ Probationary	38	89	32	41	200
Seasonal	0	1,325	2	140	1,467
TOTAL	38	1,414	34	181	1,667
2018					
Regular/ Probationary	33	80	26	43	182
Seasonal	0	1,525	2	147	1,674
TOTAL	33	1,605	28	190	1,856

### By Position and Gender

Contract Type	Male		Female		Total
	Head Office	Mine Site	Head Office	Mine Site	
2020					
Senior Management	6	1	1	0	8
Managers	5	8	5	0	18
Supervisors	3	102	5	24	134
Rank and File	19	1290	18	170	1,497
TOTAL	33	1401	29	194	1,657



Contract Type	Male		Female		Total
2019					
Senior Management	4	1	1	0	6
Managers	10	10	4	1	25
Supervisors	8	92	10	27	137
Rank and File	17	1,311	18	153	1,499
TOTAL	39	1,414	33	181	1,667
2018					
Senior Management	6	1	1	0	8
Managers	5	9	5	1	20
Supervisors	6	56	6	25	93
Rank and File	15	1,539	16	164	1,734
TOTAL	32	1,605	28	190	1,855

### By Position and Age Group

Contract Type	Below 30 yrs old		30 to 50 yrs old		Over 50 yrs old		Total
	Head Office	Mine Site	Head Office	Mine Site	Head Office	Mine Site	
2020							
Senior Management	0	0	3	1	2	0	6
Managers	0	0	9	6	5	3	23
Supervisors	4	40	11	71	3	14	143
Rank and File	9	758	25	656	1	48	1,495
TOTAL	13	798	48	734	11	65	1,669

**2019**

Senior Management	0	0	3	1	2	0	6
Managers	0	0	9	0	5	2	16
Supervisors	4	26	11	86	3	7	137
Rank and File	9	785	25	588	1	91	1,499
<b>TOTAL</b>	13	811	48	675	11	100	1,658

**2018**

Senior Management	0	0	4	1	3	0	8
Managers	0	1	8	8	2	1	20
Supervisors	0	25	0	47	0	9	81
Rank and File	1	919	9	663	1	121	1,714
<b>TOTAL</b>	1	945	21	719	6	131	1,823

*From Local Community*

Contract Type	Male	Female	Total
<b>2020</b>			
Regular/Probationary	14	6	20
Seasonal	370	54	424
<b>TOTAL</b>	384	60	444
Indigenous Peoples	8	2	10
<b>2019</b>			
Regular/Probationary	11	5	16
Seasonal	432	43	475
<b>TOTAL</b>	443	48	491
Indigenous Peoples	19	6	25
<b>2018</b>			
Regular/Probationary	11	7	18
Seasonal	679	84	763
<b>TOTAL</b>	690	91	781
Indigenous Peoples	17	2	19

## Hiring Statistics 202-1, 401-1

Contract Type	Male		Female		Total
	Head Office	Mine Site	Head Office	Mine Site	
2020					
New Hires	103			29	132
Attritions/Turnover	201			23	224
Attrition Rate	14%			11%	14%
Ratio of lowest paid employee against minimum wage	1:1	1:1	1:1	1:1	1:1
2019					
New Hires	3	174	5	11	193
Attritions/Turnover	2	111	1	4	118
Attrition Rate	3%	4%	13%	4%	4%
Ratio of lowest paid employee against minimum wage	1:1	1:1	1:1	1:1	1:1
2018					
New Hires	3	4	8	3	18
Attritions/Turnover	5	4	5	7	21
Attrition Rate	15%	0%	18%	4%	1%

103-3

For 2020, PGMC recorded a low attrition rate of 4.37% with common reasons for people to leave being redundancy, opportunities abroad, and further studies. The Company considers its compensation and benefits packages for employees as the strongest aspect of its Retention initiative which is an important part of its People strategy.

The ability to retain talent and high performers benefits PGMC in the long run by not having to continuously spend time, money, and energy recruiting new employees and instead allowing the Company to focus its resources to provide more training and development.



List of Benefits	% of female employees who availed		% of male employees who availed	
	2019	2020	2019	2020
SSS	8	12%	10	57%
PhilHealth	1	0%	2	0%
Pag-IBIG	9	15%	31	41%
Parental Leaves	0	7%	2	57%
Vacation Leaves	5	7%	6	70%
Sick Leaves	5	7%	2	100%
Medical Benefits (aside from PhilHealth)	5	N/A	2	N/A
Housing Assistance (aside from Pag-IBIG)	5	0%	1	0%
Retirement Fund (aside from SSS)	15	N/A	2	N/A
Telecommuting	0	N/A	1	N/A

\*\*\* regular employees only

\* - applies to regular and fixed term/seasonal employees

\*\* - applies to regular employees only

## Parental Leave 401-3

Indicator	Male	Female	Total
Total number of employees that took parental leave in 2020	147	7	21
Total number of employees that returned to work in the reporting period after parental leave ended in 2020	14	6	20
Return to work rate	100%	100%	100%
Total number of employees who availed the parental leave in 2019 and returned to work one year after			
Total number of employees that returned to work after parental leave ended in 2019			
Retention rate			

## Ensuring Good Labor Practices



103-1, 103-2, 103-3, 205-2

In times of crisis such as what the world had in the year 2020, clear policies on good labor practices keep an organization's actions and decisions aligned with its sustainability framework.

Aside from the guidance of the Labor Code of the Philippines, the Department of Labor and Employment (DOLE) issued several orders during the pandemic obliging employers to heed and follow for the benefit of workers around the country.

PGMC adheres to the Labor Code and has crafted its policies to reflect its concern for the welfare of its people and its goal of creating a safe workplace without discrimination and with high ethical standards on a shared stand against corruption. The DOLE orders that were promulgated during the pandemic were treated as clear mandates and were also followed.

The Company also promotes best practices in labor relations as indicated in the Employees' Manual. Articulated in the manual is a lawful hiring processes which specifies that only

those 18 years old and above may apply and be hired. Company's Code of Conduct promotes a culture of respect where employees treat each other with courtesy and consideration.

The Code of Conduct also clearly states the Company's anti-corruption policies which are reiterated in training sessions, orientation sessions, seminars, and reminder emails. Contracts and agreements entered into by PGMC specifically includes provisions for adherence to the Company's anti-corruption policies, the violation of which is a ground for suspension or termination of the contract.

## Health and Safety 403-9, 403-10

**Number** of work-related fatalities 0

Indicator	2020	2019	2018
No. of employees in health & safety committee	30	33	35
Total Man Hours	6,427,976	7,260,500	7,936,346
Lost time accidents	0	1	1
Number of occupational injuries/illnesses	7	6	4
Incidence Rate	1.09	0.96	0.13
Severity Rate	0	0.087	756.01
Lost days	0	3	6,000
Fatalities	0	0	1
Work-related fatalities	0	0	1
No. of safety drills	16	5	4 <sup>[a]</sup>

103-1, 103-2, 103-3, 403-1,  
403-2, 403-3, 403-4, 403-7

With Presidential Proclamation No. 922 declaring a "State of Public Health Emergency throughout the Philippines" and Republic Act 11469 known as "Bayanihan to Heal as One Act", the national government encouraged the adoption of measures to respond to the threats of the pandemic.

PGMC's Occupational Safety and Health Program's (OSHP) certificate of approval dated 16th of March 2020 provided the Company with all the elements and activities it needed towards maximum preparedness for stakeholders.

The Safety and Health Department was enabled and empowered to fulfill its crucial role. The department plantilla includes a Safety Senior Officer/Engineer, Junior Safety Engineers, Loss Control Traffic Management Supervisor, Safety Inspectors, and Occupational Health Nurses. The department assists in every inspection and evaluation process conducted by various agencies such as the MGB, the Bureau of Fire Protection, Bureau of Customs, Philippine Ports Authority, as well as local government units.

The Company also maintains a Central Safety and Health Committee (CSHC) that oversees the implementation of the OSHP. The Committee is composed of all Department Managers and Heads and functions as the highest governing

body for decision-making on issues of Safety and Health. It has Sub-Committees with specific agendas in order to ensure all major issues are being fully addressed.

The Committee has been diligent in its responsibilities and holds regular meetings every last Friday of the month. Likewise, there are monthly Departmental Safety Meetings conducted to determine areas that need close monitoring or priority action.

Aside from regular safety briefings for all teams, the Company makes sure that new employees undergo safety orientation. During these briefings, safety topics are reiterated to employees, including any new measures put in place as precaution against COVID-19.

PGMC also implements a Work Environment Measurement program which identifies the level of air pollutants, water, and noise, and determines if it is within the healthy range. It also established environment structures to mitigate the negative effects of its operations, providing medical aid and medicines to workers on site through its health practitioners.

First aid and emergency equipment are installed strategically

in all work areas and PGMC's Emergency Response Team (ERT) stands ready 24/7.

Meanwhile, the CSHC has a Housekeeping sub-committee in-charge of implementing the Company's 5S Housekeeping Standards for a clean and organized workspace, reducing likelihood of accidental injuries and near misses. The OSH Department is drafting a Housekeeping Inspection Form and will institute mandatory daily routine inspections in support of

full compliance to the standards.

With all these, the Company was able to have 6,427,976 Total Man-hours with 0 Lost Time Accidents, 7 Occupational Illness/Injuries, 0 Fatalities, and 0 Lost Days. Notably, it was able to triple the number of safety drills done in 2020 as compared to the previous year.

## Training 404-1, 404-2

Disclosure	Male	Female	Total
Total training hours provided	220	196	416
Average training hours provided	16	16	16

103-1, 103-2

Continuous training has been key to PGMC's strategy that supports both workplace safety and people development. The Company ensures that its employees are updated on recent developments in the industry. A knowledgeable and skilled workforce is a factor in ensuring continued increase in productivity, high employee retention, and the teams' capability to consistently hit targets.

The Company provides an Annual Training Schedule that is developed based on the Training Request Forms filled up by Department Heads every end of the year. Compliance-related trainings stipulated in the Annual Health and Safety Plan and AEPEP are prioritized. Other topics covered are personality development, technical, mechanical, environmental, occupational health and safety, quality control, radiation protection, and mental health awareness.

All employees receive basic training during their onboarding, and then are provided continuous training during their tenure and for every phase of their work assignments.

At the same time, PGMC gives importance to evaluating and rewarding the excellent performance of its employees. Through the Performance, Planning, and Evaluation program, PGMC identifies the equivalent bonus for the performance of its employees. Employee Recognition is also done through the provision of incentives for each successful project undertaken. These loyalty awards and salary increments help to continuously motivate employees throughout their career with the Company.

## Health Control and Services 403-6

PGMC provides accessible primary medical and occupational health care services to employees through its Clinic that is complete with medical equipment and professional health staff including a doctor, nurses, and first-aiders and ambulance drivers.

Health Control services provided include:

- 24/7 availability of Company nurses to render preventive medical services
- Complete medical supplies and equipment for emergencies, including ambulance, stretchers, bag valve mask, medical oxygen, first aid kit, spine boards, and automated external defibrillator (AED), as well as medical

drugs ordered by the physician.

- Pre-employment medical examination for applicants
- Pre-employment Health Orientation on the different health policies implemented in the Company
- Annual Periodic Examination to check overall health of all regular employees. The APE includes chest x-ray, urinalysis, complete blood count, stool exam, physical examination and ECG for 35 year-olds and above. Additional laboratory procedures are done for employees with significant findings.
- First Aid Kits maintained at strategic areas. These kits are monitored and replenished monthly and as necessary.
- Health Sanitation Inspection conducted monthly on General Contractors to ensure compliance with health



requirements and strict adherence to health protocols. Regular Water Sampling on drinking water is done to ensure safe drinking water and prevent water-borne illnesses.

- Random Drug Testing is conducted periodically in adherence with DOLE's guidelines and the Company's Drug-Free Workplace Policy. 10% of total employees underwent the random testing, with a total of 132 employees successfully passing the test last September 4, 2020.
- Random Drug Test for General Contractors, the latest one conducted in August 23, 2020 where 93 people were successfully tested.
- Hypertension Prevention and Control Program, as part of the Company's Annual Health Program for 2020. The information drive was conducted last May 30, 2020.
- Wellness Lifestyle campaigns such as the Biggest Loser Competition, to encourage employees to gain healthy habits.
- Annual Oral Health Care and dental services, including: tooth extraction, oral prophylaxis, dental consultation, permanent filling.
- Blood Donation drives to educate employees on the health benefits of donating blood, on top of the benefit that come from helping others. An annual Blood Letting Activity encourages employees and general contractors to donate blood and save lives.

### Emergency Preparedness and Response 403-5

PGMC underlines the value of accountability when it comes to health and safety. The Company enables each employee to be equipped with the knowledge and skills to protect their safety should emergencies occur. The Company supports this initiative with equipment and infrastructure as well as with training and development.

PGMC conducts Standard First Aid and Basic Life Support Training, a mandatory 4-day Safety and Health Training. It provides basic knowledge to every employee on how to help a person with correct methods to administer medical assistance in case of accidents or emergencies. This is pre-requisite for the Ambulance Management Training. The training was conducted by the Philippine Red Cross Surigao City Chapter.

An Ambulance Management Training is also available for first aiders and the course includes performing basic life support, implementing safe access and extrication procedures, and delivering basic ambulance communication skills during emergencies. This was also conducted by the Philippine Red Cross Surigao City Chapter.

The PGMC Ambulance Service is very important for employees as well as the host communities as it responds to emergency medical situations. The Company has two ambulances equipped with complete medical supplies and equipment. What's more, PGMC's Emergency Response Team (ERT) stands ready 24/7. In fact, PGMC's ERT can always be counted upon to assist in emergencies outside the confines of the mine site.



## Community Welfare and Development



103-1, 103-2, 103-3

The host community and neighboring barangays are key stakeholders for the business and meaningful engagement with them brings significant impact on the Company's contribution towards meeting the SDGs.

Towards this aim, PGMC develops and implements a Social Development and Management Program (SDMP) for its host community and neighboring barangays, as mandated by the Philippine Mining Act of 1995. The MGB Caraga Region Office is tasked to review, approve, and monitor how effectively the Company is able to achieve its SDMP goals.

SDMP is a channel for change as PGMC is able to initiate worthwhile projects that the community needs in terms of Education, Health, Public Utilities and Infrastructure, Socio-Cultural, and Livelihood. The Community Relations team works with community organizers to build partnerships to formulate and design programs and projects that directly address the actual concerns in the community. These programs are also closely coordinated with relevant local government units and agencies.

The year 2020 though was quite unique and the government allowed the mining industry to re-align their SDMP programs to be more responsive to the urgent needs of the communities struggling with the effects of the pandemic lockdowns. Families unprepared for the unprecedented crisis would be left with no source of food.

With transportation and the supply chains affected, the pandemic exposed most LGUs dependent on other regions for their food supplies. It takes two months to be able to acquire the much-needed relief, compounded by prices of commodities going up due to transport restrictions.

Aiming to bolster food supply for its communities, PGMC partnered with the provincial government of Surigao del Norte and its line agencies for a Php12 million food security project. The funds were generated by re-aligning Php3.03 million of the SDMP Fund and Php9.03 million of the EPEP fund allocated for the year. The food security project was for the benefit of 12 barangays in Claver and 6 municipalities within Surigao del Norte.

The project was successfully launched in Barangay Bagakay, Claver and was a proof of concept on how food security can be delivered through collective community action such as a communal backyard garden and egg farming enterprise. The project is expected to benefit 56 households who received the egg machine and 116 farmers/groups who received support for vegetable production, and 16 fisher folks/organizations who will receive support for an aquaculture enterprise.

### SDMP Spending <sup>413-1</sup>

SDMP Spending (in PhP)

Indicator	2020	2019	2018
Total training hours provided	56,447,115	51,437,406	36,561,969
Average training hours provided	48,145,359	37,573,461	28,127,536

### SDMP Breakdown

SDMP Breakdown (in million PhP)

Area	2020	2019	2018
Education	6.64	10.20	4.53
Health	4.38	3.35	1.60
Livelihood	11.99	8.66	5.34
Infrastructure	9.97		
Others	3.58		

#### NUMBER OF HOST AND NEIGHBORING COMMUNITIES

**4,568** **3,634**  
Cagdianao Hayanggabon

#### NUMBER OF IP COMMUNITIES RESIDING NEAR THE MINESITE AND WITHIN CLAVER

**402**

#### AMOUNT OF SDMP INVESTMENT

**48,145,359**

## Education Program Highlights

<b>Number</b> of college student scholars from host, neighboring, non-impact barangays	107
<b>Number</b> of volunteer teachers that received financial assistance from host and neighboring barangay	6
<b>Number</b> of schools supported for Brigada Eskwela	16 Elementary, 3 High School and 4 Daycare Center
<b>Number</b> of beneficiaries of school supplies and equipment	5 Schools in Cagdianao
<b>Number</b> of bus driver supported	1
<b>Number</b> of school guard supported	1

## Health Program Highlight

<b>Number</b> of beneficiaries on emergency medical assistance	14 indigents
<b>Number</b> of beneficiaries on burial assistance	3 indigents
<b>Number</b> of malnourished children supported through nutrition and feeding program	22 (0-71 months)
<b>Number</b> of barangay health workers supported	30
<b>Number</b> of barangay community midwife supported	1
<b>Number</b> of ambulance driver supported	1

## Livelihood and Infrastructure 203-1, 203-2

<b>Amount</b> spent for purchase of materials for the construction of mushroom facility	115k
<b>Number</b> of Peoples' Organizations	329
<b>Number</b> of residents provided with construction materials for relocation	29

## Supply Chain Management 102-9

PGMC conducts supplier accreditation to ensure that it conducts business with trustworthy and reliable suppliers that would help the Company in attaining its targets. In the deliberation of suppliers of products and/or services, the Company reviews supplier's legal documents and past performance and evaluates accordingly.

PGMC also requires the suppliers' commitment to abide by the company policies by including it in the contract/agreement. Violation of this requirement is a ground for termination of contract. The company ensures that all our suppliers practice the following policies.

Area	Relevant Policy
Environmental performance	Independent Mining Contractor Agreements entered into by PGMC include adherence to company Environmental Policy. In evaluating each contractor, one key performance indicator item is 100% compliance with environmental laws and regulations.
Forced labor	Contracts and agreements entered into by PGMC include adherence to social and labor laws. In evaluating each contractor, one key performance indicator item is compliance with social and labor laws and the target metrics include zero issues and complaints and 100% compliance to DOLE and other relevant government regulations.
Child labor	
Human Rights	
Bribery and corruption	Contracts and agreements entered into by PGMC include adherence to company anti-corruption policies.



# ENVIRONMENTAL PERFORMANCE

Together with its stakeholders, PGMC shares a deep appreciation of the industry's abiding reliance on the sustainability of natural resources. The Company therefore considers its environmental performance as a pillar in the framework where it can apply the principles of responsible mining most effectively and contribute significant positive change.

The Company takes pains to ensure its mining operations

comply with stringent and extensive environmental regulations set forth in the Philippine Mining Act of 1995. Part of these is the requirement for the establishment of the Annual Environmental Protection and Enhancement Program (AEPEP) which will cover activities such as rehabilitation of mine disturbed areas, reforestation, construction and maintenance of environmental facilities, solid waste management, hazardous waste management, air quality monitoring, and water quality monitoring.

## EPEP Spending

Indicator	2020	2019	2018
Land Protection	33,630,481	44,559,652	57,224,865.00
Air Protection	10,023,287	12,264,815	16,373,805.00
Water Protection	25,005,266	26,282,968	41,714,842.00
Environmental Monitoring	492,483	1,240,621	1,143,356.00
Conservation Values	2,180,947	2,193,835	2,482,904.00
Waste Management	1,831,762	1,005,092	766,400.00
Construction of Environmental Facilities	7,416,739	10,245,780	66,261,031.00
Environmental Researches/Trainings/IEC	4,105,618	2,325,800	4,716,800.00
<b>TOTAL</b>	<b>84,686,583</b>	<b>100,118,564</b>	<b>190,684,003</b>

In 2020, PGMC was honored with the Platinum Achievement Award for surface metallic mines category at the annual Presidential Mineral Industry Environmental Award. It was the second year in a row that the Company was recognized for exemplary performance beyond compliance for environment, safety, and social-community development.

The Company's commitment to protect and conserve the environment is actively inculcated into the culture, making each employee aware of the principles of environmental stewardship. Its re-certification on ISO 14001:2015 Environment Management System (EMS) demonstrates the serious commitment for its comprehensive Environmental Policy to be weaved deeply into the processes and daily practices of every department.

By implementing the EMS, the Company has is a systematic framework to manage the immediate as well as long-term environmental impacts of its business footprint, assuring stakeholders that our processes meet international industry specific environmental standards.

One of the benefits of implementing an EMS is of course this assurance for our stakeholders, giving them the confidence that maintaining a relationship with the Company that practices responsible mining is also a way that they can also make an impact on the community's long-term environmental goals.

# Resource Consumption



## Energy Consumption

302-1, 302-2

Indicator	2020		2019		2018	
	In-House	Contractors	In-House	Contractors	In-House	Contractors
Genset - Diesel (liters)	54,905	33,736	23,850	45,527	16,621	43,970
Vehicles - Diesel (liters)	2,286,286	9,854,950	2,563,528	11,226,596	2,145,283 <sup>[a]</sup>	11,772,972 <sup>[a]</sup>
Electricity from local supply (kWh)	851,094	381,921	833,345	391,501	796,405 <sup>[a]</sup>	439,004 <sup>[a]</sup>

[a] restatement of information

103-1, 103-2, 103-3

PGMC sources its electricity supply from Surigao Norte Electric Cooperative (SURNECO). In 2020, its in-house facilities consumed a total of 851,093 kWh of electricity, an increase of about 2.13% compared to previous year. Significant increases of consumption were observed in the months of February, June and the last quarter of the year.

This is expected with the increase in manpower of about 4.52% for the year. In addition, the accommodation of over 780 employees during the implementation of Zonal Lockdown starting November 7, 2020 until December 8, 2020 affected consumption due to use of additional electrical equipment and appliances for the accommodation and meal provision for these stay-in employees.

The Company's on-going constructions of new motor pool and lube farm area which includes welding activities for the installation of trusses and purlins, as well as the on-going construction at the Admin Building Extension and the Parking Area/Driver's Lounge also contributed to the increase.

Meanwhile, PGMC's in-house vehicle and equipment for transportation and ancillary activities consumed a total of 2,286,286 Liters of fuel for 2020, a decrease of about 10.81% compared to 2019. Within the year, the highest decrease of consumption occurred in the month of December recorded at 73.95%.

This result may be attributed to the decrease in the number of official trips due to travel restrictions during this pandemic as well as to the decrease in the utilization hours of equipment due to the adjustment made in the shift schedules for the employees working under the support. This adjustment was made to address the issue on the shortage of bus requirement considering the "new normal". As a result, operators/drivers have lesser over-time activities compared to 2019.

There was also the Temporary Work Suspension which started on March 20 until May 4, 2020 in compliance to the quarantine restrictions issued by the Province of Surigao del Norte. During this time, the Company deployed skeleton workforce and strictly no non-essential travels were allowed while within PGMC mine site even within the municipality.

As for the use of fuel for energy needs, the Company has four existing back-up generators installed in different areas – Admin, QAQC, Mine Base and Causeway. The consumption of these generators is directly proportional to the load which

means when the load increases, the consumption of diesel also increases. PGMC power houses consumed a total of 54,905 Liters of fuel for the year, an increase of about 132.85%. The highest consumption occurred in the month of September while the highest increase was recorded at 2,257.14% in the month of January.

The causes for this increase are seen to be the frequent power outages that occurred in 2020 which resulted in having to use backup generators for electricity supply to all buildings and facilities.

Also, the intensified crushing operation at Sample Prep Area necessitated the change of power source from the utility source to the generator set as it needed to maximize the three-phase equipment being used. These same generators also served as the back-up power supply for 10 more facilities nearby such as Hazardous Waste Facility, Warehouse Building, Motor Pool area, Staff House, Carpentry and Electrical Shop, etc.

Moreover, the Water Lorry Station located at Mine Base Area also utilized three-phased motor regularly operated in an average of 8-10 hours' daily especially during dry season to hasten the dispatching of Water Lorries intended for dust control.

For their part, Contractors facilities consumed a total of 381,921 kWh of electricity for 2020, decreasing slightly by 2.54%. Within the year, the highest consumption occurred in the month of September (peak season) while and the highest increase in consumption was recorded at 93.78% in January.

Electricity consumption of contractors include the welding repairs of heavy equipment and dump trucks. Then a significant drop of consumption is recorded starting the month of April due to the Company's Temporary Work Suspension. Also, there were facilities previously occupied by contractors which became vacant for a time as contractors' computed man-hours decreased by 12%. During the month of November, the electricity consumption increased by 25.9% due to the imposition of lockdowns and accommodation of additional stay-in employees.

For 2020, contractors consumed a total of 9,854,949.7 liters of fuel for transportation and production. This represented a decrease of about 12.22%. The highest consumption occurred in the month of September (peak season) and the highest increase in consumption was recorded at 84.39% in the month of February (the start of mining season).

The significant decrease in the fuel consumption of contractors for production and transportation was mainly due to the temporary work suspension of the Company from the 3rd week of March to 1st week of May wherein during this period, only skeleton workforce/essential workforce was deployed to complete the loading of ore for the vessels that

were already locked in prior to the issuance of memorandum from the province. In 2020, the total production (ore and waste) reached 5,161,826 WMT, which is 25% lower compared to 2019. Further, only 8 from the 10 general contractors continued to operate in PGMC for this year's mining season.

Contractors consumed a total of 33,735.50 liters of fuel for generators in 2020, a decrease of 25.90%. Within the year, the highest increase in consumption was recorded at 34.99% in the month of September. For the year, only 4 of the general contractors used generators as back power supply when in the past years, there had been around 6.

## Energy Intensity 302-3

Indicator	2020		2019		2018	
	In-House	Contractors	In-House	Contractors	In-House	Contractors
Electrical (kWh/man-hour)	54,905	33,736	23,850	45,527	16,621	43,970
Fuel (L/WMT)		1.36		1.36		1.45

In determining the energy intensity in terms of the Company's electricity consumption per capita, the computed man-hours worked was used since changes to production and staff occupancy will always affect energy usage.

Despite the decrease in the man-hours, energy intensity within the organization increased by 13.79%. Due to the temporary work suspension and adjustment in the shift schedules, PGMC man-hours dropped by 10%. On other hand, electricity consumption continued to increase due to the additional stay-in employees accommodated during the mine site lockdown.

Same with PGMC, general contractor's energy intensity increased by 10.24%, mainly due to the temporary work suspension and accommodation of additional stay-in employees during the mine site lockdown.

Meanwhile, in determining energy intensity in terms of fuel consumption per capita, the total material movement in WMT has been used.

Fuel intensity increased by 6.67% in 2020 even with the decrease in the total material movement in WMT. Compared to 2019, material movement (ore/waste production, ore transfer and barging) started in February and gradually declined because of the temporary work suspension. Also, the mining season ended early in November. Even with less production, other support activities still continued and consumed fuel in the process.

Informed with these data, the Company is aware that the business' inevitable demand for energy means that it should

continue to discover initiatives and programs as it works to achieve environmental and energy conservation goals.

Here are some of the initiatives that the Company implements:

### Electricity Conservation:

1. Installation of additional electric meters for effective monitoring of electricity consumption per facility
2. Continuous replacement of ordinary bulbs into LED Type for office/facility lightings
3. Purchase of energy efficient appliances/equipment
4. Intensification of employees' awareness on Energy Conservation through regular orientations and visual reminders
5. Development of Environmental Objective, Target and Programs on Resource Conservation from departmental/functional unit into corporate level
6. Monthly monitoring, evaluation and analysis of electricity consumption performance
7. Conduct of electrical inspections and inventory

### Fuel Conservation:

1. Routine check-up and regular maintenance of equipment and transportation vehicles
2. Consolidation of Equipment Utilization Reports (EUR) to monitor actual activities of the equipment
3. Monitoring of vehicles odometer to monitor the actual distance the vehicles have travelled
4. Carpooling and eliminating unnecessary trips



5. Strict enforcement of 20-25 kph allowable speed limit
6. Recording and monitoring of the frequency of the brown-out and the utilization of back-up generators
7. Intensification of employees' awareness on fuel conservation through regular orientations and visual reminders
8. Development of Environmental Objective, Target and Programs on Resource Conservation from departmental/functional unit into corporate level
9. Monthly monitoring, evaluation and analysis of fuel consumption performance

Currently, the Company purchases energy from electric cooperatives and oil companies. The Company has been trying renewable energy sources by initially using them for streetlights and began converting streetlights to solar power in 2020. To date, there are 6 solar powered streetlights installed around the mine site, with an on-going request for more installations at the beaching areas of Causeway 1 and 2.

## GHG Emissions 305-1, 305-2

Indicator	2020	2019	2018
GHG (Scope 1)	33,013	37,434	37,795
GHG (Scope 2)	760	755	761

103-1, 103-2, 103-3, 305-5

PGMC is pursuing initiatives such as GHG inventory to determine its GHG emissions as a foundation for planning of mitigating measures as contribution to the global effort on the reduction of GHG emissions. For 2020, estimated GHG emission reached 33,772 TCO<sub>2</sub>e, a drop of 11.56% compared to 2019. This figure is mainly affected by the significant decrease in the combined fuel consumptions of the PGMC and Contractors.

The Company monitors its GHG emissions with pre-defined organizational and operational boundaries. As organizational boundary, GHG inventory only covers the combined emissions from all phases of operations in all PGMC organizations where it has full authority to introduce and implement policies.

Operational boundary refers to the identification of emissions associated with the PGMC's operations and categorizing them as direct and indirect emissions using scope system in GHG accounting protocol. To facilitate easy consolidation of available and verifiable data, the categorized activities are identified as ore production and barging, ancillary activities, transportation, power generation, and electricity consumption based on purchased electricity from a local power utility.

Aiming to control and reduce GHG emissions caused by its operation, PGMC strictly enforces the implementation of the following protocols and initiatives:

1. Reduction in the consumption of electricity and fuel
2. Regular assessment of all equipment and vehicles through standard inspection and regular preventive maintenance services. PGMC Mechanical and Maintenance Department, through the implementation of its EMS guidelines on vehicle/equipment inspections, ensures that all vehicles/machines running and operating inside the mine site premises passed the government regulation standards on emissions.

3. Gradual phasing out of old vehicles/equipment for mining operations as new EMS guideline on vehicle/equipment inspections sets maximum limit on the equipment's SMR and KMR which is 12,000 hours or 5 years of operation for heavy equipment and 80,000 km or 3 years of operation for dump truck units.
4. Defining the forest carbon sequestration through progressive rehabilitation of mined-out areas and reforestation for both terrestrial and marine ecosystems within and outside MPSA as a viable climate change mitigation strategy.

In partnership with Caraga State University (CSU), the Company conducted research study to assess the carbon stock of the three different mining landscapes of PGMC that includes the second-growth forest, plantation forest and mangrove forest areas. The study aims to acquire information and data on the potential biomass and carbons of live trees, herbaceous vegetation and forest litter layers accumulated in these landscapes through determination of the aboveground and understory carbon pool.

At the same time, the Company works to control emissions of ozone-depleting substances, Simultaneous with the enhancement in its facilities and structures, therefore, the Company also looks at improving its technology.

While the Company still utilized its existing equipment containing R-22 refrigerants, newly purchased air conditioners are now using R-410A. As per inventory 42% of its installed air conditioning equipment are new and replaced with the ozone friendly alternative. Moreover, through the Company's Electrical Works Section, regular inspection and maintenance of all air-conditioning systems are being conducted.

Location	2020	2019	2018
Contractors Camp	9	6	40
Punta Naga Basketball Court	5	5	28
Cagdianao Barangay Hall	5	11	26
Platinum Heights	8	9	34
Admin Building	13	20	38



103-1, 103-2, 103-3

PGMC monitors air quality by tracking TSP or Total Suspended Particulates in particular areas. Based on the results for 2020, all areas showed levels within the DENR Standard of 230 µg/Ncm.

Since PGMC is not a Company with processing plant, monitoring of air emissions such as nitrogen oxides (NOx), sulfur oxides (Sox) and others are not being conducted. Instead, the TSP is monitored as it reveals totality of small solid matter released, documented and/or otherwise observed in the atmosphere.

An EMS guideline has been developed which aims to provide standard procedure for Air Quality Monitoring in terms of TSP. The Company has established five (5) sampling stations at strategic locations within the mine site as well as in the host community.

Sampling is done monthly using an air sampling device calibrated annually by a third-party service provider to ensure accurate results. Since road dust generation from the Company's daily mining activities poses a significant risk to the air quality, mitigating measures such as intensified daily water spraying and regular road maintenance are strictly implemented.

Here are ways that the Company mitigates dust generation in its process:

- Daily Water Spraying.** Wheel generated dust from haul and access roads is the major source of dust particles dispersion in the mine site. In order to suppress dust especially during dry season, regular water spraying onto road surfaces is a viable solution as it enhances soil moisture, preventing the dust from becoming airborne. PGMC has nineteen (19) water lorries, wherein fifteen (15) units of which have a tank capacity of 16,000 to 20,000 liters and are exclusively intended for dust control. The MEPE Office managed these resources by designing a route per unit which is regularly supervised and monitored by an Environmental Monitoring Staff. The Company sourced out water supply from its two (2) Surface Water Lorry Stations installed with high capacity water pump. For augmentation, the Company's General Contractors also committed to support dust control program by providing at least one (1) Water Lorry Unit, embedded in their Service Contract.



- **Road ballasting.** Aside from water spraying, matting of road surfaces with crushed rocks as part of road construction and regular maintenance helps reduce dust generation from road networks. Unlike the bare soil, crushed rocks as ballast materials don't easily break into finer particles that form into dust. Operating under the management of Engineering and Technical Services Department (ETSD), PGMC installed a crusher plant for the purpose of resizing boulders into smaller rocks for road stabilization.
- **Roadside Vegetation.** Aside from water spraying, matting of road surfaces with crushed rocks as part of road construction and regular maintenance helps reduce dust generation from road networks. Unlike the bare soil, crushed rocks as ballast materials don't easily break into finer particles that form into dust. Operating under the management of Engineering and Technical Services Department (ETSD), PGMC installed a crusher plant for the purpose of resizing boulders into smaller rocks for road stabilization.
- **Cleaning and Maintenance of the National Highway.** The Company's barging operation affects a portion of the national highway due to incidental spillages of materials. Thus, the Company hired 25 street sweepers to manually collect material spillages or soil residues in the national highway as well as in the Kinalablaban Bridge. This activity not only aims to maintain the cleanliness of the national highway for the convenience of vehicle owners and commuters but most importantly, it helps in the improvement of air quality.



## Water Resources



### Water Withdrawal and Discharge 303-3, 303-4, 303-5

Indicator		2020	2019	2018
Extraction	Shallow Well	5,046	4,053	3,163
	Deep Well	61,903	114,802	74,960
	Surface Water	150,117	259,218	202,957
	<b>TOTAL</b>	217,066	378,073	281,080
Discharge	Kinalablaban River and/or Ground		377,893	281,080
Silt collected/discharge			313,528	198,545



Water is another resource essential to the business and the Company is careful to ensure optimal use of its supply and sources. To supply water to all site facilities for domestic/industrial uses and for dust control use, the Company had established three sources: shallow well, deep well and surface water.

In 2020, overall water consumption was 217,065.90 cubic meters, a decrease of 42.59% compared to previous year.

There were several factors that are seen to have combined in a way that produced this result:

First, the recorded increase of water withdrawal from shallow well sources by 24.51% may be attributed to the increase in manpower and number of stay-in employees during the mine site lockdown. Along with the frequent handwashing practice as protection against Covid-19, this increase is expected.

This was balanced out with a decrease of water extraction from surface water source by 42.09% due to the decline in water spraying activities of both in-house and contractors. Significant decrease occurred during the temporary work suspension starting 3rd week of March until 1st week of May and also during the 14-day mine site lockdown last November.

The decrease of water withdrawal from deep well sources by 46.08% is seen to be due to the decline of water delivery request by host and neighboring communities as well as decline in the water consumption at the contractor's area which had a number of vacated facilities. At the same time, rainfall, temperature and evaporation rates also influenced the daily water usage. Within the year, an increase of 107% in average rainfall rate had been recorded, which supported the dust control activities, plantation and nursery maintenance, and industrial usage of water.

The Company re-uses water from settling ponds for dust control activities for the past years but such withdrawals of water were only done when necessary. EMS guidelines

provided direction on how to utilize clean water from settling ponds and other detention ponds for water spraying and other industrial purposes.

However, there were no withdrawals recorded for 2020 since the surface water sources were enough to supply the Company's existing water lorries. Water accumulated in installed cisterns were also utilized for plant watering activities.

The business's need for this resource will always be significant and the Company prudently continuous to study new water conservation strategies for practical consideration. For the meantime, the following activities are being done to reduce/control the water consumption:

1. Intensification of employees awareness on Water Conservation through regular orientations and visual reminders
2. Development of Environmental Objective, Target and Programs on Resource Conservation from departmental/functional unit into corporate level
3. Monthly monitoring, evaluation and analysis of water consumption
4. Regular inspection of water pumps, pipes and faucet
5. Installation of cistern to store and capture rainwater as additional measures in water resources management

As a responsible end-user and beneficiary of water sources, the Company is careful to prevent soil and underground contamination from potential leakages. The Company employed a Septic System that is in a form of watertight tank designated and constructed to receive and partially treat raw domestic sanitary wastewater. With this system, no gray and black water discharges will go directly to the soil and underground. An EMS guideline has been developed which aims to provide guidance for the design and construction of septic tanks as well as in the extraction, collection and disposal of domestic waste sludge and seepage applicable to both Company and service contractors' facilities.

## Solid and Hazardous Waste Management



### Solid and Hazardous Waste Generated

306-3, 306-4, 306-5

	Indicator	2020	2019	2018	Disposal Method
Solid Waste	Biodegradable waste (kg)	19,744	17,954	27,122	Composting
	Residual Waste (kg)	26,990	22,870	31,702	Landfill
	Recyclable Waste (kg)	9,478	8,620	14,887	Storage
Hazardous Waste	Used Batteries (pcs.)	417	750	359	Storage
	Toxic Containers (pcs.)	39	0	1,969	Storage
	Busted Bulbs (pcs.)	225	1,049	1,151	Storage
	Used Filters (pcs.)	7,629	8,977	5,705	Storage
	Cooking Oil (ltrs)	70	240	94	Storage
	Used Oil (ltrs)	47,926	62,084	88,924	Storage and treatment

103-1, 103-2, 103-3, 306-1, 306-2

The Company monitored an overall increase in its solid waste generation of 13.75%. This is mainly due to the increase of stay-in employees who were provided with free meals during the mine site lockdown and quarantine period. Meals are being packed in a disposable paper food container. Bulk of wastes are collected mostly from quarantine and isolation facilities and staff houses.

In order to reduce or control its solid waste generation, the Company implements a Solid Waste Management Program that practices the 4Rs: Refuse, Reduce, Reuse and Recycle.

PGMC is an advocate of #BeatPlasticPollution Campaign which teaches people to refuse the use of single use or disposable plastics. Through an EMS memorandum, in-house and contractors' employees were discouraged to use disposable plastic bags as food packaging and instead required to have reusable food containers for their meals. The Company gradually refrained from purchasing and distributing disposable plastic water bottles intended for visitors.

Supplemental to these initiatives, the Company collected biodegradables such as kitchen wastes and these were used either for natural decomposition at designated compost pits or for shredding and vermicomposting for soil media application. The Company also donated PET bottles and cellophane wrappers, to the Claver Recycling Plant.

Actions such as these not only helped to minimize the volume of waste that go to the landfill but also helped in achieving the environmental endeavor to convert wastes into a much worthwhile purpose. In addition, there are PGMC's "Paper-Less Program"

and an on-going environmental awareness campaign implemented through orientations and visual reminders, monitoring, evaluation, analysis and monthly cascading of waste generation performance. Every department has been developing their Environmental Objective, Target and Programs on Resource Conservation that can be shared with other units and departments.

Through an effective SWM Program, the Company can reduce expenses for the collection, storage and disposal of all generated waste as well as the maintenance of the Material Recovery Facility.

In terms of managing materials considered Hazardous Waste such as oil-contaminated materials, PGMC's Hazardous Waste Management Program follows the EMS guideline which has been developed to provide proper guidance on how to effectively handle all types of hazardous wastes which includes oil-contaminated materials, waste with inorganic compounds such as batteries and busted bulbs, wastes previously containing toxic substances, medical wastes and electronic wastes.

The standard process is:

1. When a particular waste type occupies 80% of its storage chamber, it is deemed ready for disposal and treatment. The Company Pollution Control Officer (PCO) shall notify and secure approval from the Office of the Vice President of Operations.
2. The PCO will identify and recommend transporter and treater of the wastes to be disposed of. The Company then selects its partner by public bidding.
3. The selected transporter and treater of the waste shall be required to present a valid Certificate of Registration from the Environmental Management Bureau (EMB)

during the period of engagement of transport and treatment.

4. A memorandum of agreement (MOA) between the transporter-treater-PGMC must be executed prior to hauling of waste outside the mine site.
5. Permit to Transport (PTT) and Manifest Form must be secured prior to hauling of wastes by the transporter and generator respectively.
6. Transporter must provide PPE to their workers during the loading of wastes and shall provide ERP for the transport of wastes.
7. Transporter/Treater must provide the Company with a notarized Certificate of Treatment of hazardous wastes being transported and treated within 30 days from the date of receipt of wastes.

The Company uses the services of Sunflare Industrial Supply Corporation, which is a DENR-registered transporter and treater. For 2020, a total of 32,213 kilograms of oil-contaminated materials were transported for treatment. With transport of used-oil and other hazardous wastes temporarily halted due to travel restrictions brought by the pandemic, further transport schedules were moved to 2021.

The Company continues to look for ways to reduce the production of hazardous waste in its processes. For instance, through Equipment/Vehicle Inspections, most of the running equipment and vehicles can be

confirmed to be new or operating within the standard limit set by the Company's Mechanical and Maintenance Department which means lesser maintenance activity needs to be done. These factors caused to reduce the generation of hazardous waste such as used oil.

Moreover, the Company's Emergency Response Team (ERT) is also trained to respond to cases involving oil spillage and other hazardous waste emergencies. Employees directly carrying hazardous wastes in areas, such as motor pool and hazardous waste facilities, were also trained and oriented on how to immediately contain oil spills/leaking of smaller quantity using absorbent logs, pads and sawdust.

## Land Rehabilitation and Reforestation

### Land Use Highlight



<b>Hectares of land reforested</b>	<b>143.61</b>
<b>Number</b> of seedlings donated	
<b>Number</b> of species protected (plants and trees)	10
<b>Number</b> of species protected (animals)	4

### Land Use 304-1, 304-3

Disclosure	2020	2019	2018
Area distributed (hectares)	398.22	375	494
Area used for other purposes (hectares)	332.36	320	336
Area rehabilitated (hectares)	155.86	139	99
Area reforested (hectares)	143.61	144	135
Area of land used for extractive use (hectares)	79.99	77	90
% of land requiring biodiversity management plans			15%
Operational sites owned, leased, managed in, or adjacent to, protected area and areas of high biodiversity value outside protected areas		NONE	
Habitats protected or restored (ha)		CAGA 5/50 ha	



IUCN Red List species and national conservation list species with habitats in areas affected by operations

#### Red list species (Tree)

Apitong (*Dipterocarpus grandiflorus*), Reb Luan (*Shorea negrosensis*), Tangile (*Shorea polysperma*), Yakal (*Shorea astylosa*), Tiga (*Tristania micratha*), Mangkono (*Xanthostemon vergugonianus*), Myrtaceae family, Dipterocarpaceae family

#### Red list species (Animal)

Snake (*Serpentis*), Banog Bird (*Accipitrinae*), Wild pig (*Sus scrofa*), Uwak (*Corvus*)

#### Red list species (Plants)

Wild orchids (*Neotinea tridentata*), Pitcher plant (*Nepenthes*)

103-1, 103-2, 103-3, 304-2

The Company is cognizant of the fact that, compared with the other land uses such as farming, the mining process poses highly specific threats to biodiversity, especially during the clearing of the area in preparation for the extraction of ore. However, the practice of responsible mining methods take concrete steps to prevent biodiversity loss.

Biodiversity or the variety and variability in an ecological complex is essential for sustainability and stands as one of the factors that PGMC keeps a close eye on. Implementing effective conservation strategies to mitigate the impacts on biodiversity is among its priorities as the Company implements its Progressive Rehabilitation Program, National Greening Program (NGP), Mining Forest Program and Temporary Revegetation Program.



The revegetation program for land development activities uses organic fertilizer to improve the nutrient status of soil both macro-nutrients and micro-nutrient in the mined-out areas.

These programs require both engineering and forestry-related and incorporates the best method for soil erosion control and biodiversity preservation. These also promote eco-friendly approach to improve better root growth, nutrient absorption and soil nutrient and as well as avenue for providing livelihood for the host community.

The Company's initiatives for Biodiversity Conservation on terrestrial and aquatic ecosystems includes:

**Development of Botanical Garden.** To preserve and showcase all species found in the mine site area, PGMC had initiated the establishment a 3-hectare Botanical Garden which serves as the depository of the different thriving species of plants collected within the Company's MPSA. Each species collected is planted and maintained in the garden, with name tag for easy identification for visitors and researchers.

As of end 2020, the Company had collected 42 species of trees, 4 species of shrubs, 9 species of palms, 7 species of herbs, 6 species of grasses, 11 species of epiphytes, 3 species of ferns, and 20 species of ornamental plants. Aside from being the home of numerous species, the Company's Botanical Garden was also developed as a natural park that offers a scenic off-coast islandic horizon that can be experienced from the garden's observation pad.

**Establishment and Maintenance of the Natural Forest Nursery.** Aiming to expand the possible areas for seed source during rehabilitation stage, PGMC initiated the establishment of a 3,000-square meter Natural Forest Nursery located within the active mining areas of CAGA 2 and 4. This area is set aside by the mining operation to act as natural seed dispersal area where all seeds of indigenous tree species may disperse into both active and mined-out area. It is also where the earth-balled indigenous saplings are transferred before the clearing activities to ensure that this species will continue to grow and diversify. It is being closely monitored to determine species diversity, abundance and tagging of potential seed trees for seed collection. The Company developed additional 3 hectares of this type of nurseries in 2020.

**Mangrove Planting and Maintenance.** Mangroves are salt-



tolerant trees that grow in coastal saline or brackish water. They act as buffers for strong winds and waves during intense storms and also holds soil and protects shoreline during heavy periods of rainfall, stabilizing the shoreline and reducing soil erosion. Mangroves are biodiversity hotspot because they provide nesting and breeding habitat for numerous species of fish and amphibians. Since 2015, the Company has been doing mangrove planting activities and enrichments for the continual protection and preservation of the mangrove ecology along the coastal areas of Sitio Kinalablaban and Sitio Panyog.

By December 2020, the Company had already established a total of 14.15 hectares mangrove plantations at Causeways 1 and 2, Kinalablaban Rivers 1 and 2 and Sitio Panyog. These areas are regularly monitored and maintained by Coastal Resource Management (CRM) Section workers. Maintenance activities include the removal of entangled debris or detritus, removal of barnacles and other pests, uprooting and replacement of sick or dead plants and installation of mangrove barrier.

Bamboo Plantation Project. PGMC had long recognized the potential of Bamboo in reforestation and land rehabilitation and it started to plant different bamboo species as early as 2012. Since 2019, the Company has ventured into planting giant bamboos in the mined-out areas of CAGA 4 Blocks 1 and 30. Bamboos planted in the high elevated mined-out area showed a promising growth rate of more than 6-feet high after more than a year, and successfully generated 4 to 6 shoots.

Simultaneous with the Bamboo Initiative Campaign that was launched by the mining industry with the support of DENR, the MGB RO-XII office circulated a directive to all mining companies to establish bamboo plantation covering an area equivalent to 20% of the Company's declared final mining area.

In response to this worthwhile endeavor, PGMC expanded its Bamboo Plantation Development Program. The

program includes the construction of the bamboo nursery, enhancement and maintenance work for the previously bamboo plantations, bamboo vegetative production, and purchase of bamboo cuttings. With the numerous benefits that bamboo has to offer, this project is perceived to contribute significant impacts not only in making the mine site more resilient against climate change but also in creating livelihood opportunities for the host and neighboring communities.

The Company's efforts towards protecting and restoring habitats continues unabated and the different programs it currently implements now include:

- Delineation of a Biodiversity Conservation Area at CAGA 5

The Company had allotted 50 hectares of area diverse with flora and fauna for Biodiversity Conservation located within the mining area of CAGA 5. It also served as the major source of seeds and planting materials needed during the Rehabilitation stage of the mining operation. The said area is being closely monitored annually to determine species diversity, abundance and tagging of potential seed trees for seed collection.

- Enhancement of the Coral Reef Ecosystem at Lambason MPA

In Lambason (Millari Island), there is an evident degradation of the coral reef ecosystem caused by various stressors such as natural events, pollution and poor fishing practices. The municipal and barangay LGUs therefore worked to establish the Lambason Island Marine Sanctuary (LIMS). PGMC has committed to adopt the LIMS through a memorandum of agreement with the LGUs. The adoption means that the Company shares the responsibility to provide financial and technical support for the activities designed for LIMS.

In 2018, PGMC initiated the deployment of 35 concrete coral reef modules in the selected areas of the LIMS to provide solid surfaces where coral larvae and other recruits could



settle and colonize. Then in 2019, a trial coral transplantation was conducted by the Company's licensed SCUBA divers in partnership with Cagdianao Fisher Folk Organization (CFO), to improve the coral cover in the said area. Coral transplantation is a method to regrow coral reefs which can be done in two ways, the sexual reproduction and a-sexual reproduction, and both methods are proven sustainable and have long term results based from various local and international studies.

- Adopt-An-Estero Waterbody Program at K-River and Tandawa Creek

With the vision of DENR of cleaner, safer and healthier water for all, a collaborative undertaking called the "Adopt-an-Estero Waterbody Program" was launched by the agency in 2010. This program encouraged all private sectors and organization to adopt an estero or water body to improve its quality through the conduct of regular clean-up activities. In support to this endeavor, PGMC entered into a memorandum of agreement 3-AA with DENR-EMB Region 13 to adopt Tandawa Creek and Kinalablan River in 2011. With the objective to rehabilitate and improve the quality of these water bodies, Company efforts include river bank stabilization, gabion installation, river

clean-up, planting of trees along the river banks, mechanical and hydraulic dredging and manual desilting.

- Adopt-A-Mangrove Forest at Barangay Bagakay, Claver, Surigao del Norte

PGMC has extended and shared its biodiversity goals with its communities. One notable effort is the adoption of the mangrove forest and ecosystem of Barangay Bagakay, Claver, Surigao del Norte. This aims to restore the density and diversity of mangrove and beach forest of the barangay which consist mostly of *Nypa fruticans* (Nipa) and some other true mangrove species. During this year's National Arbor Day Celebration, about 500 mangrove propagules were planted in the adopted area with the participation of the Women's Organization of Barangay Bagakay and employees of PGMC. To date, the Company has planted 20,000 mangrove species of *Rhizophora* sp. most commonly known as "Bakauan babae", spanning a total area of two hectares.





# CLIMATE-RELATED RISKS AND OPPORTUNITIES



102-11

Concerns on Climate Change is a reality for the Company as climate is a factor that affects the day-to-day operations. Climate-related risks such as energy shortage, natural disasters such as extreme typhoons and flooding, as well as occupational injuries and ill health due to gradual increase in temperature have been identified as priority risks that the Company addresses through its Enterprise Risk Management (ERM) system and various environment programs described in previous sections.

Supported by the Audit and Board Risk Oversight Committee, Corporate Internal Audit, SVP for Legal and Compliance, SVP for Operations, and SVP for Finance, the Board has the responsibility of supervising the overall risk management within the Company. This ensures that all risks are identified, measured, and managed effectively and continuously through the ERM system. It plans to consider additional measures for specific climate-related risk events within 2020.

The management is primarily responsible for overseeing all risks to the Company and maintaining communication with the Board and stakeholders on the performance of its ERM system. Consequently, an ERM core team is assigned to help the management assess the effectiveness of the Company's Risk Management System and, therefore, identify opportunities for improvement.

Using the established Risk Management Process, the Company regularly monitors current and emerging risks:

## 1. Assess

- 1.1 Assess risk management framework
- 1.2 Identify and prioritize risks
- 1.3 Source and analyze risks

## 2. Improve

- 2.1 Develop risk management strategies
- 2.2 Develop risk management action plans

## 3. Monitor

- 3.1 Develop risk monitoring process
- 3.2 Develop risk reports



### Metrics and targets used to assess climate-related risks

Hours of generator use

Frequency of interruptions in mining activities

Heat index

Number and frequency of occupational injuries and ill health caused by extreme heat

Number of days that operations had stopped or been interrupted due to climate-related risks

# GRI CONTENT INDEX

Standard	Disclosure	Page numbers and/or direct answers	Omission
<b>GRI 101: Foundation 2016</b>			
<b>General Disclosures</b>			
	GRI 102: General Disclosures 2016		
<b>Organizational profile</b>			
GRI 102-1	Name of the organization	6	
GRI 102-2	Activities, brands, products, and services	6	
GRI 102-3	Location of headquarters	6	
GRI 102-4	Location of operations	6	
GRI 102-5	Ownership and legal form	4	
GRI 102-6	Markets served	10	
GRI 102-7	Scale of the organization	6, 40	
GRI 102-8	Information on employees and other workers	6, 40	
GRI 102-9	Supply chain	50	
GRI 102-10	Significant changes to the organization and its supply chain	No significant changes in the supply chain	
GRI 102-11	Precautionary Principle or approach	37, 63	
GRI 102-12	External initiatives	Not applicable [No such initiatives]	
GRI 102-13	Membership of associations	4	
<b>Strategy</b>			
GRI 102-14	Statement from senior decision-maker	10	

**Ethics and integrity**

GRI 102-16	Values, principles, standards, and norms of behavior	4
------------	--	---

**Governance**

GRI 102-18	Governance structure	37
------------	----------------------	----

**Stakeholder engagement**

GRI 102-40	List of stakeholder groups	31
GRI 102-41	Collective bargaining agreements	0% of employees covered with Collective Bargaining Agreements
GRI 102-42	Identifying and selecting stakeholders	31
GRI 102-43	Approach to stakeholder engagement	31
GRI 102-44	Key topics and concerns raised	31

**Reporting practice**

GRI 102-45	Entities included in the consolidated financial statements	70
GRI 102-46	Defining report content and topic Boundaries	30
GRI 102-47	List of material topics	30
GRI 102-48	Restatements of information	None
GRI 102-49	Changes in reporting	None
GRI 102-50	Reporting period	About the Report
GRI 102-51	Date of most recent report	2019
GRI 102-52	Reporting cycle	About the Report
GRI 102-53	Contact point for questions regarding the report	About the Report
GRI 102-54	Claims of reporting in accordance with the GRI standards	About the Report
GRI 102-55	GRI content index	64
GRI 102-56	External assurance	None



Disclosure	Standard	Topic	Page numbers and/or direct answers	Omission
<b>Economic Performance</b>				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	49	
	GRI 103-2	The management approach and its components	49	
	GRI 103-3	Evaluation of the management approach	49	
GRI 201: Economic Performance 2016	GRI 201-1	Direct economic value generated and distributed	6	
GRI 202: Market Presence 2016	GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	44	
GRI 203: Indirect Economic Impacts 2016	GRI 203-1	Infrastructure investments and services supported	49	
	GRI 203-2	Significant indirect economic impacts	49	
<b>Compliance</b>				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	45	
	GRI 103-2	The management approach and its components	45	
	GRI 103-3	Evaluation of the management approach	45	
	GRI 205-2	Communication and training about anti-corruption policies and procedures	45	
	GRI 205-3	Confirmed incidents of corruption and actions taken	No confirmed incident of corruption in 2020	
GRI 307: Environmental Compliance 2016	GRI 307-1	Non-compliance with environmental laws and regulations	No notice of violations for 2020	
GRI 308: Supplier Environmental Assessment 2016	GRI 308-1	New suppliers that were screened using environmental criteria	None	
	GRI 308-2	Negative environmental impacts in the supply chain and actions taken	None	

Disclosure	Standard	Topic	Page numbers and/or direct answers	Omission
<b>Energy</b>				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	52	
	GRI 103-2	The management approach and its components	52	
	GRI 103-3	Evaluation of the management approach	52	
GRI 302: Energy 2016	GRI 302-1	Energy consumption within the organization	52	
	GRI 302-2	Energy consumption outside of the organization	52	
	GRI 302-3	Energy intensity	53	
<b>Water</b>				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	57	
	GRI 103-2	The management approach and its components	57	
	GRI 103-3	Evaluation of the management approach	57	
GRI 303: Water and Effluents 2018	GRI 303-1	Interactions with water as a shared resource	57	
	GRI 303-2	Management of water discharge-related impacts	57	
	GRI 303-3	Water withdrawal	56	
	GRI 303-4	Water discharge	56	
	GRI 303-5	Water consumption	56	
<b>Biodiversity</b>				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	60	
	GRI 103-2	The management approach and its components	60	
	GRI 103-3	Evaluation of the management approach	60	
GRI 304: Biodiversity 2016	GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	59	
	GRI 304-2	Significant impacts of activities, products, and services on biodiversity	60	
	GRI 304-3	Habitats protected and restored	59	
	GRI 304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	60	
<b>Emissions</b>				

Disclosure	Standard	Topic	Page numbers and/or direct answers	Omission
<b>Emissions</b>				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	54, 55	
	GRI 103-2	The management approach and its components	54, 55	
	GRI 103-3	Evaluation of the management approach	54, 55	
GRI 305: Emissions 2016	GRI 305-1	Direct (Scope 1) GHG emissions	54	
	GRI 305-2	Energy indirect (Scope 2) GHG emissions	54	
	GRI 305-5	Reduction of GHG emissions	54	
	GRI 305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	55	
<b>Waste</b>				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	58	
	GRI 103-2	The management approach and its components	58	
	GRI 103-3	Evaluation of the management approach	58	
GRI 306: Waste 2020	GRI 306-1	Waste generation and significant waste-related impacts	58	
	GRI 306-2	Management of significant waste-related impacts	58	
	GRI 306-3	Waste generated	58	
	GRI 306-1	Waste diverted from disposal	58	
	GRI 306-5	Waste directed to disposal	58	
<b>Labor Practices &amp; Employee Relations</b>				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	40, 45, 46	
	GRI 103-2	The management approach and its components	40, 45, 46	
	GRI 103-3	Evaluation of the management approach	40, 45, 46	
GRI 401: Employment 2016	GRI 401-1	New employee hires and employee turnover	44	
	GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	45	
	GRI 401-3	Parental leave	45	
GRI 402: Labor/ Management Relations 2016	GRI 402-1	Minimum notice periods regarding operational changes	4 Weeks	



Disclosure	Standard	Topic	Page numbers and/or direct answers	Omission
GRI 403: Occupational Health and Safety 2018	GRI 403-1	Occupational health and safety management system	46	
	GRI 403-2	Hazard identification, risk assessment, and incident investigation	46	
	GRI 403-3	Occupational health services	46	
	GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	46	
GRI 403: Occupational Health and Safety 2018	GRI 403-5	Worker training on occupational health and safety	48	
	GRI 403-6	Promotion of worker health	47	
	GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	46	
	GRI 403-9	Work-related injuries	46	
	GRI 403-10	Worker-related ill health	46	
GRI 404: Training and Education 2016	GRI 404-1	Average hours of training per year per employee	47	
	GRI 404-2	Programs for upgrading employee skills and transition assistance program	47	
GRI 405: Diversity and Equal Opportunity 2016	GRI 405-1	Diversity of governance bodies and employees	40	
GRI 406: Non-discrimination 2016	GRI 406-1	Incidents of discrimination and corrective actions taken	No incidents of discrimination	
GRI 407: Freedom of Association and Collective Bargaining 2016	GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	None	
GRI 408: Child Labor 2016	GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	None	
GRI 409: Forced or Compulsory Labor 2016	GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	None	
GRI 411: Rights of Indigenous Peoples 2016	GRI 411-1	Incidents of violations involving rights of indigenous peoples	None	
GRI 412: Human Rights Assessment 2016	GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	None	
	GRI 412-2	Employee training on human rights policies or procedures	None	
<b>Community Development</b>				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	49	
	GRI 103-2	The management approach and its components	49	
	GRI 103-3	Evaluation of the management approach	49	
GRI 413: Local Communities 2016	GRI 413-1	Operations with local community engagement, impact assessments, and development programs	49	

# FINANCIAL HIGHLIGHTS

	2020	2019	2018	2017	2016	2015
Volume ('000)	5624.9	5890.2	08.742	5970.613	4308.6	5351.8
Average Realized Price (USD)	26.16	21.87	18.07	19.29	17.9	26.7
Sales of Nickel Ore	7262.6	6654.6	5486.619	5815.596	3773.7	6533.2
Operating Income	2709.3	1973.7	873.906	1110.818	210.9	1256
Net Income	1865.4	1303.6	509.528	779.689	37.5	1111.8
Earnings per Share (PhP)	0.34	0.24	0.09	0.14	0.01	0.22
Current Ratio	3.70	3.14	3.61	2.12	1.63	1.5
Debt-to-Equity Ratio	0.27	0.4	0.39	0.41	0.44	0.39

## Stronger Performance in 2020

22.3%

Return on Equity

16.7%

Return on Asset

37.3%

Operating Margin

41.5%

EBITDA Margin

1%

Cost Reduction

### Calculation for the cost reduction:

Total cash costs/wmt

2020	720.30
2019	727.31

Decrease	-7.01
% Decrease	-1%





# Global Ferronickel Holdings, Inc.

7<sup>th</sup> Floor Corporate Business Center, 151 Paseo De Roxas corner Arnaiz Street, Makati City, 1228 Philippines  
Telephone No.:(632) 812 1494 & (632) 519 7888 Fax No.:(632) 812 0833 & (632)519 7999

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Global Ferronickel Holdings, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the audited consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019 in accordance with the prescribed financial reporting framework indicated therein, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the audited consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.


  
**JOSEPH C. SY**  
Chairman

  
**DANTE R. BRAVO**  
President

  
**MARY BELLE D. BITUIN**  
Chief Finance Officer

Signed this 15th day of APR 2021

Doc. No. 18  
Page No. 1  
Book No. 201  
Series of 2021  
SUBSCRIBED AND SWORN TO before me on  
THIS DAY OF APR 2021  
IN THE CITY OF MAKATI AFFIDAVIT EXHIBITED TO ME  
BY HIS/HER CTC NO. 15 ISSUED  
AT 15

  
**ATTY. JOHN DOMINGO L. PONCE, JR.**  
NOTARY PUBLIC  
APPOINTMENT No. M-92 / MAKATI CITY  
UNTIL JUNE 30, 2021  
(per Supreme Court En Banc Resolution  
dated December 1, 2020)  
PTR No. 8535267 / 01-04-2021 / MAKATI CITY  
ISF No. 142544 / 01-04-2021 / RIZAL  
MCLE COMPLIANCE No. VI-9027026 / 05-28-2019  
ROLL NO. 36452 / TIN No. 105-099-102-000  
Unit G-14 Makati Executive Tower 3  
Sen. Gil Puyat Avenue, Fin del Pilar,  
Makati City, Metro Manila



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Global Ferronickel Holdings, Inc. and Subsidiaries

### Opinion

We have audited the consolidated financial statements of Global Ferronickel Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

### 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated 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.

### Key Audit Matter

Key audit matter, in our professional judgment, was that matter of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



### *Recoverability of Deposits for Future Acquisition*

As at December 31, 2020, the Group has deposits for future acquisition amounting to ₱2,174.0 million. The significant portion of these deposits will form part of the purchase price for the acquisition of additional interest in the Group's investment in an associate, Southeast Palawan Nickel Ventures, Inc. (SPNVI). SPNVI has a subsidiary, Ipilan Nickel Corporation (INC), which is still under exploration and evaluation stage and has pending legal cases. Currently, INC is taking actions to settle the cases that includes constant communication with the National Government. We considered this as a key audit matter because of the materiality of the amount involved, significant management's judgment required in assessing whether there is any indication of impairment, and involves estimation and assumptions about ore reserves estimate, future capital requirements and production costs, as well as external input such as commodity prices, foreign exchange rates, price inflation and discount rate. Significant management's judgment is also required in assessing the successful feasibility and development of INC's exploration activities.

The Group's disclosures on deposits for future acquisition are included in Notes 3 and 29 to the consolidated financial statements.

### *Audit Response*

We obtained management's assessment on whether any events or circumstances exist that may indicate that the deposits for future acquisition may be impaired. We evaluated the methodologies and assumptions used in the impairment assessment which include ore reserves estimate, future capital requirements, production costs, commodity prices, foreign exchange rates, price inflation and discount rate. We involved our internal specialist in evaluating the discount rate and valuation methodologies used in the impairment assessment. We reviewed the specialist's report on the ore reserves and obtained an understanding of the nature, scope and objectives of his work, basis of the estimates including the changes in the reserves during the year and evaluated the significant factors considered by the specialist in preparing and producing the report. We compared the commodity prices, foreign exchange rates, price inflation and discount rate with externally published data. We also evaluated the future capital requirements and production costs by comparing these with the historical information of an affiliate using the same method of production. We inquired the status of INC's exploration activities and reviewed the related budget for exploration costs, and the INC's projects and future business plans. We inspected the related permits of INC's exploration project to determine that the period for which INC has the right to explore in the specific area has not expired and has been applied for renewal. We discussed with management the status of INC's pending legal cases, and obtained and reviewed correspondences with the relevant authorities and opinions from the external legal counsel.

### *Realizability of Advances to Related Parties*

As at December 31, 2020, the Group has advances to related parties which amounted to ₱2,765.5 million. These advances to related parties are supported with a financial guarantee contract which the Group considered in assessing the amount of ECL. We considered this as a key audit matter because of the materiality of the amount involved and significant judgments and estimates required in determining whether there is significant increase in credit risk and measurement of ECL, including consideration of forward-looking information. Significant management's judgment and estimate is also required to determine the realizable amount of the financial asset based on cashflow



forecast, which requires the use of significant assumptions such as projected sales volume, commodity prices, production costs and foreign exchange rates.

The Group's disclosures on advances to related parties are included in Notes 3 and 29 to the consolidated financial statements.

#### Audit Response

We obtained management's assessment in determining whether there is a significant increase in credit risk and whether provision for expected credit losses is required on advances to related parties. We evaluated the realizable amount used in the measurement of expected credit loss, including credit enhancement arising from the financial guarantee contract and the forward-looking information. We evaluated the cashflow forecast, including significant assumptions used such as commodity prices, foreign exchange rates, sales volume and production costs by reference to externally published market data and historical information. We checked the incorporation of forward-looking information in the cashflow forecast by evaluating and assessing the different forecast scenarios, including probability weight of each scenarios, if consistent with our expectation. Further, we reviewed the disclosures in relation to the expected credit losses on advances to related parties in Notes 3 and 29 to the financial statements.

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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



## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

- 5 -

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matter communicated with those charged with governance, we determine this matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Eleanore A. Layug.

SYCIP GORRES VELAYO & CO.



Eleanore A. Layug

Partner

CPA Certificate No. 0100794

SEC Accreditation No. 1250-AR-2 (Group A),

February 28, 2019, valid until February 27, 2022

Tax Identification No. 163-069-453

BIR Accreditation No. 08-001998-097-2020,

November 27, 2020, valid until November 26, 2023

PTR No. 8534308, January 4, 2021, Makati City

April 15, 2021



**GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Thousands)

	December 31	
	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	P2,451,566	P1,761,244
Trade and other receivables (Note 5)	126,727	147,635
Advances to related parties (Note 29)	2,765,543	2,419,012
Inventories (Note 6)	286,598	343,656
Prepayments and other current assets (Note 7)	62,739	23,901
<b>Total Current Assets</b>	<b>5,693,173</b>	<b>4,695,448</b>
<b>Noncurrent Assets</b>		
Property and equipment (Note 8)	1,977,317	1,979,348
Deposits for future acquisition (Note 29)	2,173,978	2,174,462
Investment in associates (Note 9)	487,657	451,429
Mine exploration costs (Note 11)	241,361	219,746
Mining rights (Note 10)	136,825	156,309
Deferred tax assets - net (Note 30)	153,122	146,310
Other noncurrent assets (Note 12)	711,103	879,080
<b>Total Noncurrent Assets</b>	<b>5,881,363</b>	<b>6,006,684</b>
<b>TOTAL ASSETS</b>	<b>P11,574,536</b>	<b>P10,702,132</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 13)	P449,896	P590,098
Current portion of loans payable (Note 14)	460,487	212,175
Advances from related parties (Note 29)	394,536	396,755
Current portion of lease liabilities (Note 17)	56,213	27,331
Income tax payable	176,863	267,063
<b>Total Current Liabilities</b>	<b>1,537,995</b>	<b>1,493,422</b>
<b>Noncurrent Liabilities</b>		
Provision for mine rehabilitation and decommissioning (Note 15)	328,601	252,454
Retirement obligation (Note 16)	25,081	20,996
Lease liabilities- net of current portion (Note 17)	37,868	46,862
Loans payable - net of current portion (Note 14)	-	484,853
Other noncurrent liabilities (Note 18)	532,029	757,029
<b>Total Noncurrent Liabilities</b>	<b>923,579</b>	<b>1,562,194</b>
<b>Total Liabilities</b>	<b>2,461,574</b>	<b>3,055,616</b>
<b>Equity</b>		
Capital stock (Note 19)	6,375,975	6,375,975
Additional paid-in capital (Note 19)	239,012	239,012
Fair value reserve of financial asset at fair value through other comprehensive income (Note 12)	(5,481)	(5,692)
Remeasurement gain on retirement obligation (Note 16)	8,607	19,729
Cumulative translation adjustment	(44,969)	(3,135)
Retained earnings (Note 19)	4,053,133	2,185,561
Treasury shares (Note 19)	(1,544,904)	(1,198,909)
Equity attributable to the Parent Company	9,081,373	7,612,541
Non-controlling interest (Note 19)	31,589	33,975
<b>Total Equity</b>	<b>9,112,962</b>	<b>7,646,516</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P11,574,536</b>	<b>P10,702,132</b>

See accompanying Notes to Consolidated Financial Statements.





**GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in Thousands, Except Earnings per Share)

	Years Ended December 31		
	2020	2019	2018
<b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b> (Note 33)	<b>₱7,262,574</b>	₱6,654,626	₱5,486,619
<b>COST OF SALES</b> (Note 21)	<b>2,368,014</b>	2,737,893	2,656,531
<b>GROSS PROFIT</b>	<b>4,894,560</b>	3,916,733	2,830,088
<b>OPERATING EXPENSES</b>			
Excise taxes and royalties (Note 23)	959,834	843,027	727,535
General and administrative (Note 22)	794,345	675,242	795,744
Shipping and distribution (Note 24)	431,100	424,802	432,903
	<b>2,185,279</b>	1,943,071	1,956,182
<b>FINANCE COSTS</b> (Note 27)	<b>(54,922)</b>	(83,084)	(76,938)
<b>SHARE IN NET INCOME (LOSS) OF INVESTMENT IN ASSOCIATES</b> (Note 9)	<b>35,745</b>	(41,464)	–
<b>FINANCE INCOME</b> (Notes 4, 12, and 16)	<b>7,418</b>	9,951	4,609
<b>OTHER CHARGES - net</b> (Note 28)	<b>(44,466)</b>	(27,409)	(15,170)
<b>INCOME BEFORE INCOME TAX</b>	<b>2,653,056</b>	1,831,656	786,407
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 30)			
Current	771,772	521,171	306,408
Deferred	15,884	6,930	(29,529)
	<b>787,656</b>	528,101	276,879
<b>NET INCOME</b>	<b>1,865,400</b>	1,303,555	509,528
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Currency translation adjustment	(59,763)	(22,609)	24,917
Income tax effect	17,929	6,783	(7,475)
	<b>(41,834)</b>	(15,826)	17,442
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gain (loss) on retirement obligation (Note 16)	(15,887)	24,150	(13,910)
Income tax effect	4,766	(7,245)	4,173
	<b>(11,121)</b>	16,905	(9,737)
Fair value reserve of financial asset at fair value through other comprehensive income (Note 12)	211	(801)	(4,427)
	<b>(10,910)</b>	16,104	(14,164)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱1,812,656</b>	₱1,303,833	₱512,806

(Forward)

	Years Ended December 31		
	2020	2019	2018
Net income attributable to:			
Equity holders of the Parent Company	<b>₱1,867,572</b>	₱1,307,772	₱509,528
Non-controlling interest in consolidated subsidiaries	<b>(2,172)</b>	(4,217)	–
	<b>₱1,865,400</b>	₱1,303,555	₱509,528
Total comprehensive income attributable to:			
Equity holders of the Parent Company	<b>₱1,814,828</b>	₱1,308,050	₱512,806
Non-controlling interest in consolidated subsidiaries	<b>(2,172)</b>	(4,217)	–
	<b>₱1,812,656</b>	₱1,303,833	₱512,806
<b>Basic/Diluted Earnings Per Share (Note 20)</b>	<b>₱0.34</b>	₱0.24	₱0.09

See accompanying Notes to Consolidated Financial Statements.

**GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**  
**(Amounts in Thousands)**

	Attributable to equity holders of the Parent Company										
	Additional		Treasury		Equity		Valuation		Fair Value		Non-Controlling Interest in Consolidated Subsidiaries
	Capital Stock (Note 19)	Paid-in Capital (Note 19)	Shares (Note 19)	Reserve (Note 19)	Financial Assets (Note 12)	Retirement Obligation (Note 16)	Gain (Loss) on Remeasurement	Gain (Loss) on Remeasurement	Reserve of Financial Asset at Fair Value	Retained Earnings (Note 19)	
	₱6,113,475	₱-	(₱954,090)	₱-	(₱464)	₱-	₱12,561	₱12,561	₱-	₱1,237,573	₱6,404,304
Balances at December 31, 2017	₱6,113,475	₱-	(₱954,090)	₱-	(₱464)	₱-	₱12,561	₱12,561	₱-	₱1,237,573	₱6,404,304
Effect of adoption of Philippine Financial Reporting Standards 9, <i>Financial Instruments</i> (Notes 2 and 12)	-	-	-	-	464	(4,849)	-	-	-	4,385	-
Balances as at January 1, 2018	6,113,475	-	(954,090)	-	-	(4,849)	12,561	(4,751)	1,241,958	6,404,304	6,404,304
Net income	-	-	-	-	-	-	-	-	509,528	-	509,528
Other comprehensive income (loss) - net of tax	-	-	-	-	-	(42)	(9,737)	17,442	-	7,663	7,663
Total comprehensive income (loss)	-	-	-	-	-	(42)	(9,737)	17,442	509,528	-	517,191
Issuance of:											
Common stock (Note 19)	262,500	255,000	-	-	-	-	-	-	-	517,500	517,500
Treasury shares in relation to stock grant (Note 19)	-	-	29,823	(16,533)	-	-	-	-	(13,290)	-	-
Treasury shares in relation to property dividends (Note 19)	-	-	859,961	-	-	-	-	-	(859,961)	-	-
Total issuances	262,500	255,000	889,784	(16,533)	-	-	-	-	(873,251)	517,500	517,500
Transaction costs on issuance of shares (Note 19)	-	(15,988)	-	-	-	-	-	-	-	(15,988)	(15,988)
Purchase of treasury shares in relation to buyback program (Note 19)	-	-	(636,904)	-	-	-	-	-	-	(636,904)	(636,904)
Acquisition of treasury shares from shareholders in relation to declaration of property dividends (Note 19)	-	-	(415,130)	-	-	-	-	-	-	-	(415,130)
Stock grant expense (Note 19)	-	-	-	16,533	-	-	-	-	-	-	16,533
Balances at December 31, 2018	₱6,375,975	₱239,012	(₱1,116,340)	₱-	₱-	(₱4,891)	₱2,824	₱12,691	₱878,235	₱6,387,506	₱6,387,506

(Forward)



**Attributable to equity holders of the Parent Company**

	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Treasury Shares (Note 19)	Equity Reserve (Note 19)	Valuation Gain (Loss) on Available-for-sale Financial Assets (Note 12)	Financial Asset through Other Comprehensive Income (Note 12)	Remeasurement Gain (Loss) on Retirement Obligation (Note 16)	Cumulative Translation Adjustment	Retained Earnings (Note 19)	Total	Non-Controlling Interest in Consolidated Subsidiaries (Note 19)	Total
Balances at December 31, 2018	P6,375,975	P239,012	(P1,116,340)	P-	P-	(P4,891)	P2,824	P12,691	P878,235	P6,387,506	P-	P6,387,506
Net income	-	-	-	-	-	-	-	-	1,307,772	1,307,772	(4,217)	1,303,555
Other comprehensive income (loss) - net of tax	-	-	-	-	-	(801)	16,905	(15,826)	-	278	-	278
Total comprehensive income (loss)	-	-	-	-	-	(801)	16,905	(15,826)	1,307,772	1,308,050	(4,217)	1,303,833
Issuance of common stock (Note 19)	-	-	-	-	-	-	-	-	(446)	(446)	38,571	38,125
Purchase of treasury shares in relation to buyback program (Note 19)	-	-	(82,569)	-	-	-	-	-	-	(82,569)	-	(82,569)
Cash dividend (Note 19)	-	-	-	-	-	-	-	-	-	-	(379)	(379)
Balances at December 31, 2019	P6,375,975	P239,012	(P1,198,909)	P-	P-	(P5,692)	P19,729	(P3,135)	P2,185,561	P7,612,541	P33,975	P7,646,516
Net income	-	-	-	-	-	-	-	-	1,867,572	1,867,572	(2,172)	1,865,400
Other comprehensive income (loss) - net of tax	-	-	-	-	-	211	(11,122)	(41,834)	-	(52,745)	-	(52,745)
Total comprehensive income (loss)	-	-	-	-	-	211	(11,122)	(41,834)	1,867,572	1,814,827	(2,172)	1,812,655
Issuance of common stock (Note 19)	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares in relation to buyback program (Note 19)	-	-	(345,995)	-	-	-	-	-	-	-	(345,995)	(345,995)
Cash dividend (Note 19)	-	-	-	-	-	-	-	-	-	-	(214)	(214)
Balances at December 31, 2020	P6,375,975	P239,012	(P1,544,904)	P-	P-	(P5,481)	P8,607	(P44,969)	P4,053,133	P9,081,373	P31,589	P9,112,962

See accompanying Notes to Consolidated Financial Statements.





**Global Ferronickel  
Holdings, Inc.**

